HERE FOR THE LONG HAUL

AN ECONOMIC IMPACT ASSESSMENT:

The Ichthys LNG Project

Credit: Capt. Serge Prakov
INPEX, as operator of the Ichthys Liquefied Natural Gas (LNG) Project, commissioned ACIL Allen Consulting to provide an economic impact assessment of the Project’s economic contribution to Australia, particularly Western Australia and the Northern Territory, from 2012 to 2050.

This report demonstrates the various ways in which the Project is making a significant contribution to the Australian economy and communities from early construction phase through to 40 years of operation.

CONTENTS

Ichthys LNG Project
Benefits to the Australian economy
Northern Territory
Western Australia
ECONOMIC BENEFITS TO AUSTRALIA (2012 – 2050)

$195 billion in exports for Australia.

$190 billion in additional Gross Domestic Product (GDP) for Australia.

$73 billion in taxation revenue generated for Governments in Australia at $1.9 billion per annum.

$91 billion increase in Australian real income.

More than 8000 people working on site in Darwin daily during peak construction.*

More than 1100 Aboriginal and Torres Strait Islander peoples engaged in Northern Australia through business contracts and employment.*

The average annual increase in exports from the Project will be:

Greater than total exports from the Tasmanian economy in 2015-16 ($4.2 billion).

Around 89 per cent of exports produced in the Northern Territory in 2015-16.


*Source: Ichthys LNG Project data
The average taxation payments generated from the Project to the Federal Government ($1 billion per annum) would place the Project as one of Australia’s largest tax payers.

$39 billion taxation revenue will come from company tax payments over the study period.

An additional $10 billion will be generated in GST payments over the study period.

CREATING JOBS

1800 Full Time Equivalent (FTE) jobs will be created on average per annum across Australia over 40 years.

COMMITTED TO AUSTRALIAN COMMUNITIES

- Development of training and education institutions in the Northern Territory
- Improvement to local community road infrastructure and safety around Project work sites
- Investment in community engagement initiatives (since 2012)

> $33 million*
INPEX is the operator of the Ichthys LNG Project, headquarters in Perth, Western Australia.

The Project is one of the world's most complex gas developments, incorporating the whole chain of development and production components—subsea, offshore, pipeline and onshore.

Effectively three mega-projects rolled into one (two offshore processing facilities, an onshore LNG plant and an 890 kilometre pipeline).

Operating life that extends more than 40 years.

8.9 million tonnes of LNG per annum production.

1.6 million tonnes of Liquid Petroleum Gas (LPG) per annum production.

More than 100,000 barrels of condensate projected per day at peak production.

“Contributing to the Australian economy and community”

Investing billions of dollars in one of Australia's largest-ever resources projects.

Creating thousands of Australian jobs.

Providing significant taxation revenue for Australian governments.

Bringing multi-generational economic and community benefits to the people of Australia for the next 40 years.
The Ichthys LNG Project’s onshore processing facilities are located at Bladin Point, Darwin, Northern Territory. This includes two LNG processing trains to produce Liquid Natural Gas (LNG), Liquid Petroleum Gas (LPG) and condensate, storage tanks, a combined cycle power plant, administrative facilities, utilities and a product load out jetty.

The offshore logistics hub, also based in Darwin, supplies critical materials (some 24,000 individual parts) needed to support the Project’s central processing facility and floating production storage and offloading facility.

Overall Project commitments have to date resulted in more than $8 billion flowing through the NT economy.*

**LOCAL CONTRACTS**

More than 1100 Territory businesses have secured 3900 Project contracts and purchase orders.*

Awarded contracts to more than 60 Aboriginal and Torres Strait Islander businesses, amounting to more than $134 million to date.*

**BOOSTING THE ECONOMY**

At peak production, the economic output is forecast to be $4.5 billion per annum, before slowly reducing to a low of $1.4 billion by 2050, in line with the lower levels of production expected towards the end of the Project’s life.
The Project will generate **$2.6 billion** in taxation payments to the Northern Territory Government over the study period. Once operational, around **$56 million on average per annum** will flow to the Northern Territory – enough to build and operate one new school each and every year.

**LOCAL EMPLOYMENT**

During operations, the Project will create hundreds of jobs and will require significant local goods and services benefiting local businesses and the community in the Northern Territory.

- **$118 billion**: boost in economic output in the NT over the study period
- **$14 billion**: increase in real incomes for Territorians
- **600 jobs**: created on average per annum for 40 years (FTE)
- **$2.6 billion**: in taxation revenue for the NT Government

Some **600 FTE jobs on average per annum** will be created in the NT on average per annum over the study period. This is equivalent to 100 small businesses being established in the NT. (Based on each small business having a workforce of six FTEs).

Total economic output in the NT will increase by $118 billion. Once operational, economic output will increase on average by $3.4 billion per annum. **At peak production, the Project will boost the size of the NT economy by 15 per cent.**
In Western Australia, the majority of the Project’s employees, contractors and consultants are located in Perth and Broome. Around 1500 personnel work in INPEX’s office in Perth, which is more than Tokyo and any other INPEX office globally.

Broome is the closest mainland town to the Ichthys Field. It has a deep water port and airport that serves as a vital logistics hub for the Project’s offshore activities.

Broome supports the Project’s drilling program and acts as a transfer point for workers travelling to the Project’s offshore facilities. The town also supplies construction and support vessels creating jobs and business opportunities for locally based businesses.

The Project is the largest user of the Port of Broome and Broome International Airport heliport.

**LOCAL EMPLOYMENT**

The Project is forecast to create 1100 Full Time Equivalent (FTE) jobs on average per annum for the next 40 years in WA, to support activities in Perth, the Kimberley and offshore.

