

## Canberra observed



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### Government hopes to raise an extra \$6 billion in revenue with changes to petroleum resource rent tax...

On 2 November 2018, the Treasurer, Josh Frydenberg, released the Government's final response to Michael Callaghan's review of the Petroleum Resource Rent Tax (PRRT). The review was initiated in November 2016, to provide advice about whether the PRRT is operating as it was originally intended, and to address the reasons for the rapid decline of Australia's PRRT revenues.

Since the PRRT was introduced in 1988 the nature of petroleum production has changed, shifting from crude oil and condensate to a more significant role for LNG. In fact, over the past 30 years, oil and condensate production has nearly halved, and gas production has increased over sevenfold. The government obviously wanted a bigger part of the action!

Its full response can be found at: <https://static.treasury.gov.au/uploads/sites/1/2018/11/p2018-t339508-govt-response-PRRT.pdf> and some of the changes, which will be introduced on 1 July 2019, do not appear to encourage petroleum exploration.

To quote from the Minister's media release these include:

**'Lower uplift rates:** *These changes will limit the scope for excessive compounding of deductions. For example, the uplift rate on exploration expenditure will be reduced from*

*Long Term Bond Rate (LTBR)+15 percentage points to LTBR+5. Existing investments will be respected.*

**Onshore projects removed from the PRRT regime:** *Since onshore projects were brought into the PRRT in 2012, no revenue has been collected and that was expected to remain unchanged into the future. In practice, it has been used to transfer exploration deductions to profitable offshore projects reducing PRRT payable. This change will simplify the system and strengthen its integrity.*

**Review of Gas Transfer Pricing Regulations:** *Treasury will commence a review into the regulations that determine the price of gas in integrated LNG projects for PRRT purposes. Treasury will consult closely with the industry and community.'*

This means that 'exploration expenditure' incurred by projects before 1 July 2019 will still be deducted at the current uplift rate of the long term bond rate (LTBR)+15 percentage points. But after 1 July 2019 the rate will fall to LTBR+5 percentage points. Consequently, existing projects that had been expecting to keep claiming high uplift rates for exploration expenditure will be forced to accept lower uplift rates from 1 July 2019.

It is not unreasonable to apply a RRT on the profits from LNG, but at a time when petroleum exploration in Australia is near an all-time low and we are going to have to rely more on imports of hydrocarbons for transport and PVC manufacture, one would have thought that the government should be providing more encouragement for exploration rather than just trying to milk the LNG cash cow.

The APPEA's Chief Executive Malcolm Roberts said that 'changes to the petroleum resource rent tax (PRRT) announced by the Commonwealth must be assessed carefully by Australia's oil and gas industry'. What an understatement!

### Saves \$4 million by blocking 11 research grants...

In one of the more bizarre decisions by the current government, its Education

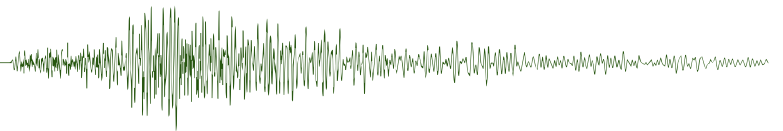
Ministers Simon Birmingham (under Turnbull) and Dan Tehan (under Morrison) have vetoed 11 Discovery Grants approved by the Australian Research Council (ARC). Neither minister gave any reason for interfering with the ARC process or for selecting these eleven studies. It should be noted that the ARC is an independent body set up by an Act of Parliament that governs its activities. Tehan announced that university funding must now meet a 'national interest test', seemingly unaware that grant proposals already pass a 'national benefit test' before they are awarded. He has not yet spelled out what this test should be.

