



## fact sheet

# economic contribution report for year ended 31 December 2019

## chevron australia holdings

### foreword

Chevron is one of the world's leading integrated energy companies and through its Australian subsidiaries, has been present in Australia for more than 60 years. Chevron Australia operates the Gorgon and Wheatstone natural gas facilities which represent an investment of \$80-plus billion\* and are creating enduring economic benefits on a scale never before seen in Australia. The company also manages its equal one-sixth interest in the North West Shelf Venture; operates Australia's largest onshore oilfield on Barrow Island; and is a significant investor in exploration.

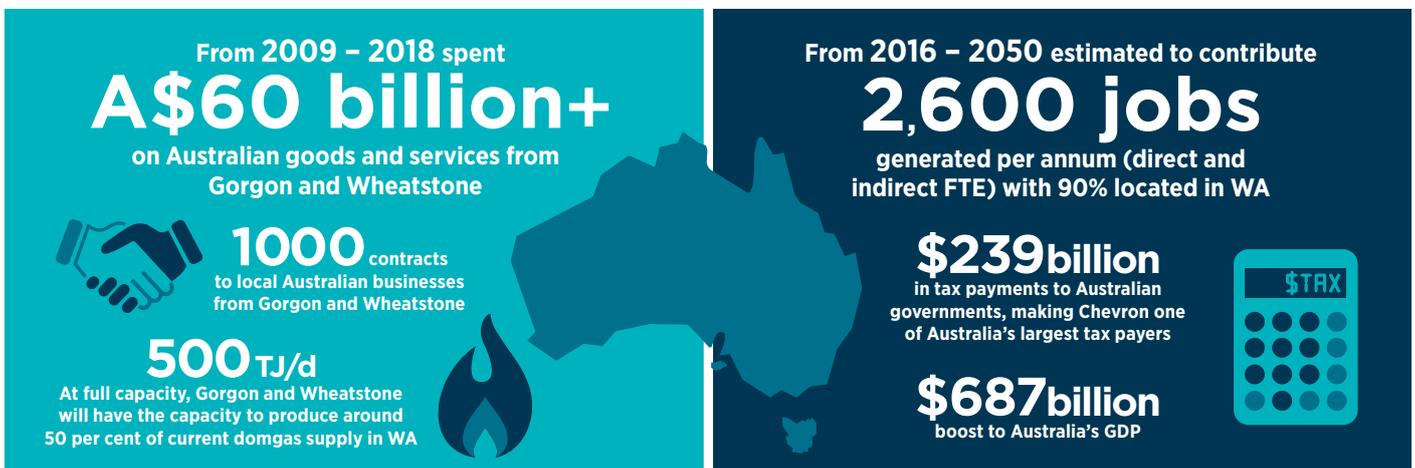
Since 2009 Gorgon and Wheatstone have delivered a range of benefits to Western Australia and the broader nation, including:

- **\$67 billion** in local content.
- **1,000** contracts to local Australian businesses from Gorgon and Wheatstone Projects.
- **19,000** construction jobs created in construction.
- **Domestic gas security** – 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.

In addition, according to a recent independent analysis by ACIL Allen, the economic impact of Chevron's projects in Australia between 2016 and 2050 will be:

- **\$239 billion** in tax payments to all levels of Australian government, making Chevron one of Australia's biggest tax payers.
- **\$94 million** in average annual payroll tax payments to the WA government, enough to fund 6 new primary schools each year.
- **2,600 jobs** generated per annum (direct and indirect FTE) with 90% located in Western Australia.
- **\$687 billion** boost to Australia's GDP, equal to 3 times the size of the WA economy in 2016-17.

Chevron is committed to paying its fair share of taxes. Since 2009, Chevron Australia has paid around \$6.3 billion in state and federal taxes and royalties. Forecasts show by the early to mid-2020s, Chevron Australia will pay \$2 billion to \$3 billion a year in federal and state taxes and royalties.



