

MEDIA RELEASE

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Federal Government support urged on domestic gas tax

Western Australia's peak energy user group has urged the Federal Government to support State incentives and exempt domestic gas production from the Petroleum Resource Rent Tax (PRRT).

Meeting with the Government's Policy Transition Group, DomGas Alliance Chairman Tony Petersen said an exemption would provide a significant incentive for gas producers to develop further domestic gas supply. It would also recognise the critical role of domestic gas to Australia's economy.

Western Australia faces a worsening domestic gas shortage in the coming decade. The shortfall could be as high as 600 terajoules per day according to WA government and industry projections.

Mr Petersen said the Alliance was heartened by the Policy Transition Group's willingness to work with domestic gas producers and consumers.

"The Alliance's preference is to exempt domestic gas production from the PRRT, but we recognise there are other options available to government."

Other options could include:

- a 150 per cent exploration uplift for domestic gas projects – similar to that previously available for 'frontier' deep water exploration;
- a \$50 million threshold before any tax cuts in – similar to that proposed for minerals;
- increased deductibility for development costs – unconventional tight gas projects involve higher development costs compared to conventional gas fields; and
- a Flow Through Shares scheme - which would make it easier for smaller, emerging domestic gas producers to raise development funds.

One-third of gas produced in Western Australia is supplied to the domestic market, with two-thirds exported. This proportion will fall further as new LNG projects like Gorgon come on-stream.

"Any revenue foregone would be more than offset by the taxes generated by growth in downstream industries dependent on domestic gas supply," Mr Petersen said.

In July 2009, the WA Government announced a reduction in the State royalty rate on onshore unconventional “tight gas” production from 10 per cent to 5 per cent.

“It is important that the Commonwealth support, or at the very least not undercut, the State’s efforts to encourage domestic gas supply,” Mr Petersen said.

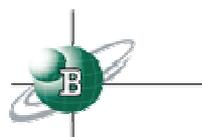
“Natural gas will be vital in underpinning Australia’s transition to a lower carbon economy during the next 20 years.”

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The DomGas Alliance

The DomGas Alliance is Western Australia's peak energy user group and represents natural gas users, infrastructure investors and prospective domestic gas producers. The Alliance promotes security and affordability of gas supply.

Alliance members represent around 80 percent of Western Australia's domestic gas consumption and transmission capacity, and supply gas and electricity to 200,000 small businesses and 2 million West Australians.



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