It looks as though both Ministers just looked at the titles of the grant applications and made their decision to exercise their right of veto without reading any further. For example, one of the grant applications most widely quoted in the media is entitled: 'Post-orientalist arts of the Strait of Gibraltar'. At first sight it does seem irrelevant, but as Van Badham wrote in the Guardian on 1 November 2018:

*'Gibraltar was once a geographical passageway between continental Europe and Africa and a place that shared dual language and cultural influences from Moorish and Judeo-Christian societies. From 1492-on, after the Spanish defeated the last Muslim government north of the straits, Gibraltar's role was affirmed by the victors as a barrier between cultures. If you're interested in what precise features distinguish 'western civilisation' from its neighbours, 'post-orientalist arts of the Straits of Gibraltar' would be a most useful place to start.'*

### removes \$134 million from research funding...

On 12 November 2018 the government announced that \$134 million would be taken from the Research Support Program, which funds researchers' salaries, laboratories and libraries, to pay for student places at regional universities.



## delays next round of Australian Research Council grants...

Until the new national interest test for public funding is applied, there will be a delay in announcing the current round of \$300 million grants. These would usually have been announced in late October or early November. It now seems that researchers will have to wait until February 2019 to know if they have received an ARC grant for 2019. This will cause a high level of uncertainty to academics, particularly early career researchers, who won't know whether they're to be employed until the new year. Universities Australia has said it does not understand why the government wants to introduce a 'national interest test' on Research Council grants for academics, given applicants must already meet a 'national benefit' test.

It seems to me that the government does not really understand the value of research and how it is carried out, or what it hopes to achieve by reducing funding and adding a political filter over research projects.

## and is undertaking a review into university freedom of speech

The review will examine the rules and regulations protecting freedom of speech on university campuses. It will among other activities:

- Assess the effectiveness of the Higher Education Standards Framework to promote and protect freedom of expression and freedom of intellectual inquiry in higher education.

- Assess the effectiveness of the policies and practices to address the requirements of the Standards, to promote and protect freedom of expression and intellectual inquiry.

Former Chief Justice of the High Court Robert French is heading-up the review, which will also examine existing material regarding free speech, including codes of conduct, enterprise agreements, policy statements and strategic plans.

The government did not indicate why the review was necessary, or when it is expected to report. More information can be found from the website: <https://ministers.education.gov.au/tehan/review-university-freedom-speech>

No wonder the universities say they feel they are under attack!

## Government awards seven offshore petroleum permits, attracting \$530 million exploration investment

There's nothing like an increase in the oil price to kick-start Australian petroleum exploration investment, which has been in the doldrums for the past two years.

On 1 November 2018 Minister Canavan announced the awarding of seven new offshore petroleum exploration permits as part of the 2017 Offshore Petroleum Exploration Acreage Release <https://petroleum-acreage.gov.au/>.

The new exploration permits are in Commonwealth waters offshore Western Australia, Victoria and the Territory of Ashmore and Cartier Islands. These permits will potentially see more than \$530 million in exploration investment over the next six years. This is a long way short of the heady days in 2014 when investment was approximately \$1 billion per quarter, but it is an encouraging indication. Notice that BP and Shell plan to increase their exploration investment and are exploring two large comparatively unexplored areas (W17-3 and W17-7).

Details of the proposed exploration programs are shown below:

### Exploration permit AC/P63

- The AC17-3 release area, in the Timor Sea (Figure 1), was awarded to Carnarvon Petroleum Ltd

- Carnarvon proposed a \$4.25 million guaranteed work program including licensing 542 km<sup>2</sup> of Cygnus multi-client 3D seismic data.
- The secondary work program totals \$30.5 million and includes an exploration well.
- No other bids were received for this area.

### Exploration permit VIC/P72

- The V17-1 release area in the Gippsland Basin (Figure 2), southeast of Lakes Entrance, was awarded to Cooper Energy (MGP) Pty Ltd.
- Cooper Energy proposed a \$31 million guaranteed work program including one exploration well.

