INPEX Australia Pty Ltd
ACN 134 715 254

22/100 St Georges Terrace Perth
Western Australia 6000

Tel +61 8 6213 6000

INPEX.com.au

Ref: C050-IPX-----LE-70158

15 April 2026

Senator Steph Hodgins-May
Chair - Select Committee on the Taxation of Gas Resources
Australian Parliament House
Canberra ACT 2600

RE: INPEX Submission | Taxation of Gas Resources Senate Inquiry

Dear Senator

INPEX Australia (**INPEX**) appreciates the opportunity to provide feedback to the Select Committee as part of the Senate Inquiry into the Taxation of Gas Resources. We also support and have provided input into the submission provided by the Australian Energy Producers (**AEP**) in relation to this Inquiry.

INPEX is a wholly owned subsidiary of INPEX CORPORATION, Japan's flagship exploration and production company, 21.99% owned by the Japanese Government, which operates projects in 10 countries globally including Japan, Australia, Abu Dhabi, Indonesia and Malaysia. INPEX has been a proud member of the Australian business community since 1986.

As the largest Japanese investor in Australia, INPEX is operator of Ichthys LNG - one of the nation's most significant energy developments – comprising two large offshore facilities in the Browse Basin off the Kimberley coast, an 890km subsea gas pipeline and two LNG production trains in the Northern Territory. Ichthys LNG supplies approximately eight percent of annual LNG imports into both Japan and Taiwan. Equally important, INPEX also regularly supplies domestic gas to the Northern Territory, and we are committed to "keeping the lights on in Darwin".

In Australia, INPEX also operates the Bonaparte Carbon Capture and Storage Project (**Bonaparte CCS**) in which we maintain a 53% participating interest. Bonaparte CCS was awarded Major Project Status from the Australian Government in 2025 in recognition of its importance to Australia's decarbonisation pathway. INPEX additionally holds a 50% stake in the Australian renewable energy company Potentia Energy, a joint venture with Enel Green Power. Potentia Energy holds a substantial renewable portfolio of more than 1 GW across Australia.

Most recently, INPEX entered into a Farm-in Agreement with the joint venture partner Daly Waters Energy for appraisal and development of the Beetaloo Sub-basin. This agreement positions the Beetaloo as a potential major new domestic gas supply for the Northern Territory and Australia's East Coast.

Our Australian portfolio also includes participating interests in Prelude FLNG, Darwin LNG and several other non-operated projects.

With respect to this Inquiry, our key points are as follows:

- **The PRRT system is working as designed**

  Australia's gas tax system is founded on a clear risk-reward principle: investors bear the full upfront and long-term risks of developing capital intensive LNG projects, and government shares in returns only once profits are made. The Petroleum Resource Rent Tax (**PRRT**) is a profits-based tax deliberately designed to deliver a fair public return after substantial, long-term capital costs are recovered.

  Against this framework, claims the PRRT system is failing misunderstand its purpose. The absence of PRRT payments in the early years of large LNG projects reflects intended design and phasing, not tax avoidance. During this period, governments already receive significant revenue through company income tax and, in terms of onshore projects, royalties, while projects remain in construction and cost recovery phases.

  The stability and integrity of this regime have been central to investor confidence and to Australia's ability to attract investment at unprecedented scale. Investors, including INPEX, committed capital on the clear understanding that costs would be recovered first, followed by PRRT liabilities that increase substantially as projects transition into mature, cash generating phases.

  Proposals to impose additional or retrospective taxes before project costs are recovered would reverse the risk/reward balance—allowing government to take the reward without having taken the risk. Such a shift would represent a bait-and-switch, undermining investor confidence, increasing sovereign risk, and weakening the investment, energy security and fiscal outcomes the PRRT system was designed to deliver.

  For Ichthys LNG, examples of the risks borne and managed by INPEX and Ichthys Joint Venture (**Ichthys JV**) participants include multi-billion-dollar cost increases during construction, a one-year schedule delay, and sustained weathering of LNG and liquid price volatility, particularly during the very low-price environment of the COVID-19 period. Further, INPEX alone has invested hundreds of millions as risk money for exploration activities related to Ichthys LNG.

- **INPEX is among the highest taxpayers in the country**

  Australia has an effective tax system. As an operator in the Australian market, INPEX complies with, and pays tax in accordance with, all requirements administered by the Australian Taxation Office (**ATO**).

