



# **Coal Seam Gas: opportunities & the RSPT**

**SPE**

**Victoria / Tasmania  
branch**

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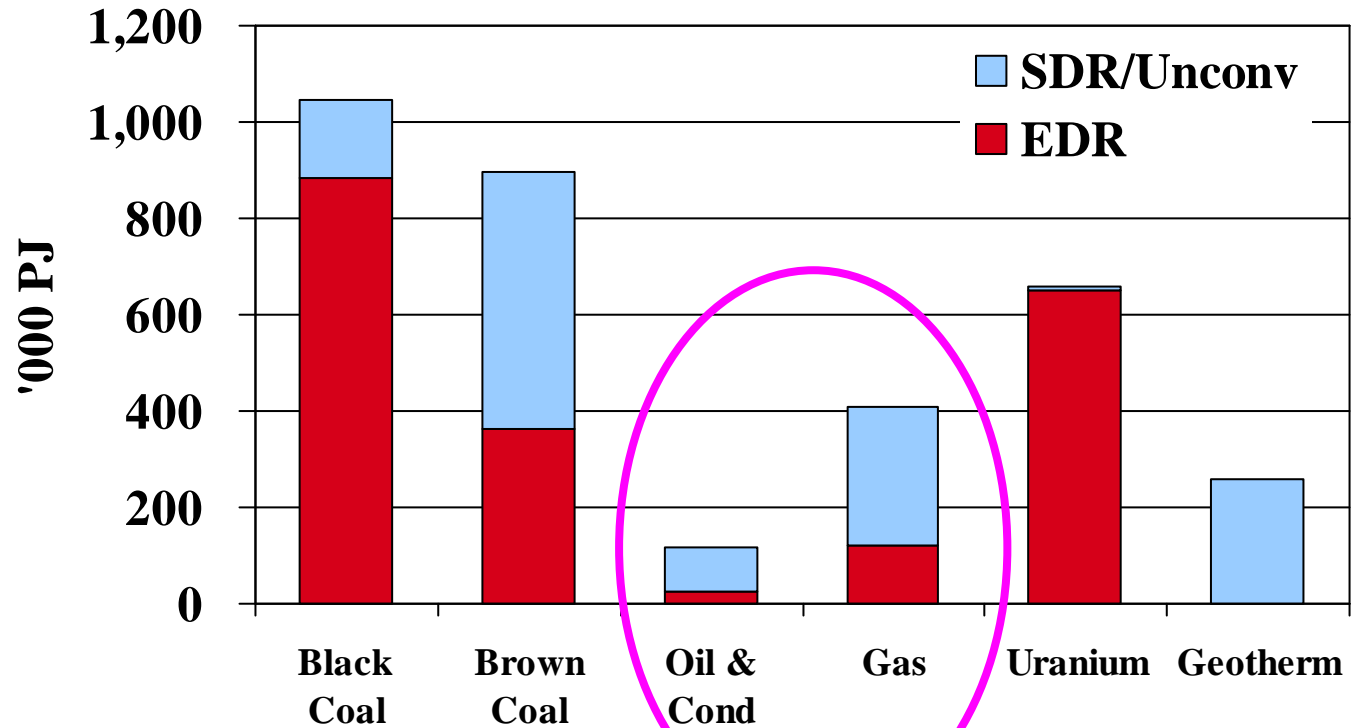
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- Market opportunities
- Resource Super Profits Tax



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# Australia's energy endowment



Source: "Australian Energy Resource Assessment", DRET & ABARE, March 2010 (Table 1.1, p 7 and Table 2.3, p18) and Wilson HTM