**ECONOMIC OUTPUT**

The offshore processing of condensate will generate an average increase in real output of $3.5 billion per annum for the first 20 years of production. In total, the processing of condensate off the Western Australian coast in Commonwealth waters is expected to total $72 billion over the study period, which will be attributed to the Western Australian region.

The Project is forecast to generate an estimated $8.9 billion of taxation payments for the Western Australian Government between 2012 and 2050.

The generated payroll tax payments to the Western Australian Government during operations is estimated at $20 million per annum.

The Project will also increase real incomes in Western Australian by $34 billion.
The Project will generate $8.9 billion in taxation payments to the WA Government over the study period. Once operational, the Project will generate $241.4 million per annum on average to the WA Government. This is enough to fund the education of 15,600 WA primary school students each year until 2050.

The total average job creation per annum once operational is 1100 FTEs. This is equivalent to the employment that would be generated by 20 new supermarkets. (Based on the average supermarket employing 55 employees, IBIS World).

- $75 billion boost in economic output
- $34 billion increase in real incomes
- 1100 jobs created on average per annum for 40 years (FTE)
- $8.9 billion in taxation revenue for the WA Government
KEY ASSUMPTIONS

IN UNDERTAKING THIS ASSESSMENT, THE FOLLOWING ASSUMPTIONS HAVE BEEN MADE:

• THE STUDY PERIOD IS FROM 2012 TO 2050 TO INCORPORATE BOTH THE CONSTRUCTION AND OPERATIONAL PHASES OF THE PROJECT.
• ALL VALUES ARE EXPRESSED IN REAL DOLLAR TERMS WITH A BASE YEAR OF 2016, UNLESS OTHERWISE STATED.
• ALL VALUES ARE EXPRESSED IN AUSTRALIAN DOLLARS (A$), AS MEASURED AGAINST AUD/USD EXCHANGE RATE.
• CAPITAL AND OPERATIONAL EXPENDITURE FORECASTS HAVE BEEN BASED ON ESTIMATES PROVIDED BY INPEX.
• PRODUCTION FORECASTS ARE BASED ON ESTIMATES PROVIDED BY INPEX.
• PRICE FORECASTS HAVE BEEN BENCHMARKED TO BRENT CRUDE OIL FORECASTS PUBLISHED BY THE ENERGY INFORMATION ADMINISTRATION, WITH AN ASSUMED EXCHANGE RATE OF $US0.76.
• THE TAXATION ESTIMATES ARE BASED ON THE TAXATION LAWS AT THE TIME THE STUDY WAS UNDERTAKEN.
• AS PART OF THIS ECONOMIC IMPACT ASSESSMENT, ACIL ALLEN HAS ALSO MODELLLED A CARBON PRICE FROM 2021, BASED ON ACIL ALLEN’S ASSUMPTION THAT SUCH A TAX WILL FORM PART OF AUSTRALIA’S TAX MIX SOMETIME IN THE FUTURE. THE RATE AT WHICH CARBON IS PRICED HAS BEEN ESTIMATED BY ACIL ALLEN.

RELIANCE AND DISCLAIMER

THE PROFESSIONAL ANALYSIS AND ADVICE IN THIS REPORT HAS BEEN PREPARED BY ACIL ALLEN CONSULTING FOR THE EXCLUSIVE USE OF THE PARTY OR PARTIES TO WHOM IT IS ADDRESSED (THE ADDRESSEE) AND FOR THE PURPOSES SPECIFIED IN IT. THIS REPORT IS SUPPLIED IN GOOD FAITH AND REFLECTS THE KNOWLEDGE, EXPERTISE AND EXPERIENCE OF THE CONSULTANTS INVOLVED. THE REPORT MUST NOT BE PUBLISHED, QUOTED OR DISSEMINATED TO ANY OTHER PARTY WITHOUT ACIL ALLEN CONSULTING’S PRIOR WRITTEN CONSENT. ACIL ALLEN CONSULTING ACCEPTS NO RESPONSIBILITY WHATSOEVER FOR ANY LOSS OCCASIONED BY ANY PERSON ACTING OR REFRAINING FROM ACTION AS A RESULT OF RELIANCE ON THE REPORT, OTHER THAN THE ADDRESSEE.

IN CONDUCTING THE ANALYSIS IN THIS REPORT ACIL ALLEN CONSULTING HAS ENDEAVOURED TO USE WHAT IT CONSIDERS IS THE BEST INFORMATION AVAILABLE AT THE DATE OF PUBLICATION, INCLUDING INFORMATION SUPPLIED BY THE ADDRESSEE. UNLESS STATED OTHERWISE, ACIL ALLEN CONSULTING DOES NOT WARRANT THE ACCURACY OF ANY FORECAST OR PROJECTION IN THE REPORT. ALTHOUGH ACIL ALLEN CONSULTING EXERCISES REASONABLE CARE WHEN MAKING FORECASTS OR PROJECTIONS, FACTORS IN THE PROCESS, SUCH AS FUTURE MARKET BEHAVIOUR, ARE INHERENTLY UNCERTAIN AND CANNOT BE FORECAST OR PROJECTED RELIABLY.

ACIL ALLEN CONSULTING SHALL NOT BE LIABLE IN RESPECT OF ANY CLAIM ARISING OUT OF THE FAILURE OF A CLIENT INVESTMENT TO PERFORM TO THE ADVANTAGE OF THE CLIENT OR TO THE ADVANTAGE OF THE CLIENT TO THE DEGREE SUGGESTED OR ASSUMED IN ANY ADVICE OR FORECAST GIVEN BY ACIL ALLEN CONSULTING.

© ACIL Allen Consulting 2017