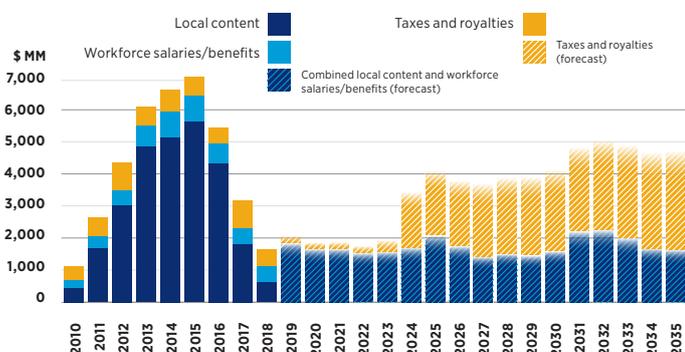
\*ACIL Allen independent analysis on the economic impact of Chevron's projects in Australia between 2016 and 2050

## Investment in Australia

While the direct economic impact of Chevron Australia's projects has been extraordinary, limiting these benefits to its direct economic impact would sell its value short. Chevron plays a significant role across many aspects of the Australian economy and the community more generally. Since 2009:

- 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, resulting in a record 25+ offshore discoveries.

### Chevron Australia Direct Economic Contribution



This graph shows Chevron's share of the local content and workforce payments from Gorgon and Wheatstone. Chevron holds 47 percent of Gorgon and 64 percent of Wheatstone. Forecast taxes and royalties are sourced from Wood Mackenzie Q4 2019 data, using Wood Mackenzie's parameter assumptions and include taxes and royalties from all Chevron projects.

**Cautionary Statement:** This chart contains forward looking information relating to Chevron Australia's operations that are based on management's current expectations. This information does not guarantee future performance and are subject to certain risks, uncertainties and other factors, many of which are beyond the company's control and difficult to predict. Actual results may differ materially from those in the forward looking information.

## 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.

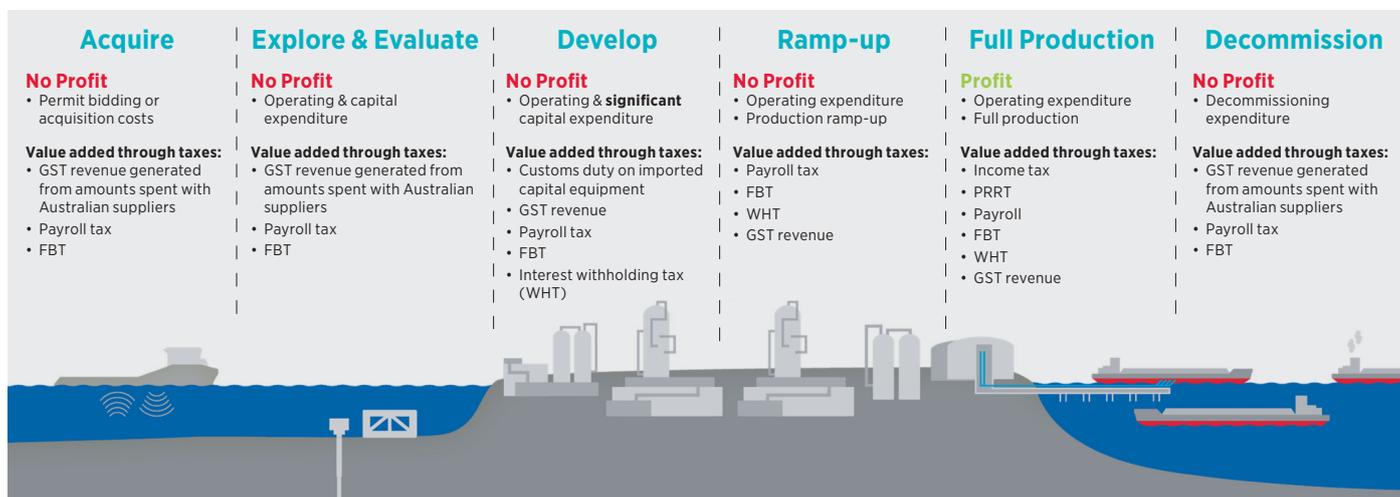
For example, the Gorgon gas field was discovered in 1980 and the LNG project was sanctioned in 2009. The first LNG cargo was not exported until 2016. In the intervening 36 years since first discovery, Chevron Australia spent billions of dollars but did not realise profit. Although the absence of profit naturally limits income taxes and PRRT payable, a range of other taxes were paid during construction of both Gorgon and Wheatstone.

