

28 July 2017

The Manager, Large Corporates Unit
Corporate and International Tax Division
The Treasury
Langton Crescent
PARKES ACT 2600

Email: prrtreview@treasury.gov.au

Dear Sir,

Re: Review of Petroleum Resource Rent Tax Consultation Paper – Design Issues

Arrow Energy (“Arrow”) would like to thank you for the opportunity to provide a submission to Treasury on the Petroleum Resource Rent Tax (“PRRT”) Consultation Paper.

Arrow is a standalone integrated coal seam gas (“CSG”) company owned by Shell and PetroChina (50/50). Arrow explores and develops gas fields, produces and sells CSG and generates electricity from its five CSG fields in the Bowen and Surat basins in central and southern Queensland respectively. Arrow like any other company is subject to the normal corporate income tax regime. In addition since 1 July 2012 CSG production has been subject to multiple taxes, namely Queensland state royalties as administered under the *Petroleum and Gas (Production and Safety) Act 2004* and the Commonwealth's PRRT.

We reiterate Arrow's position in our submission to Treasury of 3 February 2017 that the current PRRT regime is working as originally designed and intended. The current PRRT regime properly balances the need to provide an appropriate return to the community on gas resources while supporting the development of those resources by imposing a relatively high tax burden on investors after a modest return has been achieved from a project. Fiscal certainty and stability are critical factors in making long-term capital intensive investment decisions. As such, it is essential the PRRT continues to operate in this manner to provide certainty to our industry.

Arrow fully supports Australian Petroleum Production and Exploration Association's (“APPEA”) comments in relation to Recommendation 1 and 2 contained in their comprehensive submission to the Consultation Paper. In this regard Arrow considers that Recommendation 2 of the Callaghan Report, contains significant challenges for the onshore industry and will, if implemented in the form stated in the Consultation Paper, result in isolated PRRT projects that are in essence integrated and therefore the same as the combined tenures but would be separated for PRRT purposes. Furthermore, the starting base and combination provisions were a critical design element of the extension of PRRT to onshore projects to avoid retrospective impact on investments made prior to the

announcement of the extension of PRRT onshore. For these reasons, if implemented Recommendation 2 could negatively impact the future development of onshore petroleum resources in Australia.

Arrow supports in-principle the remainder of the Part B recommendations three to twelve. In this regard we are supportive of common sense measures that improve and simplify the administration of PRRT and improve transparency.

In closing, we would like to reiterate Arrow's support of the comprehensive submission of the APPEA to the Consultation Paper.

Should you have any enquiries or wish to discuss any aspect of this submission further, please do not hesitate to contact Shane Simmons, Group Manager Tax and Treasury or Michael Todd, Government Relations Manager on 07 30124000.

Yours sincerely,



Qian MingYang
Chief Executive Officer



Edwin Kunkels
Chief Financial Officer