

23rd July 2020

Submission to inquiry into the Royalties Legislation Bill 2020 (Bill)

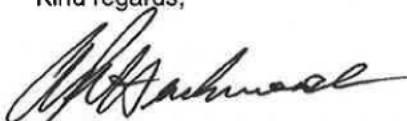
23rd July 2020

Committee Secretary
Economics and Governance Committee
Parliament House
George Street
Brisbane Qld 4000
(via email: egc@parliament.qld.gov.au)

Dear Committee,

Thank you for the opportunity for Tri-Star Group to provide comments the committee's inquiry into the Royalties Legislation Bill 2020 (Bill).

Kind regards,



Andrew Hackwood

Executive Vice President – Australia

Submission made on behalf of Tri-Star Petroleum

PO Box 7128, Brisbane, QLD, 4001

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Comments on Royalty Legislation Bill 2020

Please see below Tri-Star's submissions to the Economic and Governance Committee (Committee) in respect of the inquiry into the Royalties Legislation Amendment Bill 2020 (RLAB 2020).

1.1 Petroleum Ventures

- (a) RLAB 2020 provides at section 139(2) that the "revenue commissioner may make a determination that the petroleum venture is an LNG project"
- (b) Section 139(3) of RLAB 2020 further provides that if a determination is so made under section 139(2), then the "revenue commissioner must also make a determination of who are members of the LNG project".
- (c) We have read this as providing that where a petroleum venture (defined at section 139(10)) is determined an LNG project, that section 139(3) allows the revenue commissioner to exempt, for example, members of a petroleum venture from being classified as members of an LNG project for the purposes of RLAB 2020.
- (d) We are seeking some clarity on our reading set out in paragraph 1.1 (c) above, to ensure that joint venture participants that are solely dealing with domestic gas (producing or storing such gas for example) are not classified as being a member of an LNG project in the event that the petroleum venture they are a party to is classified as an LNG project.
- (e) By way of example, if the majority of gas produced from a joint venture is being used by petroleum producers to produce LNG, then that petroleum venture may be determined to be an LNG project. Within that joint venture, a participant may have a minority interest and uses gas that it is entitled to entirely for sale into the Queensland domestic gas market. In that instance, the minority interest holder selling its gas into the domestic gas market should not be a member of an LNG project for the purposes of RLAB 2020.
- (f) We recommend that the Committee recommend a parliamentary amendment be made to RLAB 2020 to clearly set out
 - i. that a determination under section 139(2) does not in itself make all members of the petroleum venture members of an LNG Project; and
 - ii. that a determination under section 139(3) can exempt members of that petroleum venture from being determined to be a member of an LNG Project.

1.2 Gas Swaps

- (a) RLAB 2020 at section 149 provides that the "revenue commissioner may make a determination about how this chapter applies to swap arrangements".
- (b) We understand from the First Reading of RLAB (reported on page 1745 of the Hansard Record of Proceedings (Proof) dated Thursday 16 July 2020), that the intention in respect of swap arrangements is to exempt gas swaps from royalty (as per the Hon CR Dick's first reading comments).
- (c) We recommend that the Committee recommend a parliamentary amendment be made to RLAB 2020 to clearly set out that a gas swap is exempt from the paragraph until the revenue commissioner makes a determination under section 139(2) that the gas swap is not exempt.
- (d) This will provide some industry clarity while the Committee consults with industry to prepare the determination noted in the Swap Arrangements of the Petroleum Royalty Review - Response to Implementation Consultation Submissions (at page 21).