  Between 2011 and 2024, INPEX paid AUD $2.876 billion in taxes, including AUD $807 million in 2024 alone. INPEX pays income tax instalments based on income actually received, meaning income tax payments increase automatically with higher oil prices.

  INPEX is committed to transparency, and we publicise our tax payments. Our annual tax transparency reports are publicly available on the INPEX Australia website.[1]

---

[1] 2024-inpex-australia-tax-transparency-report.pdf

Notwithstanding the significant amount of Ichthys LNG development debt that remains outstanding and the fact that INPEX's investment of capital into the development has not yet been recovered, amendments to the PRRT enacted in 2023–24 will result in INPEX commencing substantial payment of PRRT from August 2027 (relating to the 1 July 2026 to 30 June 2027 income year), nearly ten years earlier than originally anticipated.

Under long-term contract pricing arrangements, PRRT payments will reflect averaged prices over time, including periods of higher oil prices, with any resulting upside appropriately captured through the PRRT deductions cap. The amendments to the PRRT have had a negative impact on the Ichthys LNG project's return on investment which was the basis of the Final Investment Decision (**FID**) in 2012.

- **Our contribution to Australia goes beyond taxes**

  INPEX's contribution to Australia extends beyond taxation. In Australia, we employ more than 1,500 people directly and several hundred indirectly across our Darwin, offshore, and Perth operations. Ichthys LNG is also supported by several contractor companies, including Monadelphous, ALTRAD Australia, RAMs, and the Larrakia Development Corporation, which collectively employ several hundred additional people. Collectively, these Australian employees support their families and communities, contributing to regional and metropolitan economies across Australia and to the national tax base.

  INPEX also contributes to regional economies in the Northern Territory and Western Australia, including Darwin, Broome, the Kimberley, and Perth. This support is delivered through local procurement, First Nations partnerships and funding, scholarship programs, community initiatives, and infrastructure investment.

  A further example of the broader public benefits arising from INPEX's infrastructure investment is the transfer of the Ichthys LNG construction village to the Northern Territory Government. The facility was subsequently repurposed as the Centre for National Resilience at Howard Springs in Darwin, Australia's primary COVID-19 quarantine facility, which supported the management of more than 30,000 arrivals.

- **INPEX supports emissions reduction through low carbon initiatives and investment in renewables**

  INPEX, Woodside Energy and TotalEnergies are progressing the Bonaparte CCS project, one of the most promising CCS developments globally, with the potential to store more than 10 million tonnes of CO_2 annually. The project could become a regional CCS hub, contributing to Australia's emissions reduction goals and supporting decarbonisation across Asia. First CO_2 injection is targeted for the early 2030s.

  As previously noted, INPEX holds a 50 per cent interest in Australian renewable energy company Potentia Energy. In 2025, Potentia Energy announced a $1 billion acquisition of 1 GW of renewable assets across Australia.

  Potentia Energy's Australian portfolio includes the Bungala Solar Farm in South Australia, the Quorn Park Solar Hybrid Project in New South Wales, and the Flat Rocks Wind Farm in Western Australia, with a target of 2–4 GW of renewable generation capacity by 2030. Through this investment, INPEX is contributing to Australia's target of achieving 82 per cent renewable electricity generation by 2030 and supporting the Australian Government's emissions reduction objectives.

- **Stable and predictable policy and fiscal settings are essential to maintaining Australia's competitiveness as an investment destination**

  INPEX and its Ichthys JV participants took FID on Ichthys LNG in 2012 committing USD $34 billion at the time to realise this critical energy project, which became operational in 2018. The sanctioning of Ichthys LNG represents the single largest overseas investment by a Japanese company and delivered a transformative economic uplift to the Northern Territory. Gross Territory Product increased by 3.8% in 2012 following FID, 7% in 2013 as construction commenced, and 6.1% in 2020 during the first full year of production.

  Australia's fiscal framework and policy stability were central to INPEX's decision to take the FID on Ichthys LNG in 2012. Since that time, these settings have materially changed for INPEX and the broader resources sector—most notably through legislative amendments to the PRRT in 2023–24.

