



fact sheet

# economic contribution report for year ended 31 December 2016

## chevron australia holdings

### human energy®

#### foreword

Chevron is one of the world's leading integrated energy companies and has been operating in Australia for more than 60 years. Chevron Australia is leading the development of the Gorgon and Wheatstone natural gas projects, which represent an investment of \$80-plus billion<sup>1</sup> and are creating enduring economic benefits on a scale never before seen in Australia.

Gorgon and Wheatstone are delivering a range of benefits to Western Australia and the broader nation<sup>1</sup>, including:

- **\$60b** in local content, across 1000 contracts
- **600** Australian companies supported during construction
- **19,000** construction jobs created
- At full capacity, Gorgon and Wheatstone will have the capacity to produce **500TJ/d** of domgas, around 50 per cent of current domgas supply in WA.

Chevron is committed to paying its fair share of taxes. Since 2009, Chevron Australia has paid around \$4.5b in state and federal taxes and royalties. After reaching full production, forecasts show Chevron Australia will pay \$2b to \$3b a year in federal and state taxes and royalties by the early to mid 2020s.

Our annual tax payments will increase significantly when Chevron Australia commences Petroleum Resource Rent Tax (PRRT) payments, expected between 2029 and the mid 2030s. Chevron Australia expects to pay between \$60b and \$140b of PRRT over the life of the Gorgon and Wheatstone projects – subject to a number of price and other assumptions.

In approaching our tax obligations, we seek to comply with the letter and the spirit of the law, aligned with our stringent global code of business ethics. Our philosophy is to be open and transparent in our engagement with the Australian Taxation Office (ATO). Where possible, we seek early engagement on significant, complex or uncertain matters across all facets of tax law.

International tax law is highly complicated, with many areas of the law still unsettled. Accordingly, there will be times when tax matters cannot be resolved directly with the ATO, such as our recent debt financing litigation.

The Australian community can remain confident it will reap a range of benefits from Chevron Australia's major LNG and domestic gas projects for decades to come. And with Chevron's plans for billions of dollars of ongoing investments in Australia, our contributions will continue to grow through local jobs, local contracts, and billions of dollars in tax revenues.



Source: ACIL Allen

1 - Represents 100% total project investment

## Investment in Australia

Chevron Australia has delivered direct and indirect economic benefits to the Australian economy during the period 2009 to 2016:

- More than **\$60 billion** has been committed to **Australian goods and services** to develop the Gorgon and Wheatstone Projects.<sup>1</sup>
- Almost **1000 contracts** have been awarded to 600 Australian companies to develop the Gorgon and Wheatstone Projects.<sup>1</sup>
- Almost **19,000 workers** have been directly employed.<sup>1</sup>
- Paid **\$4.5 billion** in Australian taxes.
- More than **\$1 billion** has been invested in **research and development** in Australia.<sup>1</sup>
- More than **\$53 million** has been invested into universities and research institutes to help build local academic excellence and research capability.<sup>1</sup>
- Almost **\$300 million** has been committed to community investments, including **\$250 million** to critical and social infrastructure in Onslow associated with the Wheatstone Project.<sup>1</sup>
- Nearly **\$1.6 billion** has been spent on exploration activities in Australia between 2009 and 2014, resulting in a record 25+ offshore discoveries.

Chevron Australia will seek to deliver significant long-term direct and indirect economic benefits to the Australian economy. According to a study by ACIL Allen, over the period 2009 to 2040, these include<sup>1</sup>:

- More than **\$1 trillion** to the Gross Domestic Product (GDP) of Australia, nearly \$32 billion per year.

