

17 June 2005

Mr David Holly
China FTA Study Taskforce
Department of Foreign Affairs and Trade
RG Casey Building
John McEwen Crescent
Barton ACT 0221

Dear David

AUSTRALIA-CHINA FREE TRADE AGREEMENT NEGOTIATIONS

Thank you for the opportunity to provide input on behalf of ChevronTexaco Australia Pty Ltd to the Australia-China Free Trade Agreement (FTA) negotiation process.

Chevron Corporation, of which ChevronTexaco Australia Pty Ltd is a subsidiary, supports the principle of free trade and the contribution to future economic growth and development that it aims to facilitate.

ChevronTexaco Australia considers that an FTA between Australia and China could further strengthen the trade, investment and cultural relationship between the two countries.

A similar philosophy has underpinned Chevron's global reputation for building longstanding productive and collaborative relationships with governments and joint venture partners and benefiting the communities in which we work.

Chevron has a long history in Australia, spanning over half a century of oil and gas exploration and development projects. ChevronTexaco Australia is headquartered in Perth, Western Australia. Over 700 people are working for us in WA, and this number is expected to continue to grow as we move forward with our investments in Australia.

We are a leading partner in the development of Australia's gas resources for export and domestic use. Our current key interests include our role as operator and joint venturer of the Greater Gorgon development and our one-sixth joint venture interest in Australia's largest resources project, the North West Shelf Venture (NWSV).

Both ventures enjoy a close and growing relationship with China, based on the proposed export of large volumes of Liquefied Natural Gas (LNG) from Australia to China to help meet China's growing demand for energy from clean, natural gas.

The NWSV will supply three million tonnes of LNG to China's Guangdong Province annually from 2006, earning more than \$25 billion in export income for Australia over the 25-year contract period.

Australia, particularly Western Australia, will continue to form an important part of Chevron's global gas strategy with further significant investment planned, including the recently announced expansion of the NWSV, commercialisation of the fields of the Greater Gorgon area and further offshore exploration and development.

The Greater Gorgon Development, for example, is expected to create 6000 jobs Australia-wide, \$11 billion in new investment and \$2.5 billion in extra export income.

From the perspective of our growing business relationship with China, ChevronTexaco Australia has identified two broad areas in which an FTA could strengthen trade, investment and cultural links between Australia and China.

An FTA could facilitate the export of LNG from Australia to China. It could also facilitate investment by China in Australia's petroleum exploration and production sector.

LNG imports into China currently attract an import tariff of six percent. We understand the application of this tariff is at official discretion.

An outcome of an FTA could be to reduce or eliminate this tariff. This would help make LNG from Australia more competitive with other fuel sources in the Chinese market.

China is pursuing equity investments in the Australian LNG industry. The China National Offshore Oil Corporation (CNOOC) has acquired equity in the NWSV and a sales and equity arrangement is being negotiated between CNOOC and the Gorgon venturers.

In terms of ongoing investment benefits, an FTA could also facilitate future Chinese equity participation in the Australian LNG industry.

ChevronTexaco Australia will follow the FTA negotiation process closely. We look forward to learning of future developments.

Yours sincerely

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