

DEPARTMENT OF THE PRIME MINISTER AND CABINET

PM&C
Mr Davis
Mr Duggan
Mr Chisholm
Mr Strapp
Mr Martin

To: Prime Minister

PMO
Mr Gartrell
s 22(1)
(a)(ii)

SUBJECT: Meeting with INPEX CORPORATION

MEETING WITH: Mr Takayuki Ueda, Chief Executive Officer

TIME/DATE: 4:00pm – 4:30pm, Thursday 16 June 2022

VENUE: MG.63, Parliament House

Purpose of Meeting

- You are meeting with the Chief executive Officer (CEO) of INPEX Mr Takayuki Ueda. Mr Ueda wishes to outline INPEX's future investment plans in Australia, and discuss specific policy areas of interest.
- Additional attendees include:
 - NT Chief Minister, the Hon Natasha Fyles
 - Mr Xavier Simonet, CEO Austrade
 - Mr Tadaatsu Mori, Deputy Head of Mission, Embassy of Japan in Australia
 - INPEX Australia representatives (biographies at [Attachment A](#)).

Key Points

- INPEX is the largest oil and gas company in Japan, and operates the Ichthys Liquid Natural Gas (LNG) project about 220 kilometres off the coast of Broome. The US\$45 billion Ichthys project is the single largest investment made by a Japanese company outside Japan, and the only Japanese-operated LNG facility in the world.
- Ichthys produces ~8.9 million tonnes of LNG per annum, which is processed onshore in Darwin. Ichthys is not connected to the domestic east coast market, and all gas is exported.
 - Approximately 70 per cent of the LNG from Ichthys flows to Japan, which is heavily reliant on fossil fuel imports for its energy supply. The Government of Japan considers the Ichthys project to be vital to its energy security.

s 47B(a)

Carbon capture, utilisation and storage (CCUS)

- INPEX is exploring the feasibility of Carbon Capture, utilisation and storage at the Ichthys project. INPEX has publicly stated that while there are no technical barriers to CCUS implementation at Ichthys, CCUS cannot be commercially justified at Ichthys without government-funded CCUS hubs or substantial tax incentives.
- The previous Government's Energy Security and Regional Development Plan (ESRDP) committed \$30 million for INPEX to conduct a study towards a CCUS facility in the Petrel sub-basin (200 kilometres north of the Kimberly in Commonwealth waters). The ESRDP also committed \$70 million for a hydrogen hub in Middle Arm.

- s 47C

Gas investments in the Northern Territory

- INPEX committed in February 2022 to expand its Ichthys project through the construction of a third LNG processing train at the Darwin.
 - The NT Government is strongly supportive of the Ichthys expansion. The NT is Australia's third largest LNG producer, with gas exports generating more than 20 per cent of the NT's gross state product.

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Broader policy interests

- INPEX has taken a public position on a number of policy initiatives announced by your Government. While this meeting is intended as an introductory discussion, INPEX may seek to broadly discuss a number of issues (additional background at [Attachment B](#)):
- Strengthened Safeguards Mechanism: INPEX stated in 2019 that emissions-intensive trade exposed industries should receive priority access to verified international carbon credits to offset emissions above the Safeguard Mechanism baseline. INPEX has also indicated a desire to work closely with the Government on strengthening the Safeguard Mechanism.
 - You may wish to note the Government intends to consult with industry on strengthening the Safeguard Mechanism. Details are being worked through, with the aim that consultation commences as soon as practicable. Your Government has committed to commence the scheme on 1 July 2023.
- Australian Domestic Gas Security Mechanism (ADGSM): INPEX took a strong interest in the original design of the ADGSM because of concerns the Ichthys project, which is not permanently connected to the domestic gas network, would be required to meet obligations under the Mechanism if triggered by the Minister for Resources.
 - You may wish to note the Government intends to consult with industry on any proposed design changes to the ADGSM, and understands the importance of ensuring that industry can continue to deliver contracted energy to international customers.
- Taxation Policy: INPEX may express views on taxation policy, including your Government's commitment to a multinational tax integrity package, and the recently-announced UK proposal to introduce a 25 per cent 'windfall tax' on energy companies.
 - You may wish to note that the Minister for Climate Change and Energy indicated on 8 June that Government was not pursuing a windfall tax for the oil and gas sector.
 - On multinational tax policy, we suggest specific questions be directed to the Treasurer.
 - : You may wish to note that the Government intends to consult with industry on the implementation of multinational taxation policy to ensure new policies target deliberate profit shifting without creating unnecessary burdens on business.

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James Chisholm
Infrastructure, Industry &
Environment Division
14 June 2022

Contact Officer: s 22(1)(a)(ii)
Phone: s 22(1)(a)(ii)
Consultation: International; EcoDiv; DISER; Treasury