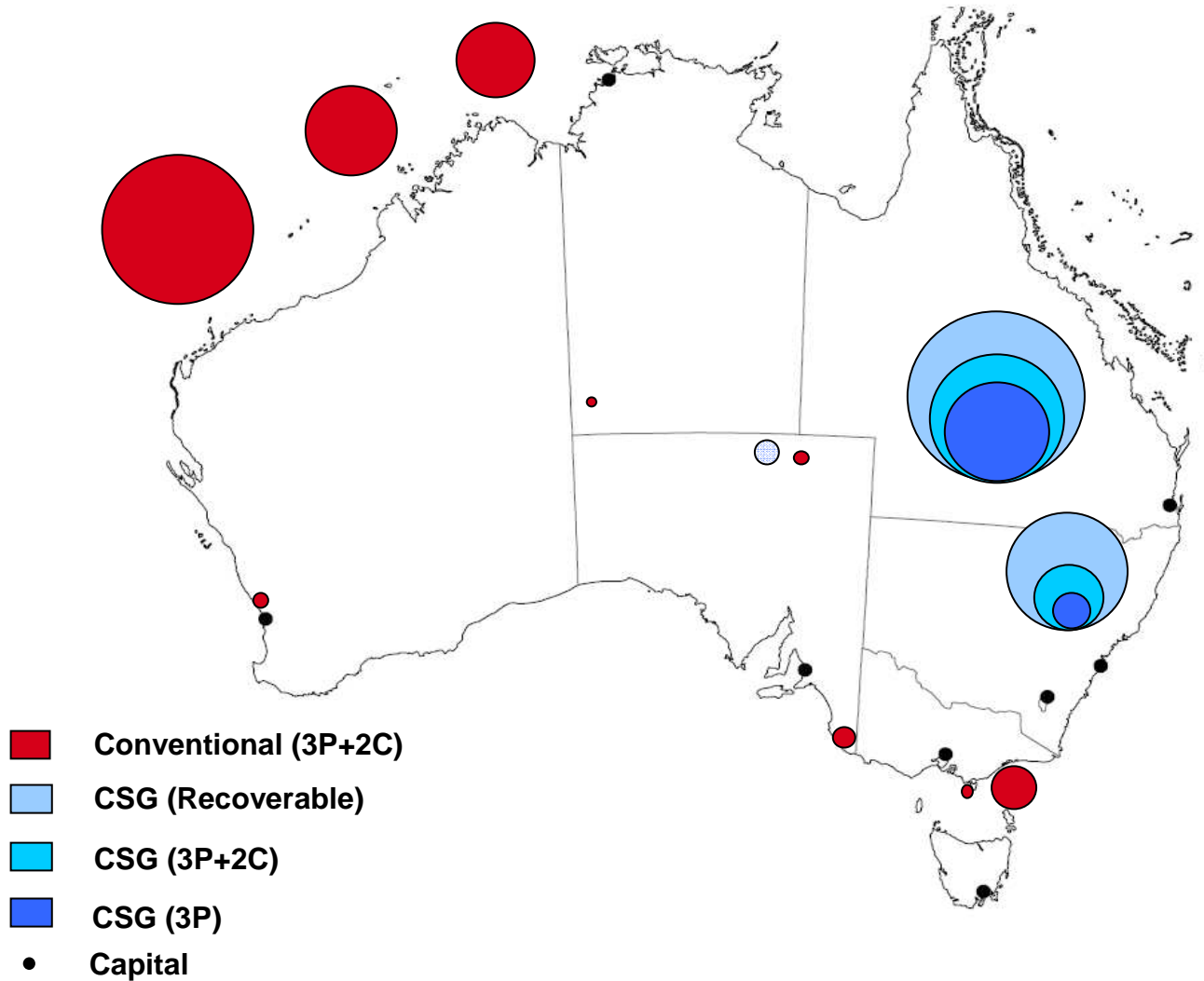
Notes:

- Resources shown are "Economically Demonstrated (EDR)" and "Sub-Economically Demonstrated (SDR)" & "Unconventional"
- Unconventional includes "prospective" (i.e. yet to be discovered, but believed to be recoverable)
- Geothermal based on assumed 10% recovery of in-place resource



