

Please direct all responses/queries to:

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Attn: Professor Alex Robson, Commissioner and Deputy Chair

Productivity Commission

Via email: 5pillars@pc.gov.au

Dear Commissioner

WOODSIDE SUBMISSION – FIVE PILLARS OF PRODUCTIVITY INQUIRIES

Woodside welcomes the opportunity to comment on the Productivity Commission's Five Pillars of Productivity Inquiries, with this submission addressing the interim reports on:

- *Investing in cheaper, cleaner energy and the net zero transformation, and*
- *Creating a more dynamic and resilient economy.*

We also refer the Commission to the submissions of the industry associations Woodside is a member of: the Business Council of Australia (BCA), Australian Energy Producers (AEP), and the Australian Industry Greenhouse Network (AIGN).

About Woodside

Woodside is a global energy company founded in Australia, providing reliable and affordable energy to help people lead better lives. Driven by a spirit of innovation and determination, we established the liquefied natural gas (LNG) industry in Australia 35 years ago and today supply a growing base of customers. We have reliably delivered gas to homes and businesses in Australia for decades, supporting the development of local industry and driving economic prosperity.

Woodside supports the Australian Government's economic policy priorities of productivity growth, economic resilience and budget sustainability. The Commission's interim reports and draft recommendations play an important role in advancing the national reform debate as Australia navigates the global energy transition, seeking to grow the economy while reducing national emissions. We firmly believe a strong and internationally competitive gas sector is critical to achieving these goals, and this is reflected in our submissions, detailed in Attachment 1.

Woodside recognises that securing Australia's future productivity and prosperity is a shared challenge. Government must provide policy certainty, efficient processes, and support for strategic industries, while industry must maintain community trust and deliver innovation and decarbonisation initiatives.

Woodside remains available to discuss the items outlined in this submission.

Yours sincerely,

Tony Cudmore

EVP Sustainability, Policy and External Affairs

Graham Tiver

EVP & Chief Financial Officer

Attachment 1

Interim Report: Investing in cheaper, cleaner energy and the net zero transformation

Woodside's climate strategy is integrated throughout our company strategy: to thrive through the energy transition with a low cost, lower carbon, profitable, resilient and diversified portfolio.¹ Our climate strategy has two key elements: reducing our net equity Scope 1 and 2 greenhouse gas emissions and investing in products and services for the energy transition.

Woodside welcomes a number of key themes in the Commission's interim report, including its focus on reducing the cost of meeting emissions targets, accelerating approvals for energy infrastructure, and addressing barriers to private investment in adaptation. Together, these priorities represent critical enablers of a net zero transition that delivers energy security, affordability and emissions reduction. Notwithstanding these priorities, in Woodside's view the interim report underplays the role of gas in Australia's current and future energy mix, as the economy decarbonises. Woodside believes this is not consistent with the report's stated commitment to technology neutrality. Within this context, we offer the following observations.

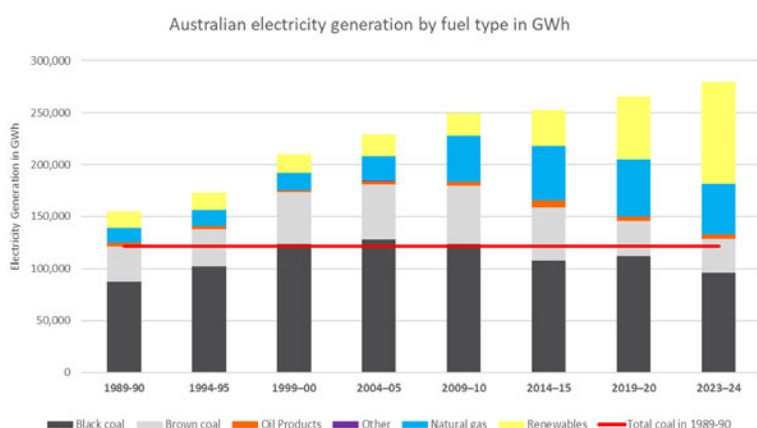
Reducing the Cost of Meeting Emissions Targets

Woodside endorses the Commission's recommendation to create technology-neutral incentives in the electricity sector beyond 2030. It is important that incentives and policy signals also recognise the critical role that natural gas plays in delivering secure and affordable energy and emissions reduction. The proposed Electricity Services Entry Mechanism (ESEM), identified in the National Electricity Market (NEM) Review, is a good example of this approach. The ESEM, if implemented, will recognise gas-powered generation within a technology-neutral framework, incentivising long-term investment.

Woodside believes greater attention needs to be paid among policymakers and within the economy to the importance of significant and timely investment in the energy supply projects needed for secure and affordable energy, and emissions reductions. Current policy settings do not fully contemplate the positive contribution to meeting energy and decarbonisation goals that can be made by fuels and technologies such as gas and carbon capture and storage (CCS) which have a significant amount to offer Australia's and Asia's transition. Not fully including these options in policy considerations risks making reaching net zero more difficult and more expensive.