### Chevron's future income tax and royalty contribution

During 2018, we commissioned ACIL Allen to undertake an independent analysis of the projected economic contribution from Chevron's activities in Australia between 2016-2050. The report forecasts Chevron Australia will become one of Australia's largest tax paying organisations through its projects. Payments to all levels of government from Chevron's projects are estimated to total \$239 billion and at an average of \$6.9 billion per annum. This will be enough to build 6 new Perth Children's Hospitals each and every year to 2050.<sup>2</sup>

### Ongoing benefits in Operations

The sheer size of benefits during the construction phase should not overshadow the enduring benefits of the 50-year operational life of the projects, through employment, industry, local communities, domestic gas and taxation revenues. Now the plants are operating, they have an operating budget of more than \$1 billion a year, delivering high paying jobs and local contracts, with local content of over 80 percent. Investment in new gas fields to backfill our gas plants and major plant turnarounds will also drive ongoing economic opportunities.



1 | Represents 100% total project investment

2 | \$1.1 billion, sourced from the 2017-18 WA Budget

## voluntary tax transparency code

Chevron Australia adopted the Board of Taxation's Voluntary Tax Transparency Code (TTC) in 2017. Our TTC disclosures for the year ended 31 December 2019 are outlined below.

## our approach to tax

### Tax policy, strategy and governance

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.

Chevron Australia is a Top 100 public and multinational taxpayer. For the 2019 year, for income tax, we have been again categorised by the ATO as a key taxpayer with significant concerns. This represents an improved risk rating from 2017. Chevron Australia is categorised as a key taxpayer for PRRT and GST.

The spectrum of our engagement with the ATO 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 is stable, fair and competitive 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 also 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 external audit by PricewaterhouseCoopers on an annual basis.

## tax contribution summary for corporate taxes paid

Type	2009 to 2018 (A \$ Millions)	2019 (A \$ Millions)	Total (A \$ Millions)
Royalties	\$ 2,144	\$ 209	\$ 2,353
Income Tax	\$ 1,172	\$ 0	\$ 1,172
Excise	\$ 1,043	\$ 40	\$ 1,083
Interest Withholding Tax	\$ 694	\$ 133	\$ 827
Payroll Tax	\$ 382	\$ 44	\$ 427
Fringe Benefits Tax	\$ 361	\$ 16	\$ 377
Other Withholding Taxes	\$ 24	\$ 1	\$ 25
GST - Denied Input Tax Credits	\$ 7	\$ 0	\$ 7
<b>Total</b>	<b>\$ 5,828</b>	<b>\$ 444</b>	<b>\$ 6,271</b>

## information to be disclosed by the ATO

In December 2020, it is expected the Commissioner of Taxation will publicly disclose the following details in respect of Chevron Australia's income tax return for the year ended 31 December 2018 (in lieu of the 30 June 2019 income year).

ABN	60 098 079 344
Total Income	A\$11,986,037,153
Taxable Income	A\$900,117,295
Income Tax Payable	0

We note that total income represents Chevron Australia's gross income for accounting purposes. That is, income before any expenses are taken into account.

Total income is not an indicator of the real, economic or taxable profits of any organisation.

Chevron Australia generated an accounting profit of A\$3.770 billion for the year ended 31 December 2018. Taxable income for the year was A\$900 million.

The major adjustments which resulted in the accounting profit of A\$3.770 billion being reduced to a taxable income of A\$900 millions are:

- tax depreciation being greater than accounting depreciation due to differences in the methods used for income tax and for accounting; and
- the recoupment of prior year tax losses.