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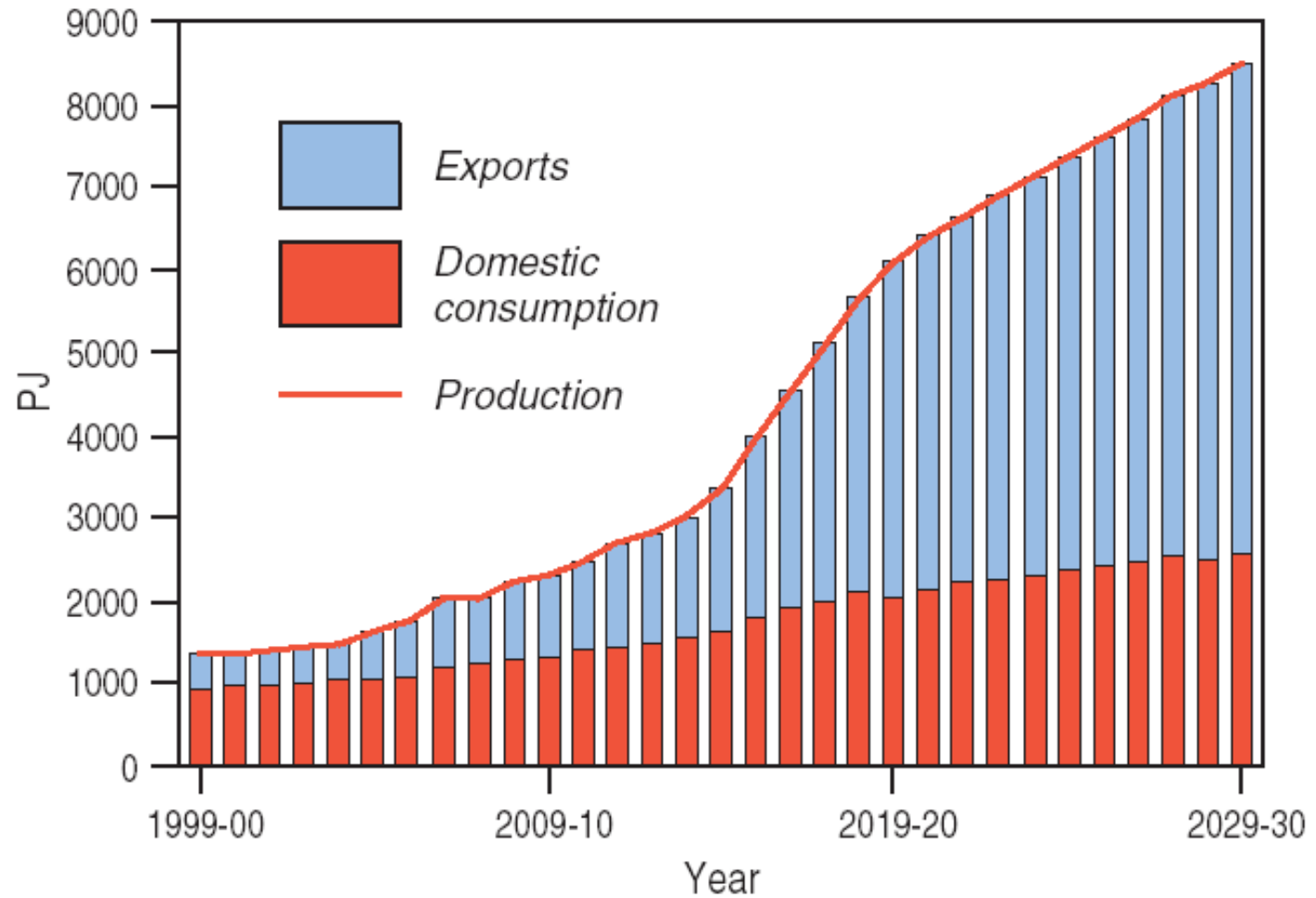
# Australia's gas resources