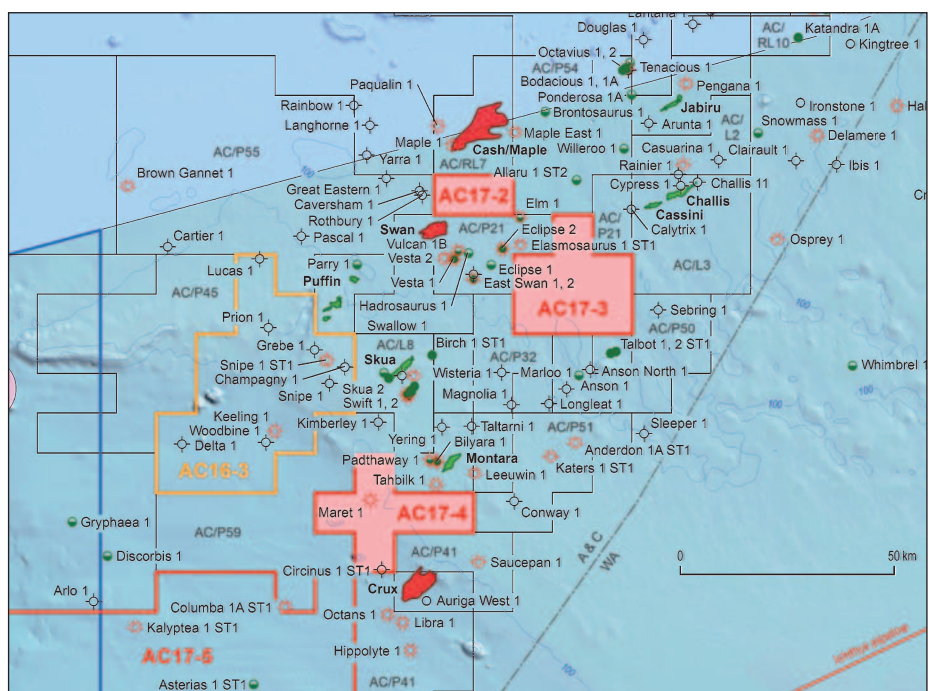


Figure 1. Location of permit areas AC17-3, AC17-4 and AC17-5, Bonaparte Basin, Timor Sea.

- The secondary work program totals \$31 million and includes one well.
- No other bids were received for this area.

### Exploration permit WA-533-P

- The W16-6 release area in the Canning Basin, north of Broome (Figure 3), was awarded to INPEX Browse E&P Pty Ltd.
- INPEX proposed a \$9.3 million guaranteed work program comprising acquiring 5005 km of 2D seismic data and 1035 km<sup>2</sup> of 3D seismic data.
- The secondary work totals \$26 million and includes one exploration well.
- No other bids were received for this area.

### Exploration permit AC/P64

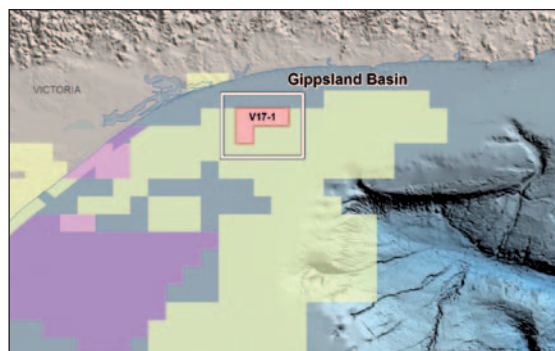
- The AC17-4 release area in the Timor Sea (Figure 1) was awarded to Shell Australia Pty Ltd.
- Shell proposed a \$76.5 million guaranteed work program including licensing and reprocessing 478 km<sup>2</sup> of the Cygnus MC3D seismic data and one exploration well.
- The secondary work program totals \$70.2 million and includes one exploration well.
- One other bid was received for this area.

