



George Siappas on behalf of Laura Boudreau
General Manager, Major Capital Projects, Chevron Australia

October 16, 2024

Via E-mail

Ms. Kylie Armstrong
Director Strategic Projects
Construction Training Fund
104 Belgravia Street
Belmont, WA 6104

Dear Ms Armstrong,

Statutory Review of the *Building and Construction Industry Training Fund and Levy Collection Act 1990 (WA)*

About Chevron Australia

Chevron Australia (Chevron) is one of the largest energy suppliers to Western Australia (WA) and the region. The Chevron-operated Gorgon and Wheatstone gas plants produce almost half of WA's daily supply of domestic gas and just over 6.5% of the world's Liquefied Natural Gas (LNG) supply or 33% of Australia's LNG exports¹.

To achieve this, Chevron and its partners have invested more than \$81 billion² of capital expenditure in the Australian economy since 2009. These projects pre-date the removal of the resources sector's exemption from the Construction Training Fund (CTF) Levy in October 2018.

CTF Levy payments summary

The Chevron-operated Gorgon and Wheatstone facilities are multi-decade developments and we continue to invest in these world-class assets accordingly to maintain production and asset integrity. In early June of 2023, we announced the production of first gas from the Gorgon Stage Two (GS2) development, which will help maintain feed gas supply for the Gorgon LNG and domestic gas processing facilities on Barrow Island. Chevron contributed \$1.87 million to the CTF via collection of the CTF Levy in connection with the GS2 development. We have also contributed \$648,000 of CTF Levy in connection with the separate Barrow Island Umbilical Project.

Fabrication is now underway on our A\$6 billion Jansz-Io Compression (J-IC) project, designed to maintain production from the Jansz-Io field using proven, world-leading subsea compression technology to feed LNG and domestic gas production at the Gorgon facility. We expect to pay

¹ Based on 2022 production figures.

² All dollar figures are in Australian dollars unless otherwise stated.

approximately \$5.95 million in CTF Levy payments in connection with the J-IC project once complete, bringing Chevron's combined contributions to the CTF Levy to approx. \$8.47 million.

Future projects

Looking ahead, our typical major construction projects will be further subsea tieback opportunities, needed to maintain gas supply to Gorgon and Wheatstone. As an example, we are currently going through regulatory assessment for the next seven fields earmarked for development through the Gorgon gas facility with the Gorgon Gas Development Backfill Fields Offshore Project Proposal (OPP) currently open for a 12-week public comment period until 1 November 2024 via NOPSEMA. Offshore activities for the first fields are proposed to commence from 2026 at the earliest, with operations from 2028 for 20 to 25 years.

We expect development of these fields to be subject to the CTF Levy.

Chevron's perspective on the CTF Levy

Broadly speaking, Chevron is supportive of the Levy as we support efforts to grow the WA construction industry, while developing a safe, skilled and sustainable workforce. We also recognise many of the thousands of workers who helped construct our Wheatstone and Gorgon projects will likely have been trained outside of the LNG sector, for example in the residential construction sector.

However, we believe there is a case to amend how the CTF Levy is applied to future LNG sector projects, which have a high capital-to-labour ratio. This capital intensity is driven largely by the costly fabrication of equipment. This fabrication work is predominately carried out overseas by a small number of specialist fabrication contractors using international labour. Such work therefore has limited impact on WA training requirements.

Furthermore, installation of this equipment in Australia is predominately performed by specialist contractors, again, with limited impact on WA training requirements.

Even when fabrication works can be undertaken in WA, Chevron's contractors cannot claim financial support from the CTF for training, as the work they undertake is not by definition 'on-site'. Most 'on-site' work is installation undertaken offshore, which as described above is by highly trained specialist contractors who do not require further training whilst working in WA.

In summary, Chevron's future LNG sector projects are expected to be subject to significant Levy payments, despite having minimal impact on WA training requirements, and we will have limited ability to claim financial support from the CTF Levy for any training that is undertaken in WA.

Response to Issues Paper

Chevron appreciates the opportunity to respond to the Issues Paper provided in connection with the Statutory Review of the *Building and Construction Industry Training Fund and Levy Collection Act 1990* (WA).

Below are Chevron's perspectives on the potential recommendations discussed in the Issues Paper of most relevance to the LNG sector, which have the potential to help address our concerns regarding application of the CTF Levy to our future projects:

Issue 2. Introduction of a capital value cap

The Issues Paper invites submissions on the question of whether the Act already provides a sufficient basis for project owners to apply for Levy reductions and exemptions.

