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Dr Steven Kennedy
Secretary to the Australian Treasury
The Treasury
Langton Crescent
PARKES ACT 2600

By email

Dear Steven

INPEX Holdings Australia, on behalf of the INPEX group of companies in Australia (**INPEX**), welcomes the opportunity to provide feedback on the 2022 Foreign Investment Reforms Discussion Paper. Our submissions relate primarily to the "Tranche 2 Reforms" set out in the Discussion Paper.

INPEX is Japan's largest energy exploration and production company and is a significant foreign investor in Australia. Our investment in the Ichthys LNG project is the single biggest investment by a Japanese company in Australia and the largest ever overseas investment by a Japanese company. ¹ Over its 40-year lifespan, an independent economic impact assessment forecasts that Ichthys LNG will generate \$195 billion in exports, \$190 billion in additional GDP for Australia, \$73 Billion in taxation revenue for federal, state and territory governments and 1,800 full time jobs every year until 2050. In 2006, INPEX was awarded Major Project Facilitation Status for the Ichthys LNG Project. This was renewed for a further term in 2021 which highlights INPEX's good standing as an investor and operator in Australia.

In our recently released 2022 vision statement,² INPEX announced an intention to invest 1.1 trillion Japanese Yen (~US\$9.5b) in growth projects by 2030. Approximately 20% of this amount is earmarked for net zero businesses.

Australia is central to INPEX's growth plans. In August 2019, INPEX's CEO and President, Takayuki Ueda, announced INPEX's *Australian Commitment*, in the presence of the Prime Minister of Australia, the Hon. Scott Morrison MP. Our *Australian Commitment* sets out INPEX's long-term commitment to Australia and to the deepening of the relationship between Australia and Japan. In the 2022 vision statement, Australia is identified as 1 of 5 'core' regions for investment.

The Discussion Paper seeks views on options to improve the overall design and operation of the foreign investment framework, including reducing regulatory burden on foreign investors. As a significant foreign investor in Australia, with a strong intention of expanding our investments here, we would welcome regulatory enhancements that make investing in Australia more certain and less burdensome.

We believe it is important, particularly in the recovery from the COVID pandemic, that the policy settings are appropriate to signal to foreign investors that Australia is open and welcoming of foreign investment.

¹ In addition to INPEX, the Ichthys project involves the Australian subsidiaries of 7 other foreign investors TOTAL (France), CPC Corporation (Taiwan), Tokyo Gas, Osaka Gas, Kansai Electric Power, JERA and Toho Gas (Japan).

² INPEX Vision@2022 Long-term Strategy and Medium-term Business Plan:
<https://www.inpex.co.jp/english/company/midterm.html>

We believe there are a number of areas of reform which would help to streamline the Australia's foreign investment framework:

1. **Fees** – recent reforms to the fees regime for FIRB applications have resulted in significant fees being levied on high value proposed transactions. As noted in the Discussion Paper, aggregate fees collected in the first nine months of 2021 were significantly higher than in the corresponding period in 2020. We repeat our previous comments that transaction value does not necessarily correlate to the level of review required and may serve to dissuade investment. There are also circumstances where the fees/review may be duplicative or not reflective of the review conducted. Competitive bid situations are a good example. A number of foreign investors are often required to hold, or at least have lodged for, FIRB approval prior to submission of final bids. FIRB will receive multiple applications for the same assets and ultimately, only one investor will be successful. This results in a number of potential foreign investors being required to pay significant application fees even where the bid outcome is highly uncertain. In such circumstances we would welcome a formal (transparent) regime whereby some, or all, of the fees are credited to the foreign investor.
2. **Exemption Certificates** – further guidance is welcomed as to the circumstances in which a foreign investor (including certain foreign government investors) would be eligible to receive an exemption certificate. The scope of such certificates are currently perceived to be quite narrow. As a result, they may not provide a foreign investor the breadth and time necessary to plan an appropriate investment strategy. Flexible application of the exemption certificate regime could be a useful tool to encourage foreign investment without requiring any fundamental change in laws. Tailoring exemptions to individual investor circumstances would also be welcomed. For example, a recognized foreign investor could be provided a long-term mandate to make investments in certain sectors without having to establish their individual *bona-fides* on every application; meanwhile FIRB could retain the right to review each specific investment, possibly on an expedited basis. We believe that flexible use of exemption certificates would reduce the burden on investors and FIRB, while allowing for a timely and focused review of the proposed investment.
3. **Coordination** – in the offshore oil and gas sector, NOPTA exercises regulatory powers over transfers and changes in control. Customarily, NOPTA will wait for FIRB approval before commencing their review, which can cause delay if the processes are not fully aligned. We believe there is scope for greater coordination between government departments in this respect. The Major Project Facilitation scheme could also be leveraged to better coordinate the various government approval processes that are often required for significant investments.
4. **National security review** – the application of the new national security review provisions remains ambiguous. Further guidance and industry engagement would be welcomed.
5. **Stability** – although streamlining Australia's foreign investment review is an important element to improving Australia's reputation as an investor-friendly jurisdiction, it is not determinative. Australia's attractiveness as a destination for foreign investment is also influenced by policy decisions in other areas which may give the impression that Australia is not a safe and stable jurisdiction for investment. By way of example, the proposed introduction of the Laminaria-Corallina decommissioning levy is perceived negatively within the oil and gas industry, particularly as the way the levy is applied (i.e. irrespective of whether the person ever held an interest in the relevant titles) is inconsistent with both long-established legal principles and the recent revisions to the offshore oil and gas regulatory regime.

INPEX is committed to Australia and we aspire to continuing to be a significant foreign investor here. We also appreciate the close working relationship INPEX has with the Foreign Investment and Review Board to secure the necessary approvals for Ichthys LNG and our other Australian investments. We appreciate the opportunity to make these submissions and hope that the feedback received from all stakeholders will led to meaningful reforms to enhance Australia's foreign investment framework.

INPEX will continue to consult with FIRB and would be pleased to be advised of further consultation opportunities by contacting John Williams (INPEX's Government Affairs and Approvals Manager) on (08) 9253 1845 or via email john.w@inpex.com.au

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Bill Townsend', with a stylized flourish at the end.

Bill Townsend

Vice President, Corporate

Annexure 1 – INPEX’s Australian Commitment

Our Australian Commitment

At INPEX CORPORATION we are proudly supporting a brighter future through the economic and social benefits flowing to local communities from our operations here in Australia.

We are committed to becoming a leading energy operator in Australia. To do so, we will leverage our considerable experience in developing and operating Ichthys LNG. Our plan is to utilize Ichthys LNG, our crown jewel, to expand our business in Australia. Our actions will support INPEX’s strategic ambitions, strengthen the long-term relationship between Japan and Australia, and enhance the standing and reputation of INPEX within the global energy industry.

We are committed to:

1. Safety always being our top priority
2. Australia being a cornerstone of our energy business
3. Expanding our exploration and production activities in Australia
4. Contributing to Australia’s future energy needs
5. Being a socially responsible energy company enriching communities across Australia
6. Accelerating our response to climate change by developing clean energy including LNG and renewables, and promoting innovative technologies to deliver energy in a sustainable way These actions will allow us to achieve our aspirations while also maximizing our contribution to Australia