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Attachment A – Biographies

INPEX	
<p style="text-align: center;">Takayuki Ueda</p> 	<p>Chief Executive Officer, INPEX</p> <p>Takayuki Ueda is President & CEO of INPEX Corporation. He joined the company in 2017, and served as Senior Executive Vice President until he assumed his current position in June 2018.</p>
<p style="text-align: center;">Hitoshi Okawa</p> 	<p>President Director, Australia</p> <p>Hitoshi Okawa was appointed President Director of INPEX Australia in 2019. Mr Okawa has worked for INPEX Corporation in various roles since 1994, following ten years with the Japan-China Oil Development Company.</p>
<p style="text-align: center;">Tetsu Murayama</p> 	<p>Senior Vice President, Corporate</p> <p>Mr Murayama leads the Corporate Coordination Division. Under his organisation, he manages Human Resources, Business Services, Industrial Relations, External Affairs and Northern Territory.</p>
<p style="text-align: center;">Bill Townsend</p> 	<p>Vice President, Corporate</p> <p>Bill Townsend is Vice President Corporate at INPEX. Bill oversees the Corporate Affairs, Human Resources, Industrial Relations and Business Services functions in Australia as well as INPEX's corporate interests in the Northern Territory. Bill joined INPEX in 2006.</p>

Northern Territory Government	
<p>The Hon Natasha Fyles</p> 	<p>Chief Minister, Northern Territory Government</p> <p>The Hon Natasha Fyles is the 12th Chief Minister of the Northern Territory, assuming the role on 13 May 2022.</p> <p>A member of Territory Labor, Chief Minister Fyles was elected to the Legislative Assembly Seat of Nightcliff in 2012.</p>
Gabrielle Mappas	<p>Chief of Staff to the Chief Minister of the Northern Territory</p>
Embassy of Japan	
<p>Tadaatsu Mori</p> <p><i>(photo unavailable)</i></p>	<p>Deputy Head of Mission Embassy of Japan in Australia</p>
Australian Government	
<p>Xavier Simonet</p> 	<p>CEO, Austrade</p> <p>Xavier Simonet commenced as the Chief Executive Officer of the Australian Trade and Investment Commission (Austrade) in April 2021.</p> <p>Xavier was previously Group CEO and Managing Director of Kathmandu Holdings, which comprises the Kathmandu, Rip Curl and Oboz brands, and has previously held the roles of CEO of Radley London and International Director of Seafolly Group.</p>
s 22(1)(a)(ii)	Senior Adviser, Office of the Prime Minister
s 22(1)(a)(ii)	Senior Adviser, Office of the Prime Minister

Attachment B - Background

INPEX & the Ichthys LNG project

- INPEX is the fourth largest LNG producer in Australia, accounting for 7.2 per cent of total Australian LNG production.
 - In addition to Ichthys LNG, INPEX holds minority stakes in four additional offshore LNG projects in Australian waters.
- In February 2022, INPEX announced a new long term strategy to align company activities with net zero targets by 2050. This will include the development of CCUS at the Ichthys LNG Project in the late 2020s, with the aim to inject two million tonnes or more of CO₂ per year as a first step.
- The Ichthys Project began production in November 2018, and accounts for 75 per cent of INPEX's global revenue. Currently, INPEX has delivered over 600 cargoes, across the LNG, LPG and Condensate products range.
 - In February 2022, INPEX outlined plans to develop a third train at the Ichthys LNG plant by around 2030.



Government review of the Australian Domestic Gas Security Mechanism (ADGSM)

- The ADGSM will expire on 1 January 2023. On 9 June 2022 the Minister for Resources announced the Government will extend the ADGSM, while undertaking a review to improve its effectiveness.
- INPEX has publicly and privately criticised the ADGSM and gas market interventions more broadly, most recently at the Credit Suisse Australia Energy Forum on June 7 2022.
 - INPEX's criticism centres on the argument that measures such as the ADGSM have the potential to deter future investment and create sovereign risk concerns.
 - INPEX has also acknowledged the Australian Government's need to address supply issues facing the East Coast gas market. INPEX views the development of new onshore and offshore gas basins in Australia as vital to ensuring reliable and secure domestic supply for Australia.

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- The current requirements for triggering the ADGSM are unlikely to change with the extension of the mechanism. DISER advises this would make the triggering of the ADGSM for anywhere but the east coast of Australia very unlikely.
- INPEX is not an east-coast gas producer, and therefore is also not a signatory to the Heads of Agreement between the Australian Government and East Coast LNG exporters.

Carbon Capture, Utilisation and Storage

- On 27 October 2021, INPEX, Santos, Woodside, Eni, Origin Energy and Xodus signed an agreement with CSIRO, the NT Government, and other industry and engineering partners to assess the viability of a large-scale, low emissions CCUS Hub based at Middle Arm in Darwin to lower emissions and boost investment across Northern Australia.
- INPEX have also identified an interest in securing a greenhouse gas assessment permit in the Petrel sub-basin (one of five prospective areas opened for bidding). INPEX's push into CCUS aligns with INPEX's business model and commitments to reduce emissions by 30 per cent by 2030 and to net-zero by 2050.
 - Bidding closed on 10 March 2022. The National Offshore Petroleum Titles Administrator (NOPTA) is currently assessing the bids and will provide technical advice to the Joint Authority, to inform a decision to offer offshore greenhouse gas assessment permits to successful applicants.

Multinational Tax Integrity Package

- Your Government announced a package of tax integrity measures for multinational companies during the election, seeking to close loopholes by ensuring multinationals operating in Australia pay their fair share of tax and improve transparency.
 - The global minimum tax of 15 per cent (Pillar Two) rules will apply to multinationals with a combined revenue of over EUR750 million, which includes INPEX.
- INPEX may raise specific concerns with the Government's commitment to limit interest deductions (in line with the OECD guidance of 30 per cent of profits) and the potential adverse effect this may have on investment intentions in the resources sector. INPEX may also test the scope for delayed implementation, and seek assurances on the consultation process.

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