### Exploration permit AC/P65

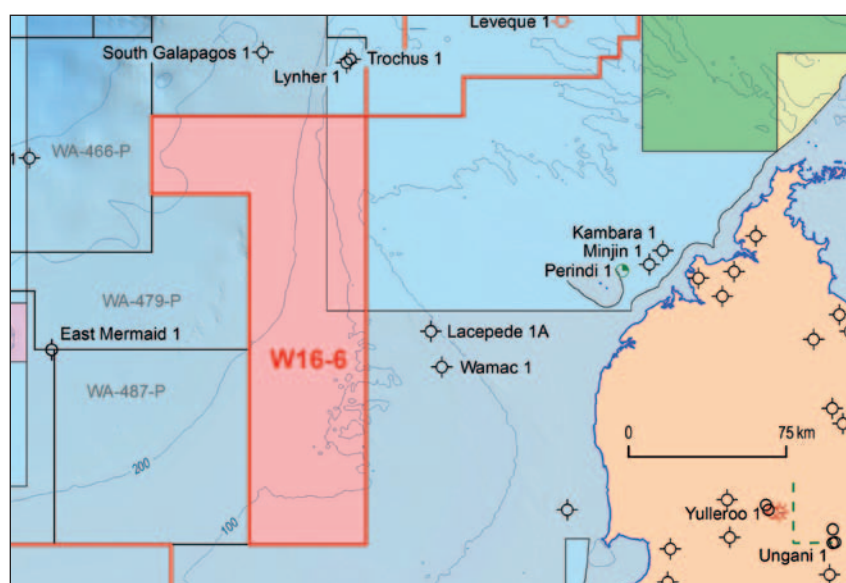
- The AC17-5 release area in the Browse Basin (Figure 1), off Western Australia, was awarded to Shell Australia Pty Ltd.
- Shell proposed a \$30.5 million guaranteed work program including licensing the Caswell and Heywood multi-client 3D data and the acquisition of 2910 km<sup>2</sup> of new 3D seismic data.
- The secondary work program totals \$70.2 million and includes one exploration well.
- One other bid was received for this area.

### Exploration permit WA-534-P

- The W17-3 release area in the Browse Basin (Figure 4), adjacent to the AC/



**Figure 2.** Location of permit area V17-1, Gippsland Basin, Bass Strait.



**Figure 3.** Location of permit area W16-6, Offshore Canning Basin.

- P65 permit, was awarded to Shell Australia Pty Ltd.
- Shell proposed a \$10.6 million guaranteed work program including licensing 753 km<sup>2</sup> of Caswell multi-client 3D seismic data and 1697 km<sup>2</sup> of Heywood multi-client 3D seismic data.
- The secondary work program totals \$72.4 million and includes acquisition of 330 km<sup>2</sup> 3D seismic data and one exploration well.
- One other bid was received for this area.

### Exploration permit WA-535-P

- The W17-7 release area on the Exmouth Plateau (Figure 5) was awarded to BP Development Australia Pty Ltd.
- BP proposed a \$6.4 million guaranteed work program including licensing Olympus 3D seismic data.
- The secondary work program totals \$68 million and includes one exploration well.
- No other bids were received for this area.



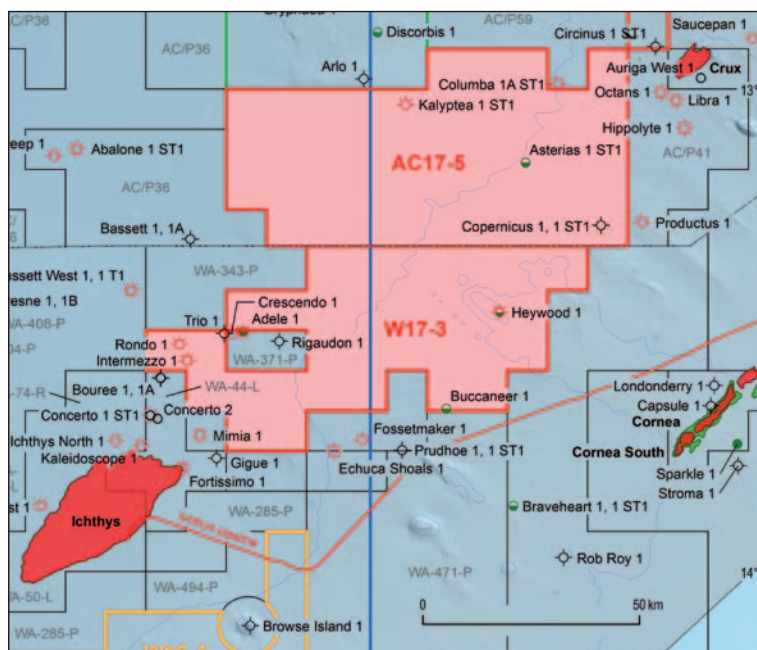
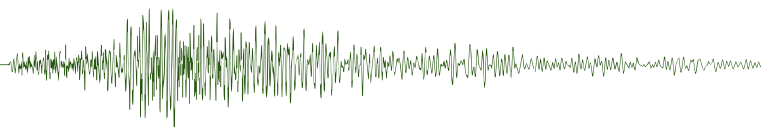