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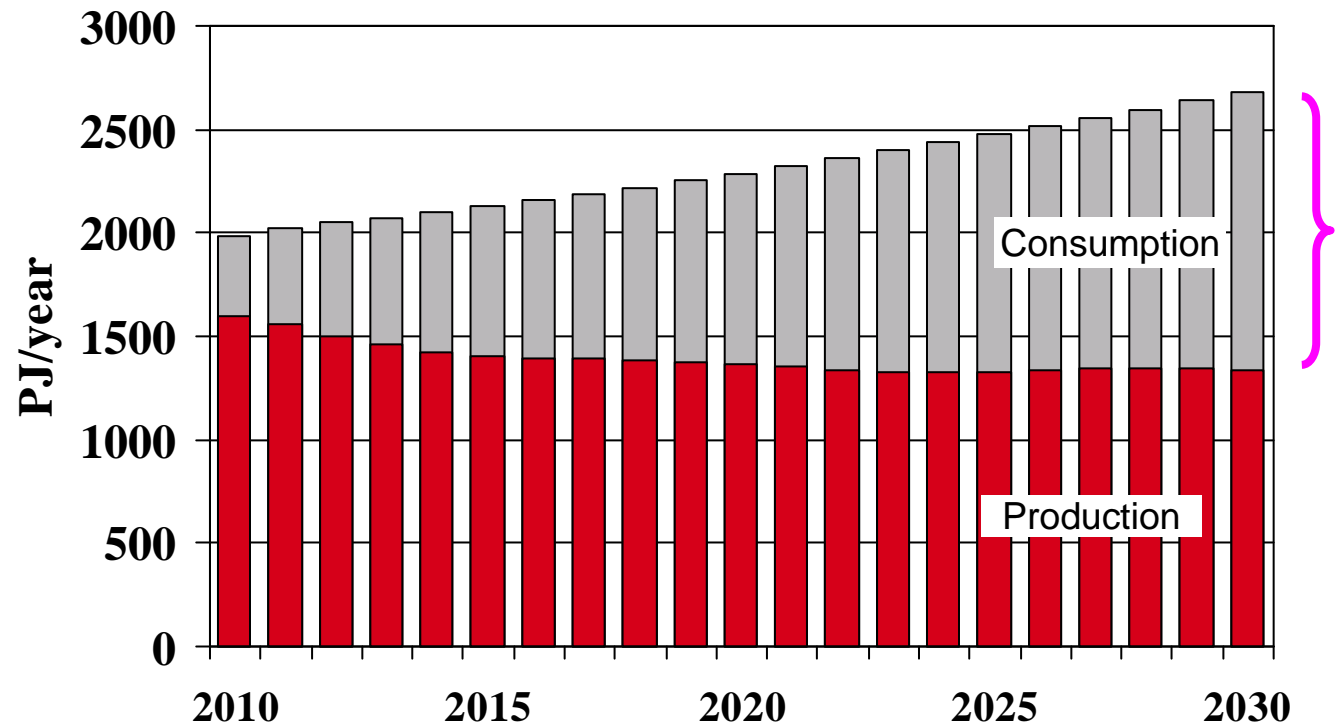
# Gas usage outlook





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# Australian liquids self-sufficiency