The Review will consider recommending that:

(a) Criteria should be published under s.25A which will permit a project owner to make application under s.25B for a reduction in, or an exemption from, the levy otherwise payable.

(b) Section 25A of the Act be amended to expand the matters that the Board may take into account, including, for example, circumstances where the high capital-to-labour ratio of a project will lead to levy payments that are disproportionately larger than the project's construction skills requirements.

Chevron response:

Chevron is supportive of proposals that provide flexibility to the application of the Levy for future LNG sector projects, particularly where there is a high capital-to-labour ratio and limited need for a WA-trained workforce.

Specifically, Chevron is supportive of a cap on the value of a project that can be levied, as discussed in the Terms of Reference for the 2024 Review of the *Building and Construction Industry Training Fund and Levy Collection Act 1990*.

However, a clearer definition regarding how a reduction in the Levy payable may be applied would be helpful, provided it is not administratively burdensome.

On this basis, Chevron is supportive of both potential recommendations in Issue 2, on the basis they provide greater clarity as to the basis upon which an appropriate reduction in the Levy payable may be sought.

Please also refer to Attachment 1, for a case study on Chevron's Jansz-lo Compression project, which seeks to further illustrate the points made above.

Issue 4. The concessional expenditure threshold for resources

The Issues Paper also invites submissions as to whether the current exception to the exemption applicable to resources operational work in Regulation 3 should be:

(a) amended to increase the concessional expenditure threshold from \$10 million to a higher figure; or

(b) removed from the Regulation altogether, such that no alteration and renovation work is leviable.

Chevron response:

Chevron agrees that:

The terms of Regulation 3 give rise to an additional regulatory burden on the resources sector, including the need to distinguish between exempt operational work and non-exempt alteration and renovation work.

To further illustrate this, as noted in the CTF's [Information Guide – The CTF Levy and WA's Resources Sector](#), the following is excluded from the Levy when undertaken in the resources sector:

- *Work for the minor renovation, alteration, reconfiguration or refurbishment of a resources facility, or component of a resources facility, under the construction value of \$10 million due to:*
 - *wear and tear, breakdown or damage; or*
 - *the facility or component of the facility reaching the end of its useful life; or*
 - *a technological change and/or process efficiency improvement.*

Conversely, where these types of works are undertaken and the construction value exceeds \$10 million, they are subject to the Levy. These types of work are regularly undertaken in the LNG sector with the aim of enabling continued safe operations. It is therefore reasonable to classify these works as 'repair and maintenance', and therefore exclude them from the Levy.

On this basis, Chevron is supportive of the current exception to the exemption being removed from the Regulation altogether, such that no alteration and renovation work is leviable.

We understand from the Issues Paper this will have limited financial impact on the CTF, noting '...relatively little levy income is generated from projects properly classified as alteration and renovation.'

The alternative option of increasing '...the concessional expenditure threshold from \$10 million to a higher figure...' would not deal with the lack of regulatory clarity and certainty.

In closing, I would like to thank you for your engagement with Chevron as part of this review. We appreciated the opportunity to share our perspectives with yourself and Tom Dixon in May and hope these additional perspectives in this letter are useful as you work to conclude the review.

Please do not hesitate to contact Chevron Government Affairs Advisor Ben Cranston at ben.cranston@chevron.com or on 0499 648 099 if you require further information or clarification in relation to the perspectives provided.

Sincerely,

George Siappas, on behalf of Laura Boudreau

General Manager, Major Capital Projects
Chevron Australia

Attachment 1 – Case Study – Jansz-lo Compression (J-IC) project

Chevron-operated Gorgon Facility

Gorgon is one of the world’s largest LNG projects and the single largest resource project in Australia’s history. Located on Barrow Island – A Class A Nature Reserve – Gorgon comprises a three-train, 15.6 million tonnes per annum LNG facility and a domestic gas plant with the capacity to supply 300 terajoules of gas per day to WA.