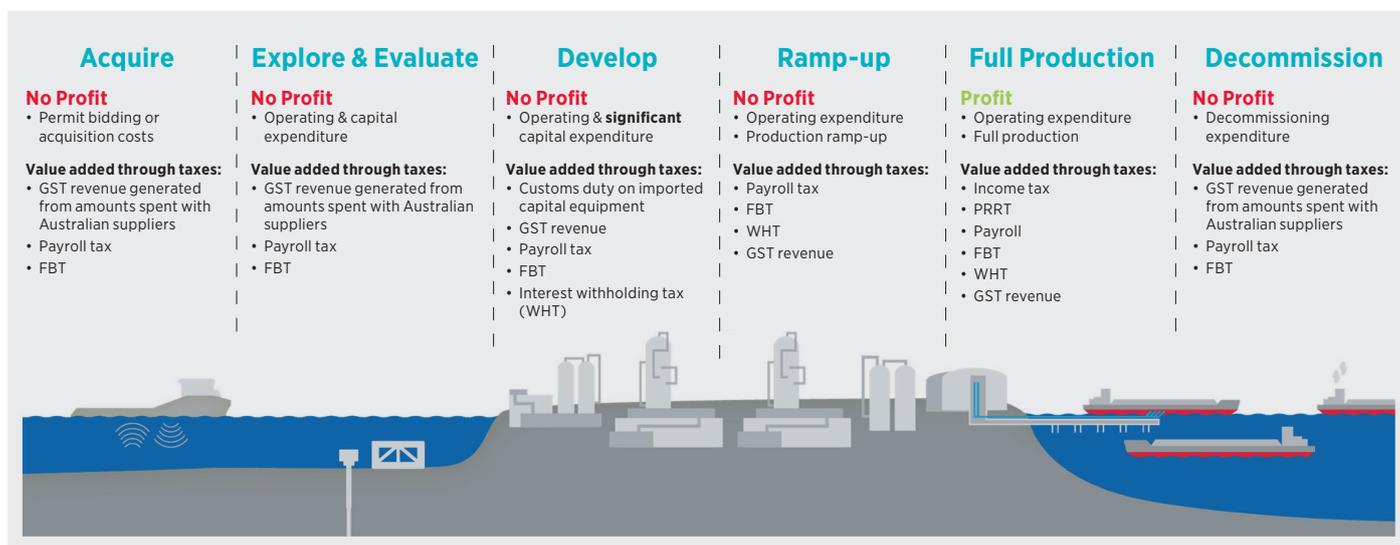
- Almost 150,000 full time equivalent job years in Australia, nearly 5000 per year.
- \$338 billion to Federal Government revenue.
- More than \$320 billion added to real incomes in Australia, around \$10 billion per year.
- The Gorgon and Wheatstone Projects have the capacity to produce 500TJ/d of domestic gas (domgas), around 50 per cent of current domgas supply in Western Australia.

## Taxes paid across the lifecycle of major projects

Major oil and gas projects operate at a loss for much of their economic lives, particularly in the investment and build-up stages. Chevron Australia has invested billions of dollars upfront in exploring the Carnarvon Basin (offshore WA) and developing the Gorgon and Wheatstone gas projects – on seismic surveys, exploration drilling, and the construction of the subsea and LNG plant infrastructure. During this period, the projects have no revenue, but, only costs.

For example, the Gorgon gas field was discovered in 1980 and the LNG project was sanctioned in 2009. The first LNG cargo was not exported until 2016. Over the 37 years since first discovery, Chevron Australia has spent billions, but without profit, no income tax nor PRRT is payable on Gorgon.

However, a range of other taxes were paid during construction of both Gorgon and Wheatstone. As noted, Chevron Australia has paid \$4.5b in federal and state taxes and royalties since 2009.



<sup>1</sup> | Represents 100% total project investment

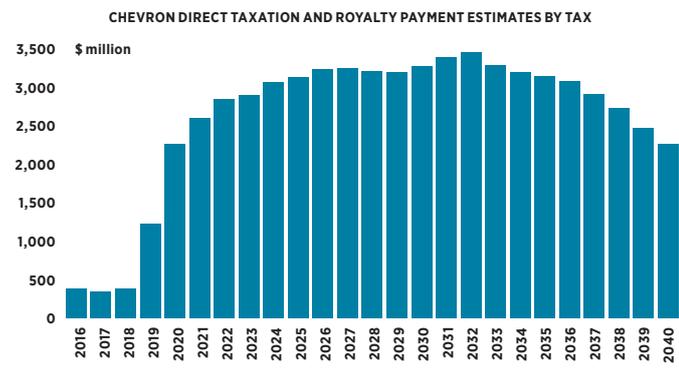
## chevron's current tax contribution

Since 2009, Chevron Australia has paid around \$4.5b in federal and state taxes, as shown in the below chart:

Chevron Australia taxes and royalties paid 2009 to 2016	
Description	Total (millions)
Income Tax	385
Fringe Benefits Tax	310
Royalties	1,751
Excise	928
Payroll Tax	295
Interest Withholding Tax	828
Foreign Resident Withholding Tax	13
Royalty Withholding Tax	6
GST – Denied Input Tax Credits	6
<b>Total</b>	<b>4,522</b>

## chevron's future income tax and royalty contribution

Chevron Australia commissioned ACIL Allen to undertake an independent study into the economic contribution from Chevron's activities in Australia. ACIL Allen's report, based on 2015 parameters, found Chevron Australia will pay \$2 billion to \$3 billion a year in income tax and royalties after Gorgon and Wheatstone are in full production. These figures do not include PRRT, which are even more substantial.



Note: Taxation payments are estimates based on ACIL Allen's forecast of exchange rates and oil prices. All values expressed in real dollars. Source: ACIL Allen Consulting.

