

2020 Budget Bites Energy & Resources



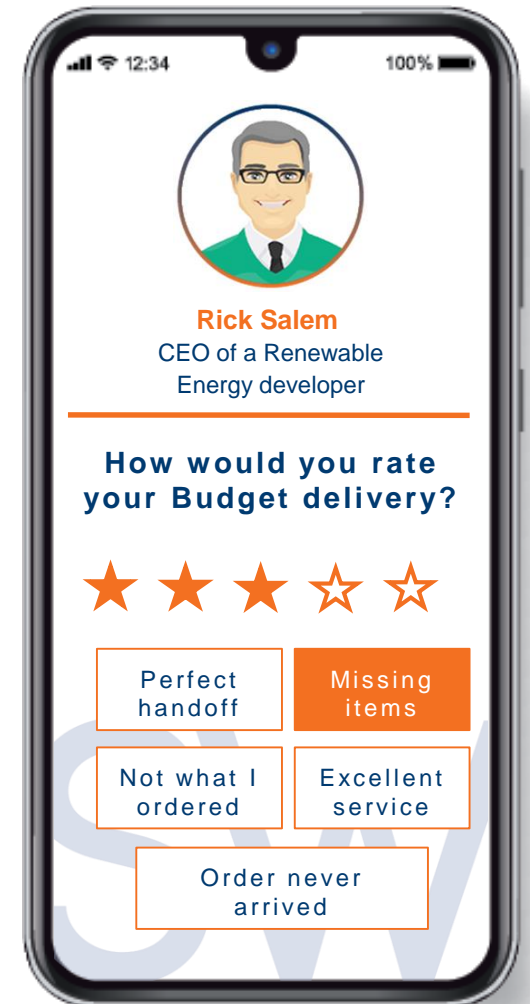
Out of a budget that is focused on economic recovery and jobs, the opportunities for the energy and resources sector are targeted to specific areas and projects

Key takeaways

- Exports of resources underpin the forward estimates and mining investment is forecast to continue significant growth in FY2021
- Up front asset tax write-off is material
- Greater potential to claim research and development tax incentive as a result of revised rules
- Claim prior period tax losses up to the 2022 financial year
- Support to hire apprentices and under 35-year old's
- \$1.6bn of funding to ARENA which is now steered to invest in clean hydrogen, energy storage, both low-emissions steel and aluminium; Carbon Capture and Storage (CCS); and soil carbon
- Funding of \$28.3m for future development of five new gas basin plans – including plans for reform of pipeline and transportation markets
- Funding for three new state electricity interconnectors between TAS-VIC, NSW-SA and VIC-NSW,
- The Government will contribute \$204m to support the construction of new diesel fuel storage
- Investing \$2bn in the National Water Infrastructure Development Fund – forming the National Water Grid more than doubling the fund to a total of \$3.5bn. The Fund will become a 10-year rolling program of priority water infrastructure investments
- Phasing out export of waste such as plastic, paper, tyres and glass with a \$250m investment over four years in recycling capability.

Impacts to your business

- Assess what projects/ asset acquisitions can be brought forward to take advantage of immediate asset deductions – change in tax profile may not change net present value
- Consider whether able to claim tax losses against prior period profits – need to assess franking credit implications
- Opportunity to build workforce with apprentices and support for candidates coming off JobKeeper
- ARENA funding may open the feasibility of new energy projects relating to clean hydrogen, energy storage and CCS
- Funding for gas basins and plans for reform of pipeline and transportation may accelerate project timelines
- Investing in water infrastructure improves Australia's resilience to drought which assists mining projects in regional areas
- Increased recycling may lead to opportunities to source certain goods from local suppliers.



Opportunities for growth and stability

- Small business concessions expanded to businesses with turnover less than \$50m – which should increase the stability of suppliers
- With the infrastructure spend on electricity interconnectors and the ability to write off assets in full up to 30 June 2022 could improve the economics of projects that are 'shovel ready' to be built quickly.

Did the Budget deliver what you ordered?

We expect the Budget will not significantly bolster activity in the sector, except for certain areas such as clean energy and carbon capture. There are opportunities for business improvement through some of the initiatives such as hiring of apprentices and young workers. Depending on the projects an organisation holds, there may be increases in value due to the immediate deductibility of capital expenditure. There are investments that may decrease power prices; however, these will take time to bear fruit.



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