  These changes have occurred alongside broader reforms, including amendments to the EPBC Act; changes to the Safeguard Mechanism (which is scheduled for further review in 2026); the introduction of the Offshore Petroleum Levy (NOGA levy); modifications to the Australian Domestic Gas Security Mechanism (ADGSM); and, most recently, proposals to introduce a domestic gas reservation policy.

  The cumulative effect of ongoing changes to policy and fiscal settings has implications for Australia's attractiveness as a competitive investment destination. In a global environment where capital is increasingly mobile, this policy uncertainty can make FID considerations in Australia more complex and may affect the commercial viability of more marginal projects.

- **Australia's taxation framework does not fund major resource projects**

  Current arguments in favour of changes to the Australian taxation framework ignore the enormous capital expended (AUD $76 billion to date) and the ongoing operating expenditures (AUD $1.5 billion a year, including salaries to INPEX's Australian workforce).

  Other regimes—including Norway and Qatar—actively support investment through upfront funding, cash refunds to investors, or exceptionally rapid capital expensing. While these features come at a significant fiscal cost to government, they are balanced by a high overall government take from successful projects. Focusing solely on headline tax rates, while ignoring the broader investment framework, misrepresents how these countries actually structure their taxation and investment regimes.

  Australia does not fund the development of major resource projects, and its taxation framework was deliberately structured to avoid upfront cash costs to government. Instead, the government's share is deferred, with a high overall share of project returns captured over time (approximately 58 per cent on an all-in basis). It is a whole-of-project taxation system designed to attract private capital to develop the resource, not one intended to maximise government revenue at any cost.

- **We provide energy security to Australia and Japan**

  INPEX continues to provide emergency domestic gas to the Northern Territory from Ichthys LNG, helping to maintain energy reliability and "keeping the lights on in

Darwin." At the same time, INPEX is an important and reliable LNG supplier to Japan and Taiwan, supporting the energy security of key Asia Pacific partners and allies.

Recent events in the Middle East underscore the strategic importance of these relationships and the two-way nature of energy security. While Australia plays a critical role in supplying reliable LNG to regional partners including Japan and Taiwan, Australia is also dependent on these same partners for the secure supply of imported liquid fuels. Maintaining settings that support continued LNG investment in Australia is therefore essential—not only to Australia's role as a trusted energy supplier, but also to safeguarding Australia's own liquid fuel security through these reciprocal and longstanding energy relationships.

INPEX supports Australia's fuel security by supplying Ichthys condensate to domestic refiners during a period of ongoing global uncertainty. In late April 2026, a condensate cargo of approximately 630,000 barrels (around 100 million litres) will depart the Ichthys Venturer offshore Western Australia, with delivery to an east coast refinery scheduled for May. Condensate is a critical feedstock for Australian refineries and the production of transport fuels, including petrol, diesel and jet fuel.

To further bolster Australia's fuel supply, INPEX also intends to make a second condensate cargo of similar volume available in the coming months to be offered to Australian refineries.

LNG Sale and Purchase Agreements (**SPAs**) are long-term contracts that typically operate on an "S curve" pricing structure. This mechanism places an effective cap on high prices and a floor on low prices, enabling both buyers and sellers to manage significant price volatility, including current market conditions.

Ichthys LNG is approximately 95 per cent contracted under long-term LNG SPAs. These contracts were essential to securing project financing through a syndicate of export credit agencies and external lenders and, without them, the project could not have proceeded. As a result of the effective price cap, so-called "windfall profits" do not arise on contracted LNG volumes.

In light of the above, INPEX strongly cautions against further intervention in Australia's taxation regime. Additional policy changes would materially undermine investor confidence, deter future large scale investment, and ultimately weaken Australia's long-term economic outcomes, energy security and international competitiveness.

Further detailed feedback is provided in the attached submission. Should you wish to discuss this further, please do not hesitate to contact John Williams, Government Affairs and Regulatory Approvals Manager, at +61 412 422 636 or john.w@inpex.com.au.

Yours sincerely,

Tetsu Murayama
Managing Director, Country Chair Australia

Feedback regarding the Taxation of Gas Resources Senate Inquiry

Since 2011, INPEX has invested more than AUD $76 billion in capital expenditure in Australia, with further investment planned. The company also manages annual operating expenditure in excess of AUD $1.5 billion. Under legislative amendments introducing a cap on deductible expenditure for the PRRT, INPEX will become liable to pay PRRT from 1 July 2026, with the first payment expected in 2027—bringing forward anticipated PRRT liabilities by almost a decade.