Renewables are growing, which is positive, but Australia still uses as much coal as it did in 1989/90 (see Figure 1) because over that period there has been increased demand for energy, which has absorbed additional supply. This indicates why, as renewables continue to increase, their impact on emissions reduction should be supported by gas, to both meet additional energy demand and substitute coal as existing coal-fired plants reach the end of their planned operational lives.

Figure 1: Australia Electricity Generation by fuel type, physical units, financial year²

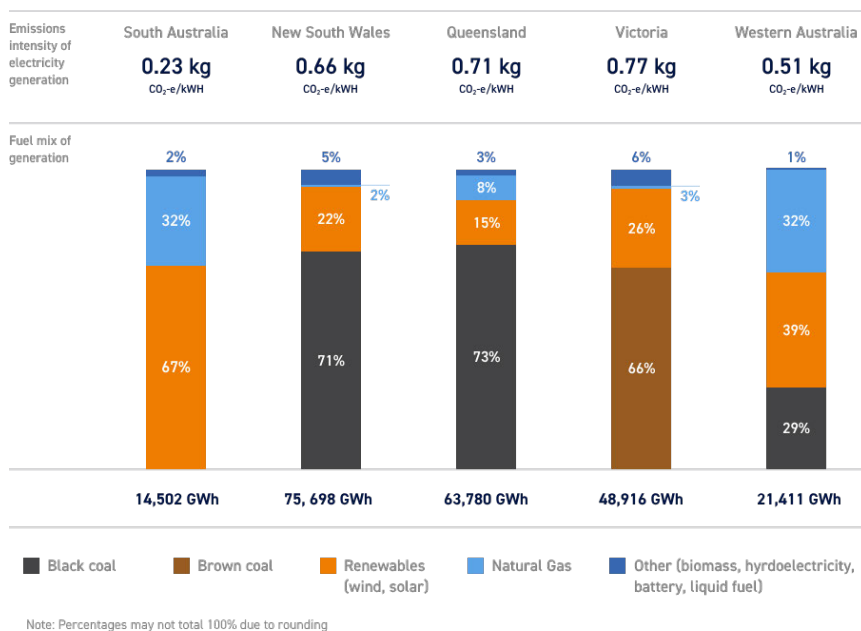


¹ For Woodside, a lower carbon portfolio is one from which the net equity Scope 1 and 2 greenhouse gas emissions, which includes the use of offsets, are being reduced towards targets, and into which new energy products and lower carbon services are planned to be introduced as a complement to existing and new investments in oil and gas. Our Climate Policy sets out the principles that we consider will assist us achieve this aim.

² Australia Energy Statistics 2025: Table O1 Australian electricity generation, by fuel type, physical units, financial year. <https://www.energy.gov.au/publications/australian-energy-update-2025>.

Australia's NEM and South West Interconnected System (SWIS) serves as an example of how higher proportions of gas combined with renewables can drive overall reductions in emissions intensity. The fuel mix in South Australian electricity generation relies on gas peaking generation for grid stability during periods of high renewable generation and for the reliable dispatch capacity it provides during periods of low renewable generation. The bar chart below demonstrates the impact of a gas-renewables mix in delivering substantially lower emissions intensity (i.e. fewer emissions per unit of electricity generated) than coal-dominated grids, but with the requirement for additional gas in order to achieve this aim.

Figure 2: Fuel mix and emissions intensity for electricity generation of select Australian states^{3,4,5}



Woodside estimates that if the fuel mix and therefore emissions intensity of the other States shown in Figure 2 matched South Australia's, the same amount of electricity could be generated with approximately ~95 MT CO₂e fewer emissions, with a more than threefold increase in the electricity generated from gas. For context, Australia's total emission in the year to June 2025 were 440.2 MT CO₂e, approximately 86 MT CO₂e above the indicative value of Australia's 2030 single-year point target in its Nationally Determined Contribution^{6,7}.

Australia needs a comprehensive policy approach to achieving net zero, which necessarily would avoid favouring certain technologies while discounting others. There is also a risk to public support for climate action when affordability and reliability are not sufficiently considered in policy settings. The energy transition must deliver secure, affordable energy alongside emissions reductions. If it falls short in any of these areas, it risks undermining public trust and weakening social consensus.

Safeguard Mechanism

When the Safeguard Mechanism (SGM) reforms were announced in 2022, Woodside described the reformed SGM as an ambitious yet achievable framework for driving emissions reductions at Australia's largest industrial facilities. Woodside supports a whole-of-economy approach to emissions reduction, and it is important that the mechanism maintains a proportional contribution from covered facilities to Australia's overall emissions targets.