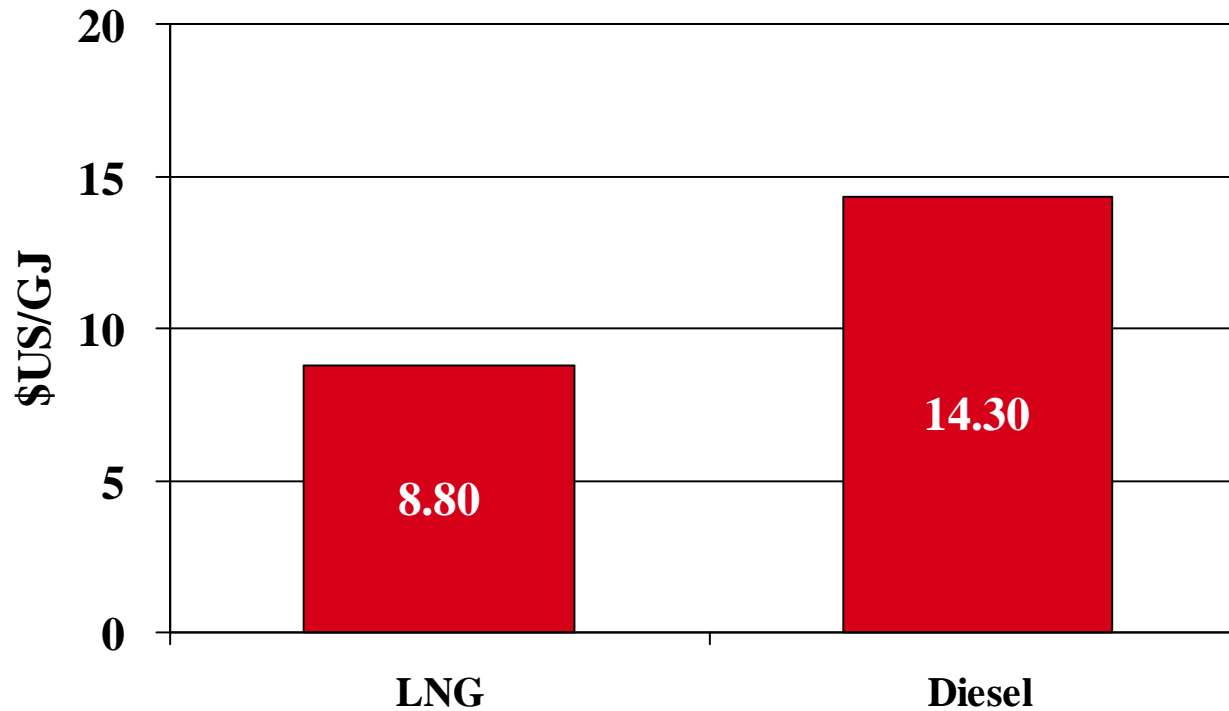


Source: Wilson HTM analysis of ABARE data



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# Pricing structure



Source: Wilson HTM analysis.

Notes:

- Oil price \$US80 /bbl
- LNG to oil price relationship = 80% (13.8% slope factor). 5.80 mmBtu/boe.
- LNG freight = Japan / Gladstone @ \$US0.60 /mmBtu
- Crude includes refining margin of \$US3.00 /bbl and Australian product quality premium
- Fuels freight = \$US4.50 /bbl, comprising Singapore/Australian east coast freight + Insurance & Loss + inwards wharfage
- Loss represents conversion of feed gas to finished product, assuming 90% yield for LNG and 80% yield for GTL
- Revenue expressed in \$US/GJ of feed gas





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## Micro-LNG



Source: Wesfarmers Limited

- Already happening
  - Wesfarmers, WA
  - BOC, Victoria
- BOC national plan
  - Tasmania, Queensland, Victoria and NSW
  - Interstate network of refuelling stations
- Gas supply with BG
  - 2 PJ/year, Queensland