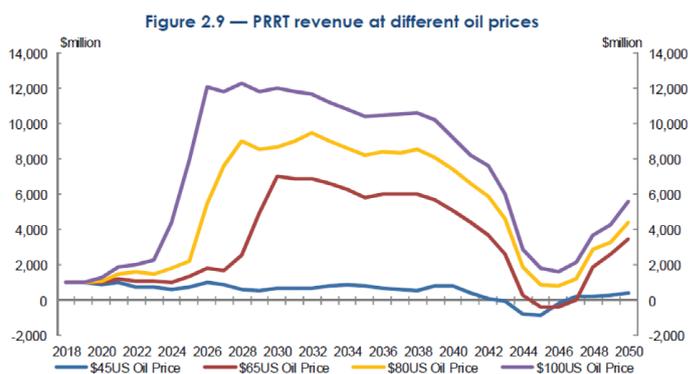
## chevron's future PRRT contribution

PRRT is a super-profits tax. It is deliberately designed to allow major projects to recoup their capital investments. After that time, PRRT is then payable at a rate of 40%. This is on top of income tax – making for an effective tax rate of 58%.

Based on a range of price and other assumptions, Chevron Australia expects to first pay PRRT somewhere between 2029 and the mid 2030s and expects to pay between \$60b and \$140b over the life of the projects.

This forecast is consistent with the findings of the Government's Callaghan Review, which as shown in the graph below forecast a significant boost in PRRT revenues from the 2020s.

The review found also found "the PRRT remains the preferred way to achieve a fair return to the community for the extraction of petroleum resources without discouraging investment."



Source: Petroleum Resource Rent Tax Review

## our approach to tax

### tax policy, strategy and governance

Chevron Australia's cross border dealings must not only comply with domestic Australian law but also international tax laws and principles.

In approaching our tax obligations, we comply with the letter and the spirit of the law, in-line with our stringent global code of business ethics.

Australia has robust but complex and evolving tax laws. This complexity and dynamic nature of the law sometimes means the law is not entirely clear and the ATO may have differing views. Our philosophy is to be open and transparent in our

engagement with the ATO. The spectrum of our engagement ranges from compliance reviews, audits and disputes. We seek advance rulings on complex and uncertain tax matters, as well as contributing to the development of relevant public rulings and interpretive guidance.

Chevron Australia is vitally interested in tax policy that ensures certainty and fairness for our significant, long-term investments in Australia. Chevron Australia is contributing to the current broader tax reform process in Australia through its membership of the Australian Petroleum Production & Exploration Association, the Corporate Tax Association and the Business Council of Australia.

Chevron Australia is subject to the US Sarbanes-Oxley laws that require us to have strong governance processes in place regarding our tax positions. Our governance processes are subject to both internal audit and audit by PricewaterhouseCoopers, our external auditor, on an annual basis.

#### Information disclosed by the ATO

In late 2016, the Commissioner of Taxation publicly disclosed the following details in respect of Chevron Australia's income tax return for the year ended 31 December 2015 (in lieu of the 30 June 2016 income year).

Total Income	\$2,142,255,410
Taxable Income	\$0
Income Tax Payable	\$0

However, Chevron Australia made an accounting loss before tax of A\$250 million for the year ended 31 December 2015.

While Chevron Australia does earn some revenues, that revenue is exceeded by operating costs, depreciation and other deductible outlays such as R&D. Income tax is levied on profit rather than revenue.

Total Income as disclosed by the ATO represents Chevron Australia's gross income for accounting purposes. That is, income (revenue) before any expenses are taken into account. Total income is not an indicator of the real, economic or taxable profits of any organisation.

#### Financial statement disclosures

	2016 (US millions)	2015 (US millions)
<b>Profit/(Loss) before income tax expense</b>	(153)	(173)
<b>Prima facie tax at 30%</b>	46	52
<b>Non-temporary differences</b>	165	(45)
<b>Temporary Differences</b>	(179)	326
<b>Other</b>	(421)	5
<b>Income tax (expense) / benefit</b>	(389)	338

#### Effective tax rate

Chevron Australia's corporate tax rate (not including royalties or other taxes) has been calculated using the following formula:

$$\frac{\text{Income Tax Paid}}{\text{Accounting Profit for the Income Tax Consolidated Group}}$$

This results in the following effective corporate tax rate over the last five years:

Year Ended 31 December 2011	Year Ended 31 December 2012	Year Ended 31 December 2013	Year Ended 31 December 2014	Year Ended 31 December 2015
7%	8%	0%	0%	0%

The above effective tax rates are consistent with the life cycle of our projects. Corporate income tax is calculated on profit and not revenue. The Gorgon Project has only just started deriving revenue and the Wheatstone Project has not yet started production.

Chevron publishes the effective tax rate for its global operations in its annual report (please refer to [www.chevron.com/annual-report](http://www.chevron.com/annual-report)).

*Please note that the 31 December 2016 Income Tax Return was not due for lodgment at the time of this report.*