Figure 4. Location of permit area W17-3, Browse Basin.

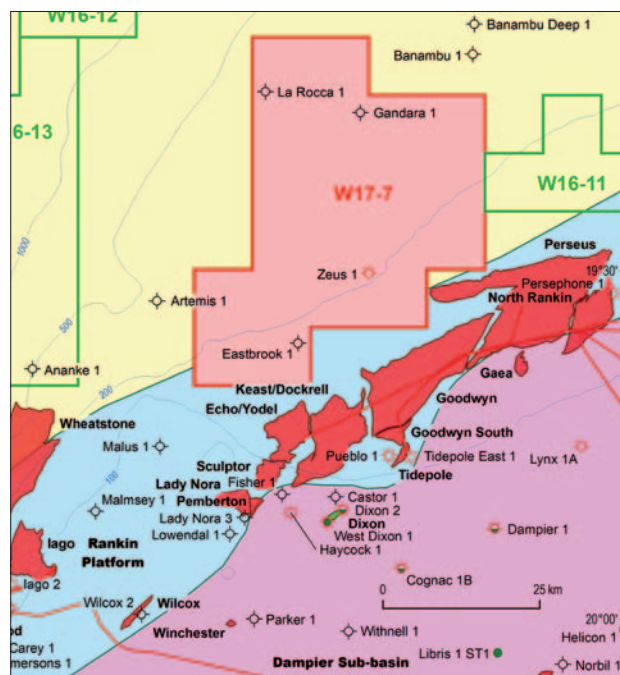


Figure 5. Location of permit area W17-7, Northern Carnarvon Basin.



## ASEG RESEARCH FOUNDATION

**Attention: All geophysics students at honours level and above**

- You are invited to apply for ASEG RF grants for 2019.
- Closing date: **28 February 2019.**
- Awards are made for:
  - BSc (Hons) Max. \$5000 (1 Year)
  - MSc Max. \$5000 per annum (2 Years)
  - PhD Max. \$10 000 per annum (3 Years)
- Application form and information at: <https://www.aseg.org.au/foundation/how-to-apply>
- Awards are made to project specific applications and reporting and reconciliation is the responsibility of the supervisor.
- Any field related to exploration geophysics considered, e.g. petroleum, mining, environmental, and engineering.
- The completed application forms should be emailed to Doug Roberts, Secretary of the ASEG Research Foundation: [dcrgео@tpg.com.au](mailto:dcrgео@tpg.com.au)
- The application documents have been reviewed and some rules have changed for 2019 and later grants.

### ASEG Research Foundation

**Goal:** To attract high-calibre students into exploration geophysics, and thus to ensure a future supply of talented, highly skilled geophysicists for industry.

**Strategy:** To promote research in applied geophysics, by providing research grants at the BSc (Honours), MSc, and PhD level (or equivalent).

**Management:** The ASEG RF Committee comprises ASEG Members from mining, petroleum and academic backgrounds, who serve on an honorary basis, and who share the administrative costs to spare Research Foundation funds from operating charges. The funds are used in support of the project, for example, for travel costs, rental of equipment, and similar purposes. Funds must be accounted for and, if not used, are returned to the ASEG Research Foundation.

Donations to the ASEG Research Foundation are always very welcome and are tax deductible. Contact the ASEG if you wish to make a donation