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# CNG for transport

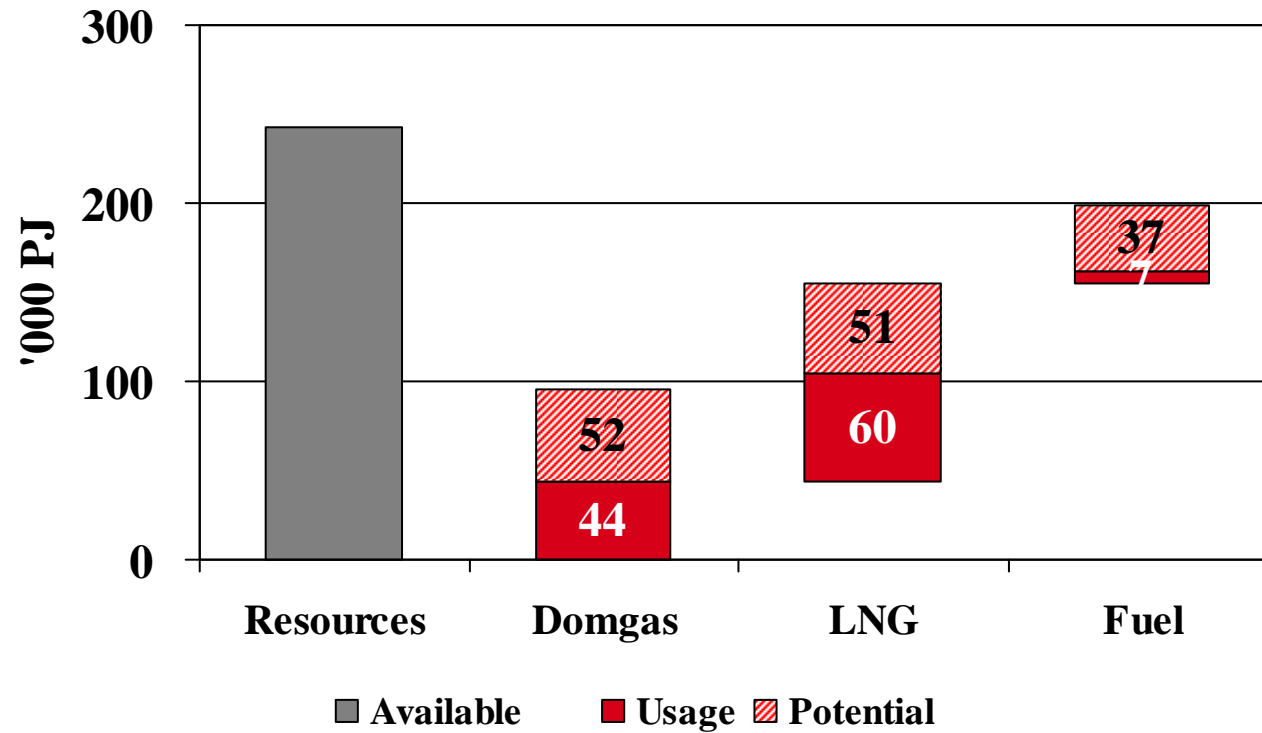


Source: OES CNG Australia and Volvo



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# Market opportunity



Source: Wilson HTM analysis.



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- Market opportunities
- Resource Super Profits Tax