As recommended in the Commission's interim report, expanding the SGM to cover more industrial facilities could deliver more consistent emissions reduction incentives and support broader decarbonisation across the economy. Any changes should be carefully assessed as part of the Department of Climate Change, Energy,

³ Australian Department of Climate Change, Energy, the Environment and Water, 2024. 'Australian National Greenhouse Accounts Factors.' <https://www.dceew.gov.au/climate-change/publications/national-greenhouse-accounts-factors-2024>.

⁴ Net Generation in GWh taken from Open Electricity: NEM for the calendar year of 2024. <https://opennem.org.au/>.

⁵ Fuel mix percentages accessed online <https://www.aemo.com.au/energy-systems/electricity/national-electricity-market-nem/data-dashboard-nem-12-months-to-22-Jan-2025> and for SWIS accessed online <https://opennem.org.au/>.

⁶ Australian Department of Climate Change, Energy, the Environment and Water, 2025. National Greenhouse Gas Inventory Quarterly Update: March 2025. <https://www.dceew.gov.au/climate-change/publications/national-greenhouse-gas-inventory-quarterly-update-march-2025>.

⁷ Commonwealth of Australia 2022. Australia's Nationally Determined Contribution Communication 2022.

the Environment and Water's 2026–27 review of the SGM to ensure they deliver genuine benefits without imposing disproportionate compliance costs on smaller facilities, including for the potential impact on demand for Australian Carbon Credit Units (ACCU).

Woodside supports the Commission's recommendation to retain the use of ACCUs for SGM compliance, as it provides an essential avenue for facilities under the SGM in different sectors where on-site decarbonisation options alone may not be technically or economically feasible. Given the size and scale of decarbonisation challenges for many industrial emitters across the economy, it is likely that access to ACCUs will continue to be an important element of national decarbonisation policy for a significant period of time.

Assessment of ACCU supply and demand works best if based on evidence from industry's actual plans rather than the extrapolation of scenario-based trendlines. An example would be to establish a Carbon Credits Statement of Opportunities, modelled on the Australian Energy Market Operator's (AEMO) equivalents for gas and electricity. This may better inform Government of the need to take action to increase supply, for example by approving more ACCU methods, or by allowing international carbon credits to be used for SGM compliance, consistent with Article 6 of the Paris Agreement. Woodside recommends the Government pursues opportunities to expand the ACCU Scheme consistent with these initiatives.

In relation to carbon leakage, Woodside considers that protections for trade exposed industries are necessary so that Australia's emissions reduction efforts and economic competitiveness are maintained. Changes to trade-exposed provisions under the SGM, including the possible introduction of a border carbon adjustment, should be carefully considered in the 2026-27 SGM review to avoid disadvantaging domestic industries relative to global competitors.

Speeding Up Approvals for Energy Infrastructure

Woodside supports the Commission's view that reforms that strengthen environmental outcomes and streamline environmental approvals would be a key enabler for productivity growth. However, in Woodside's view, the Commission's recommendations should apply consistently across all sectors and energy infrastructure, rather than delineating by energy type. A balanced, technology-neutral approach is essential to avoid project delays, and support Australia to meet its climate goals efficiently and cost effectively.

To achieve this Woodside recommends the following actions:

- Streamline approval processes and require agencies to meet statutory timelines to limit delays in bringing new energy supply to market.
- Design Environment Protection and Biodiversity Conservation Act 1999 reforms that retain and reinforce the principle of ecologically sustainable development and continue to require the Minister (or delegated decision-maker) to consider both long- and short-term economic, social, and environmental factors, and to publish integrated assessments.
- Expedite the broad use of regional planning and strategic assessments to guide policy on what activities are considered acceptable; that also fulfil stakeholder engagement processes, include assessment of cumulative impact and provide standard conditions that offer streamlined approval pathways for all proponents.
- Legislate a single-agency integrated assessment model for major energy projects to fast-track approvals, consistent with the Commission's recommendations and reduce regulatory duplication (including for those activities that occur across both State and Commonwealth jurisdictions).

Woodside supports formal and rigorous approval processes that are also time-bound in order to create certainty for proponents and stakeholders. Australia could consider reforms so that regulatory approvals are robust to vexatious legal challenges where those challenges are designed to create delays, stop production or cause significant cost impacts to projects. In the US for example, key government authorities for LNG project approvals (the Federal Energy Regulatory Commission, Department of Energy, Environmental Protection Agency and the US Army Corps (for Gulf Coast LNG projects)) have defined appeal windows. Once these timelines expire, approvals are considered 'final and unappealable' and no proceedings can be filed in US Courts challenging the validity of the approvals.