INPEX's feedback regarding Australian taxation and investment environment

LNG exports contribute more than AUD $65 billion annually to the Australian economy, supporting employment, regional development, government revenues, and national energy security.

However, many of Australia's long-term LNG contracts with Asian customers are expected to begin expiring from around 2030, coinciding with the anticipated entry of new, highly competitive LNG supply from the United States and other jurisdictions. Maintaining and enhancing the competitiveness of Australian LNG projects will therefore be critical to securing future market share and sustaining export revenues.

International customers—both within the LNG sector and across broader energy markets—closely monitor the stability and predictability of Australia's policy and regulatory settings. Frequent or unanticipated legislative change can raise concerns regarding supply reliability and long-term contractual performance, which may influence future procurement and contracting decisions.

Like other international investors, INPEX makes investment decisions based on the overall stability and predictability of a jurisdiction's legislative and fiscal framework. Australia's reputation as a reliable, long-term LNG producer is a significant national asset. However, the volume and pace of recent and proposed regulatory and taxation changes, including amendments to the PRRT, present challenges for long-term investment planning. For projects with multidecade investment horizons, such policy instability can undermine confidence and reduce Australia's competitiveness as a destination for large scale energy investment.

The impact of a volatile price environment

Approximately 95% of LNG currently produced from the Ichthys LNG is committed to Buyers under long-term SPAs. These long-term SPAs underpin the viability of developments such as Ichthys LNG, enabling finance to be secured, and investment decisions to be sanctioned.

Long-term LNG SPAs generally set a price based on an agreed "S-curve", indexed to Brent or Japan Crude Cocktail (JCC). To balance the price volatility risk in long-term agreements between the buyer and seller, the S-curve formula flattens prices at low oil levels (floor) and flattens prices again at high oil levels (ceiling), applying a steeper slope only in mid-range price scenarios.

Brent or JCC pricing within LNG SPAs also generally uses an average pricing methodology, for example, average of 5 months prior JCC.

Accordingly, in times of unusually high (or unusually low) oil prices this does not immediately translate into super-profits (or losses), due to the S-curve pricing formulas common to long-term SPAs and due to the time delay in current pricing influencing average prior period pricing formulas.

Given the necessity to commit the majority of production to long-term contracts, the ability of energy producers in Australia to act opportunistically to take advantage of short-term high price environments is limited.

Taxation change analysis

The PRRT regime in Australia has been subject to many reviews since its introduction. Notably, the Callaghan review in 2017, and more recently, the Treasury Gas Transfer Pricing review which culminated in the introduction of the PRRT deductions cap in May 2023, legislated in 2024.

INPEX notes the PRRT deductions cap changes have achieved the desired outcome. Collections have been brought forward with most relevant developments to commence paying PRRT from 1 July 2026. If these accelerated tax payments have not already been collected by the Government, they will be collected in the very near future, evidencing the significant and ongoing returns the industry is contributing. The regime is and will work as it was designed to do, and importantly, it is set up to collect tax on super-profits in a high-price environment.

Other potential tax changes being proposed such as export levies and windfall profits mechanisms which are levied on revenue and not underlying profits, ignore the underlying economics of a project. This creates a regressive tax which increases effective tax rates in low-price environments, increasing downside risk in a volatile and capital-intensive industry and undermining the risk and reward balance required for significant long-term investment. Regressive taxes of this nature are counterintuitive to productivity, growth, employment and Australia’s energy security.

From Ichthys LNG’s publicly available financial statements, it becomes clear the imposition of a 25% levy on revenue would significantly erode gross profit from operations, so much so that there would not even be enough gross profit to cover finance costs, let alone any other operating expenses or further investment.

It is also important to consider any proposed tax change in the context of all other tax or legislative changes the industry has had imposed on it in recent times. In addition to the PRRT changes, this includes Safeguard Mechanism changes, EPBC Act reforms, changes to the ADGSM, the NOGA levy and most recently the proposed introduction of a domestic gas reservation policy.

The culmination of all these changes result in significant destabilisation. This not only threatens future investment in Australia, but also Australia’s ability to be a stable export partner and therefore manage energy security.