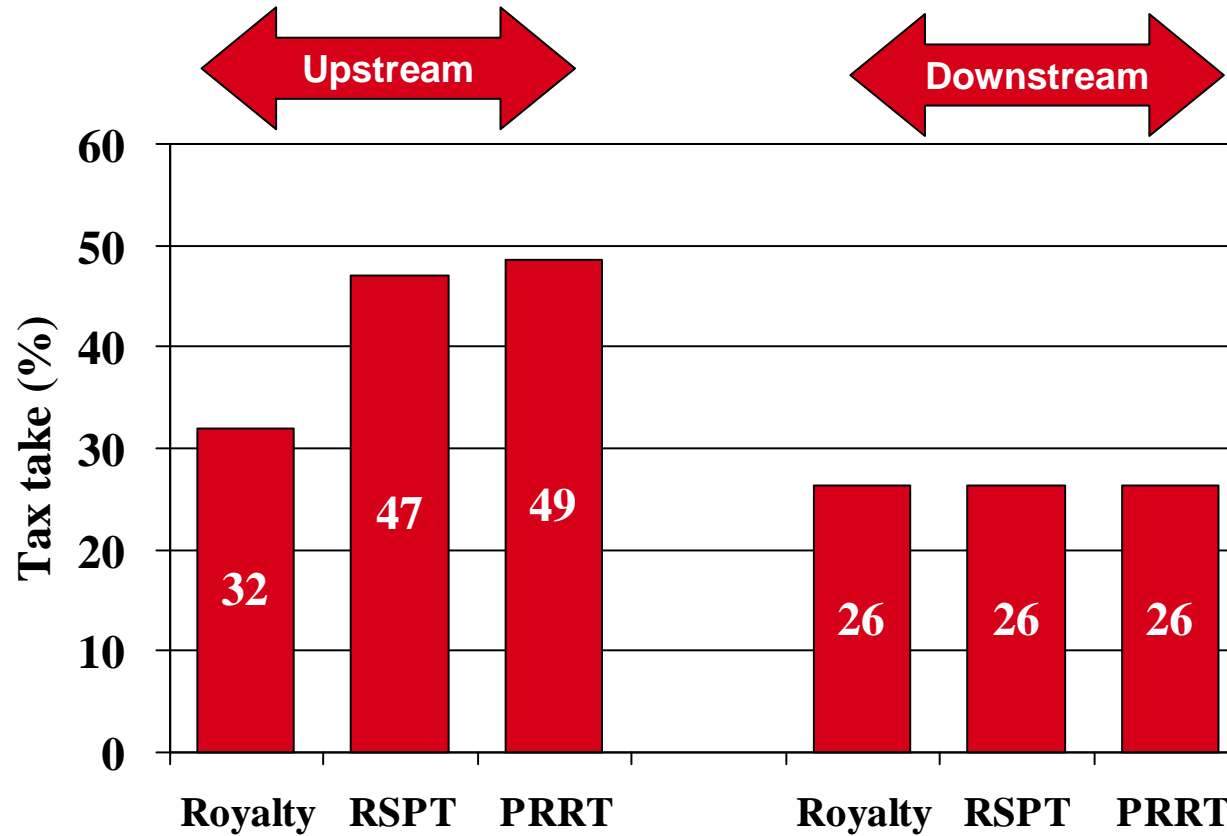
## Resource taxation

- Current system
  - state royalty, 30% corporate tax for onshore projects
  - PRRT for offshore projects
- RSPT
  - 40% RSPT, 28% corporate tax
  - Capital uplift at 10 year government bond rate
- PRRT
  - 40% PRRT, corporate tax rate
  - Capital uplift at 10 year gov't bond rate + 5 to 15%



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# Resource taxation



Source: Wilson HTM analysis.

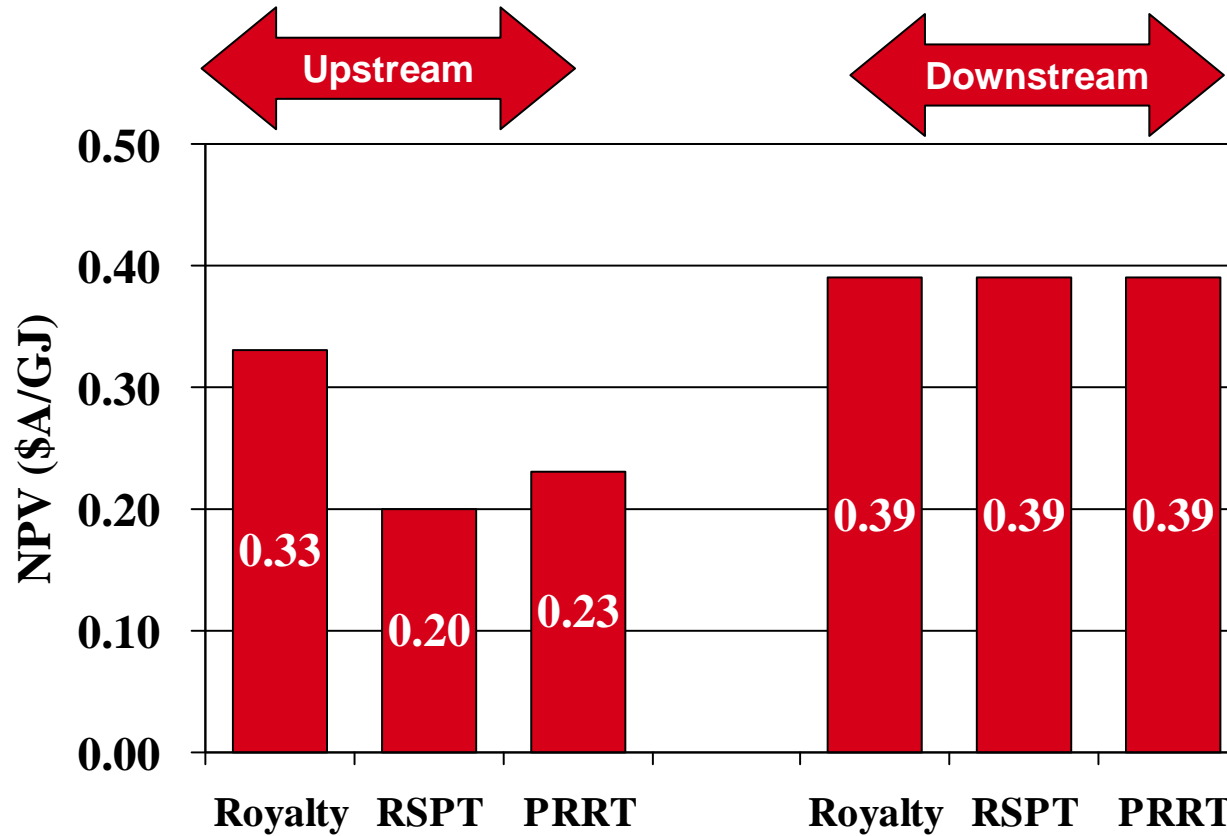
Estimated tax take over project life for CSG to LNG project

