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News

## Gas saviour now a pipe dream for Premier Colin Barnett

- bv: John Flint
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COLIN Barnett is desperately clinging to his dream of a \$40 billion gas hub at James Price Point in the Kimberley despite a now-widespread belief it is doomed.

The Premier yesterday warned the multinational consortium behind the project led by energy giant Woodside that they "don't own it", referring to the gas riches in the Browse Basin off WA.

And Mr Barnett, who has met the key players recently, insisted he would not let Woodside,

Premier Colin Barnett Source: News Limited



Premier Colin Barnett yesterday warned the multinational consortium behind the \$40 billion gas hub at James Price Point that they "don't own" the gas riches off WA. Source: News Limited

and the second-biggest partner in the consortium Shell, abandon the James Price Point location in favour of a floating processing plant offshore a move that would rob the state of a fortune.

But the consortium, which is reconsidering the project design and has promised a final decision within months, is pushing heavily for Mr Barnett to compromise so it can switch to a floating LNG processing plant. Insiders believe it is now the only economically viable option.

Trashing the contentious processing at James Price Point would torpedo thousands of jobs in WA and the \$1.5 billion benefits package negotiated with native title claimants, the Goolarabooloo Jabirr Jabirr.

Fallout from the likely collapse of the much-hyped James Price Point hub is set to flare as a major election issue, with Labor leader Mark McGowan accusing Mr Barnett of mismanaging the project.

And though the consortium isn't due to make a final investment decision until June, industry sources say Woodside is likely to announce its interest in the floating option ahead of the March 9 poll.

Mr Barnett, who has also flagged with The Sunday Times the prospect of other options to save the site, said he would be mad to allow the switch and was confident the Federal Government would also resist it, even though taxes would still flow to the commonwealth.

"They don't own it," Mr Barnett said. "They have a right, which is time-limited, to develop it and to develop in a way that is agreeable to Australia."

"This is gas owned by Australians and there is no other country in the world that would simply allow a gas to be developed offshore with no benefit for the local economy other than the taxation benefit and the companies know that.

"If there is a floating LNG the entire project will essentially be constructed in the Philippines or Korea .There will be no jobs for Australians and there will be very few ongoing operational jobs for Australians."

Mr McGowan said if he became premier he would "do everything humanly possible" to stop the push for a floating plant.

But international gas experts say it is shaping as the only way for the project to move forward because Australia was no longer "the only show in town" when it came to liquefied natural gas and there were many more attractive opportunities around the world.

Tony Regan, LNG consultant at Tri-Zen International in Singapore, said the market had changed dramatically with many new projects, particularly in the US, Canada and East Africa.

"Browse is one of 47 potential LNG projects an unprecedented number that hopes to be sanctioned and is not top of anyone's list," he said.

"It just looks too expensive unless they can find a way of addressing these costs. That is not a case of knocking off 10 per cent here or there, but a need for a fundamental rethink about the approach.

"That means an entirely new approach using FLNG as potentially that could halve costs the economic case for FLNG is very strong."

Mr Regan said the \$US15 billion cost blowout at Chevron's Gorgon venture, announced last month, had further spooked investors.

"Australian projects look extremely expensive, if not probably the most expensive in the world," he said.

Mr Regan said Mr Barnett's insistence on James Price Point had complicated the situation.

"The Premier has pushed very aggressively for that and would see it as a major climbdown if the plant wasn't built at James Price Point and that has hugely

complicated matters," he said.

"It was a compromise that was not supported by most of the shareholders in the project at the time and probably is still not.

"I just can't see how Browse can be sanctioned based on the current plan to bring the gas ashore at James Price Point and liquefying it onshore. (The situation) desperately needs a compromise and that really means the Government compromising (which means) dropping James Price Point, dropping the idea of an onshore plant and permitting the project to go ahead as FLNG."

Chevron has already backed away from Browse, selling its stake in August. BHP has sold its minority stake to PetroChina, a Shell partner elsewhere. Shell has upped its stake, further fuelling speculation of a tilt for FLNG at Browse.

Mr Barnett said he was aware that Woodside was "re-working the project" to reduce costs.

"I recognise that costs are high, but I also look down to the Carnarvon Basin and I see Chevron building two LNG projects: Gorgon which is bigger, Wheatstone which is of a comparable size," he said.

"There are higher costs here (in Australia), but I tell you what in a world of political uncertainty there is an extremely high value placed upon the political and legal security of Australia, particularly from the Japanese and the Japanese still are by far the biggest gas purchaser in the world. I had discussions with Woodside only a couple of weeks ago and they know my position. I understand they are looking at different ways of reworking the project, but they are still working on the basis of onshore gas."

The Premier said he didn't know whether the consortium would reject or proceed with the James Price Point plan.

"But if I'm re-elected Premier I will continue to push for this project to go ahead," he said. "And if they don't give it the green light I will not stop."

Mr McGowan said he didn't see James Price Point getting off the ground.

"My expectation is that the project will not proceed," he said.

Mr Barnett said Ann Pickard, head of Shell's Australian operations, knew his opposition to the floating option at Browse.

"Ann knows my view and Shell were very clear that when we agreed to Prelude that they would only be promoting FLNG for small gas fields," he said.

The Premier was confident the Federal Government didn't want FLNG at Browse.

"I met Martin (Ferguson, Federal Minister for Resources and Energy) only a few weeks ago in Canberra. I don't think I'm putting words in his mouth, in saying he still strongly favours the (Browse) gas coming onshore."

Shell Australia declined to comment. A spokeswoman for Woodside said: "We are undertaking a disciplined assurance process to determine project costs and economics to be in a position to make a final investment decision in the first half of 2013."