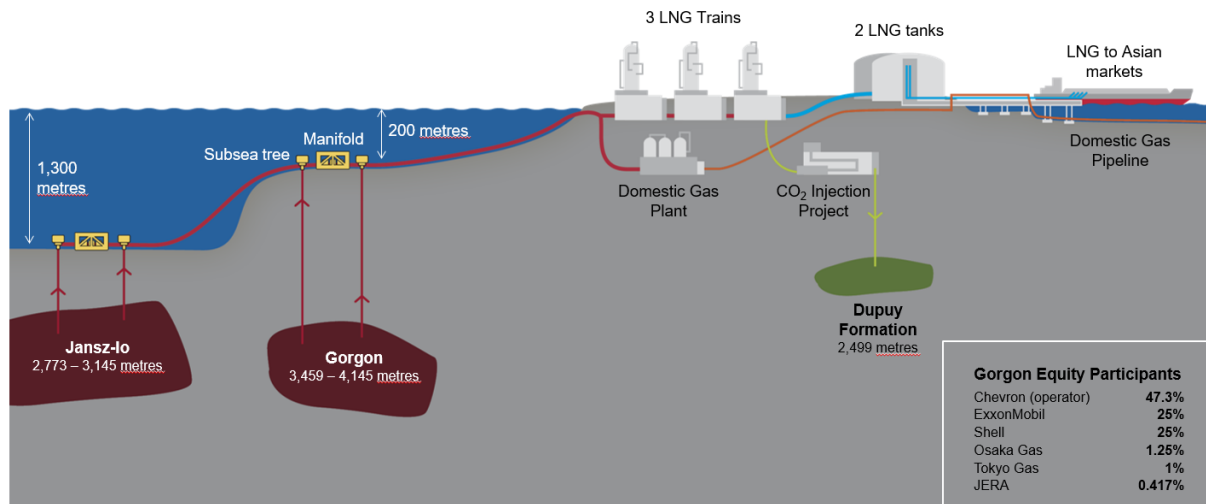


Diagram: Gorgon offshore and on-island facilities.

J-IC project overview

The Jansz-lo field has significantly less CO₂ than the Gorgon field, is used for domestic gas supply to the WA market and has been producing gas since 2015. Pressure in the reservoir will begin to decline in the coming years and compression of the Jansz-lo field has been a planned step in the Gorgon Project since inception.

Adding subsea compression infrastructure will enable Chevron to enhance the recovery of gas and ensure supply to the Gorgon plant is maintained long-term. Proven, world-leading subsea compression technology was chosen in preference to a conventional above-water platform. FID was taken in 2021 and construction and installation activities are estimated to take approximately five years to complete.

J-IC is one of a number of compression and backfill field projects that we must execute over the coming decades to keep the Gorgon plant full over its 50-year life. This project queue will continue to deliver significant ongoing economic benefits to WA and Australia.

Local content

Importantly, Chevron aims to maximise the local content opportunities delivered through its projects, including by supporting the development of WA-based supply chains. For the J-IC Project, we expect \$2 billion of the total \$6 billion project capital cost to be spent in WA supporting hundreds of jobs during the construction phase.

Location of work

Fabrication of key capital items, including subsea compression equipment, a normally unattended floating Field Control Station and a submarine power cable, will be predominately undertaken overseas. However, a subsea compression manifold station is being fabricated at Civmec's Henderson facility in WA. Significantly, Chevron has supported development of Civmec's capability through construction of Gorgon and Wheatstone, which may not otherwise exist in WA.

Once fabrication of equipment both here in WA and overseas is completed, installation works will largely be undertaken in Commonwealth Waters. The WA component of J-IC on-site works is limited to the installation and operation of ancillary power and control infrastructure on Barrow Island and in State Waters.

Levy claims

The J-IC project is subject to the CTF Levy, with total Levy payments expected to total approximately \$5.95 million. To date, two CTF Levy payments totaling \$2.38 million have been paid. Despite the J-IC project Levy contribution being expected to approach \$6 million, Chevron and its contractors have limited ability to make claims in support of training undertaken in connection with the project.

Chevron does deliver a significant amount of training, largely in partnership with MEGT, which is responsible for training of Chevron's apprentices and trainees. However, we do not typically employ construction workers, with most blue-collar workers instead employed to operate and maintain our facilities. We therefore do not expect to make claims directly associated with the J-IC project.

Most of Chevron's construction work is instead undertaken by contractors. However, even those performing work in WA will also have limited ability to make Levy claims associated with the J-IC project. This is because they cannot make claims for fabrication works as these are not considered to be undertaken 'on-site'. For example, those being undertaken by Civmec in Henderson, in connection with the J-IC project, and overseas. Furthermore, the majority of 'on-site' installation work will be undertaken offshore by already highly trained specialist contractors, with limited impact on WA training requirements.

In summary:

- Despite Chevron's efforts to develop local capability, most fabrication of key J-IC capital items is being undertaken overseas.
- Where fabrication works are being undertaken in WA, Chevron's contractors cannot claim financial support for training as the work they undertake is not 'on-site'.
- Furthermore, most 'on-site' installation works will be undertaken offshore with limited opportunities for training.

The J-IC project is a good example of where there would be a strong case to apply for a reduction in Levy payments. Development of an expanded list of matters the Board may take into account, when considering a reduction in Levy payments, should include consideration of the issues identified in this case study.