Tax take is expressed as percentage of revenue less cash operating costs (i.e. EBITDA+royalty add-back), rather than EBT



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# Resource taxation

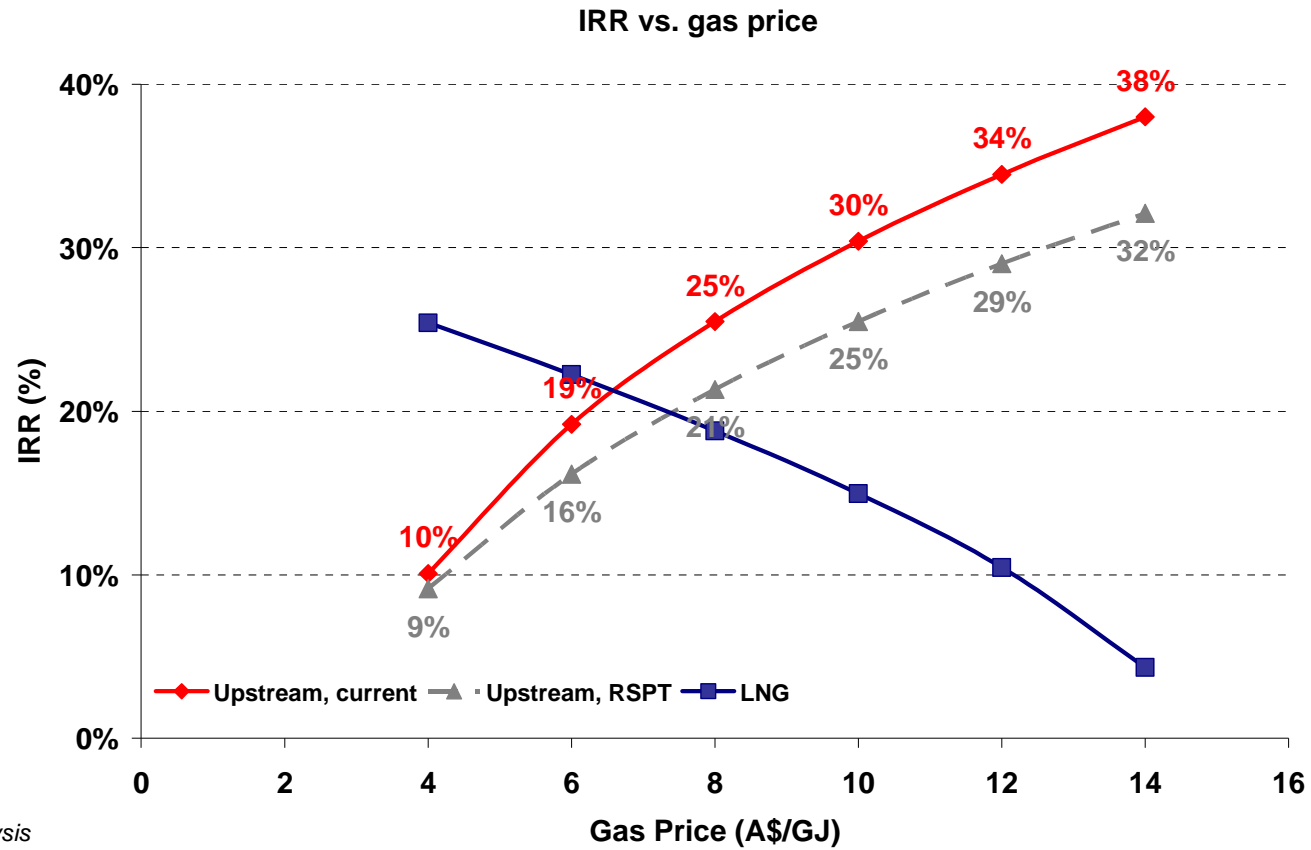


Source: Wilson HTM analysis.  
Estimated NPV per unit of gas produced over project life for CSG to LNG project  
NPV after tax at 11.5% nominal discount rate



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# RSPT impact on project returns



Source: Wilson HTM analysis



## Conclusions

- Opportunities for CSG exist beyond LNG
- RSPT reduces the value of resource projects
- Explorers / producers are impacted more than vertically integrated majors



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# Thank you

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