Tax payable was reduced to zero as Chevron Australia had carried forward non-refundable research and development credits of A\$270 million from research and development spend in prior years.

## information about international related party dealings

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.

The information below has been extracted from Chevron Australia's Annual Report for the year ended 31 December 2019.

### The following transactions occurred with related parties:

The following transactions occurred with related parties:	2019 US \$ 000's	2018 US \$ 000's
Sale of goods to other related parties	\$ 2,572,380	\$ 3,340,847
Interest and finance costs charged on borrowings from Chevron Australia Petroleum Company	\$ 1,010,977	\$ 930,201
Recharges to other related parties	\$ 4,576	\$ 12,513
Purchased product of hydrocarbons	\$ 646,026	\$ 497,834

## Interest and finance costs

Interest and finance costs incurred in the year ended 31 December 2019 relate to funds advanced by our immediate parent company in the US. These funds were borrowed principally to fund the construction of the Gorgon and Wheatstone Projects and to fund Chevron Australia's ongoing operations.

## Related party sales

An affiliate of Chevron Australia in Singapore purchases crude oil, condensate and LNG from our Australian operations. The fee paid to our affiliate in Singapore in relation to product sales was less than 1% of the value of those sales.

## reconciliation of accounting profit to tax expense and to income tax paid or income tax payable

Chevron Australia prepares General Purpose Financial Statements annually. These are available publicly through the Australian Securities and Investment Commission. Selected information from the Annual Report for the year ended 31 December 2018, which is relevant to this fact sheet, has been reproduced:

## Income tax expense

Current Tax	2019 US \$ 000's	2018 US \$ 000's
Current tax on profits for the year	\$ (10,294)	\$ (11,186)
Adjustments for current tax of prior periods	\$ 2,594	\$ 6,668
<b>Total current tax (expense)</b>	<b>\$ (7,700)</b>	<b>\$ (4,518)</b>
<b>Deferred income tax</b>		
Current year deferred tax	\$ (744,773)	\$ (2,081,142)
Adjustments for deferred tax of prior periods	\$ 2,400	\$ (13,700)
<b>Total deferred tax (expense)</b>	<b>\$ (742,373)</b>	<b>\$ (2,094,842)</b>
<b>Total income tax (expense)</b>	<b>\$ (750,073)</b>	<b>\$ (2,099,360)</b>
Deferred income tax expense / (revenue) included in income tax expense comprises:		
(Decrease) / Increase in deferred tax assets (b)	\$ (32,206)	\$ 19,430
(Increase) / Decrease in deferred tax liabilities (c)	\$ (710,167)	\$ (2,114,272)
	<b>\$ (742,373)</b>	<b>\$ (2,094,842)</b>

## Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated 2019 US \$ 000's	2018 US \$ 000's
Profit from continuing operations before income tax expense	\$ (2,143,703)	\$ (5,752,372)
Tax at the Australian tax rate of 30.0% (2018 - 30.0%)	\$ (643,111)	(1,725,712)
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:		
Adjustment in respect of prior periods	\$ 4,994	\$ (7,032)
(Non-deductible expenditure) / Non assessable income	\$ (21,497)	\$ 305
Foreign exchange (assessable) in tax functional currency	\$ (2,568)	\$ (14,981)
Foreign exchange (non-deductible) / assessable in accounting functional currency	\$ 70,117	\$ 937,781
Foreign exchange of current taxable income	\$ 20,243	\$ 15,040
Foreign exchange (loss) due to translation of income tax base	\$ (151,797)	\$ (1,287,855)
Resource Rent Royalty	\$ 640	\$ 2,290
Petroleum Resource Rent Tax	\$ (32,207)	\$ 19,430
Research & development expenditure	\$ 5,041	\$ 947
Sundry items	\$ 72	\$ 4,365
<b>Income tax (expense)/ benefit</b>	<b>\$ (750,073)</b>	<b>\$ (2,099,360)</b>

## accounting effective company tax rates for Australian and global operations

Chevron Corporation 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)