Australia does have time-limited judicial review windows, but in state and federal jurisdictions there are avenues outside of judicial review processes available for approvals to be challenged. To maintain Australia's international competitiveness, Australia could consider legislating to provide a similar type of 'final and unappealable' approvals that also have a time-limited appeal window.

Interim Report: Creating a more dynamic and resilient economy

Corporate Tax Reform to Spur Business Investment

For decades, Australia's energy resources have provided a major competitive advantage for the nation's economy. In particular, safe, affordable and reliable domestic gas has helped underpin the success of many Australian businesses, especially in mining and manufacturing.

In parallel, the LNG industry, which has invested more than A\$400 billion since 2010, has made a significant contribution to Australia's prosperity through taxes and royalties, skilled jobs, community support and economic development. KPMG analysis commissioned by the AEP found that the gas industry contributed A\$105 billion to Australia's gross domestic product and supported 215,000 ongoing jobs across the economy in 2021-22.⁸ This is in addition to a record A\$22 billion in taxes and royalties paid to Australian governments in 2024-25, taking the industry's contribution to nearly A\$60 billion over the last three years.⁹

Woodside's projects drive local employment and investment through the value chain. For example, Woodside's Scarborough Energy Project is generating thousands of jobs and is estimated to spend more than A\$5.4 billion in Western Australia during its development phase. The project is also expected to contribute more than A\$50 billion in direct and indirect taxes to Australia's economy.¹⁰

Woodside is among Australia's top tax contributors, paying A\$4.1 billion in taxes, royalties and levies in 2024 and more than A\$24 billion since 2011. Woodside is the largest payer of Petroleum Resource Rent Tax (PRRT), paying A\$662 million in 2024 and more than \$22 billion since the PRRT has applied. Furthermore, the Woodside operated North West Shelf Project has paid more than A\$40 billion in federal royalties and excise since starting production (100% venture).

Stable tax and fiscal frameworks are required for industry to make large, long-term investments that support energy security, decarbonisation and economic growth.

Woodside does not support the Commission's proposed increase on taxes for large companies through the net cashflow tax (NCT). A NCT would disproportionately increase the tax burden on large businesses that contribute to long-term infrastructure and energy investments in Australia. A NCT would reduce the international competitiveness of Australian industry and add further complexity to taxation arrangements which impact both productivity and new investment.

Woodside agrees with the Commission's assessment that Australia's corporate tax rate has "fallen out of step with peer countries, as competition for global capital becomes more intense". Australia already has high effective tax rates compared to OECD peer countries. Factoring in the many taxes Woodside is subject to, our Australian all-in effective tax rate of 46% in 2024 is significantly higher than the large business corporate tax rate of 30%, the average statutory corporate tax rate in the OECD of 21.1% and the OECD multinational global minimum tax rate of 15%.

Earlier this year, Woodside made a final investment decision to develop the three-train, 16.5 million tonne per annum (Mtpa) Louisiana LNG development in the US for an estimated US\$17.5 billion (100%). It is estimated that the combined tax rate on profits from this investment in the US will be 25.35%.¹¹ If the same investment opportunity existed in Australia, the combination of the 30% corporate tax rate and the 5% NCT would result in a combined tax rate of 35%. This amounts to an additional 10% tax when compared to the US.

It is recommended that Australia maintains a stable, balanced tax regime that delivers fair returns to governments and communities from resource extraction, while attracting the investment needed to maintain energy security and drive national prosperity.

To support the Government's ambition to broaden the tax base, an alternative avenue to an NCT would be to improve the business investment environment.

⁸ KPMG, 2024. Economics of Gas Industry. https://energyproducers.au/wp-content/uploads/2025/02/Economics-of-Gas-Industry-KPMG-Final-Report_18Dec2024.pdf

⁹ AEP, 2025. The Australian Oil & Gas Industry's Tax and Royalties Contribution. https://energyproducers.au/fact_sheets/the-australian-gas-industrys-tax-and-royalties-contribution/

¹⁰ ACIL Allen. Economic Impact of the Scarborough Energy Project. https://www.woodside.com/docs/default-source/our-business---documents-and-files/scarborough/economic-impact-of-the-scarborough-energy-project_summary-brochure.pdf

¹¹ Includes US Federal and State taxes (as an LNG production and export terminal it is not subject to royalties).

Regulating to Promote Business Dynamism

Woodside shares the Commission's view that Australia's regulatory settings should promote business dynamism. To this end, we support the Commission's proposals that the Australian Government should set a clear agenda for regulatory reform, bolster high-level scrutiny of regulations, and enhance regulatory practice to deliver growth, competition and innovation.

Woodside supports regulatory reforms that strengthen environmental outcomes and streamline environmental approvals. This is described in further detail in Woodside's submission under the heading 'Speeding Up Approvals for Energy Infrastructure' in the response to the 'Interim Report: Investing in cheaper, cleaner energy and the net zero transformation'.