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Subject: FW: Econtech modelling [SEC=PROTECTED]

From: Section 22
Sent: Tuesday, 23 March 2010 6:40 PM
To: Section 22
Cc:
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All

I attended a meeting with John Short of Origin Energy this afternoon in the Treasurer's Office. He presented modelling by KPMG Econtech using the MM900 model of a revenue neutral shift from royalties and company tax (reducing to 25%) to a resource rent tax.

The objective of the modelling is to show that when the assumptions of perfect capital mobility and a purely efficient RRT are relaxed, the gains from reform are reduced. He cited small increases in per capita welfare as an argument for ruling out a resource rent tax. That is, a very small gain relative to the (investment) risk involved.

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The capital elasticity assumption is the same one Econtech used for sensitivity analysis in the AFTS efficiency paper and the one Econtech said they would use for sensitivity analysis in the current modelling work. It will be interesting to see how they have modelled inefficiency in an RRT.

The Office is expecting a copy of the report in the next day or so.

My Short indicated he was happy to arrange for Chris Murphy to discuss the results with Treasury.

During conversation Mr Short commented that tax uncertainty would likely put at risk investment decisions on four coal seem gas investments in QLD, which are otherwise due to be made later this year or early next year.

It would be worth doing some analysis of these projects as preparation for claims they won't proceed.

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