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Budget highlights the importance of a strong oil and gas industry to the Australian economy

The Australian Petroleum Production & Exploration Association (APPEA) says the 2012-13 Budget has highlighted the critical importance of a strong and growing oil and gas industry to Australia's economic fortunes.

APPEA Chief Executive, Mr David Byers, said "the Budget has identified growth in the resources sector, particularly of the Liquefied Natural Gas (LNG) industry, as the *key driver* of Australia's economic prosperity in an uncertain global environment over coming years."

The Budget Papers state that:

Strong growth in the resources sector will directly and indirectly support growth in other parts of the economy.

and acknowledges:

The economy is forecast to grow around trend over the next two years, driven by strong growth in the resources sector.

Mr Byers said "Policy settings should support and encourage the sector to invest with confidence. While tonight's Budget does not propose major changes to the fiscal setting facing the industry, there remains an on-going concern in the oil and gas industry that Australia is risking its reputation as a stable fiscal regime in which investors can commit to long-term decisions. Fiscal stability is a key driver of investment decisions in the industry.

"The Budget also includes significant revenues (of nearly \$25 billion over the period to 2015-16) from the carbon pricing mechanism, which commences on 1 July 2012. The carbon price represents an addition to the cost structure of Australian LNG exporters competing in global markets. A starting price of \$23 a tonne, well above the price of international permits, only serves to exacerbate this impost. It is important to recognise that Australia's LNG competitors do not face a carbon price, and this affects our relative international competitive standing and adds to Australia's cost structure.

"In addition, while the Budget has pointed to work underway through the COAG Select Council on Climate Change (SCCC), it is disappointing to see the opportunity to rationalise, at the Commonwealth level, the plethora of policies and programs regulating greenhouse gas emissions in Australia has not been taken through the Budget. The Australian Government should take the lead in ensuring that they are removed through the SCCC review process.

The Australian Petroleum Production & Exploration Association represents the upstream oil and gas industry in Australia. APPEA member companies produce around 98 per cent of Australia's oil and gas.

“It is vital for the ongoing strength of the Australian economy that the oil and gas sector invests and grows on the basis of efficient policy settings. In addition to the direct contribution via payment of taxes (the industry estimates tax payments to government average around \$8 billion per annum), the economic stimulus provided by the sector, together with the supply of reliable and competitive priced energy, represents the enduring value of the industry,” said Mr Byers.

APPEA also notes that the Government has committed to a program of consultations by the Business Tax Working Group in relation to the next phase of the tax reform process. “It is critical that this Group undertakes a genuine process of consultation to ensure that the impacts on key industries are understood from both from a tax and industry policy perspective,” Mr Byers said.

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