

Barnett slams Shell as LNG tensions rise

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Artist's impression of Shell's floating LNG plant. Source: Herald Sun

WEST Australian Premier Colin Barnett has confirmed for the first time that Royal Dutch Shell is pushing to develop the enormous Browse gasfield through its revolutionary floating liquefied natural gas solution, as tensions between the state government and the international oil and gas giant continue to rise.

Mr Barnett yesterday declared that the development of Browse via floating LNG technology would be "a silly result" for Western Australia, which would deprive the state and the nation of jobs and domestic gas supplies.

"We would be stark raving mad as a country not to have Australian participation in the development of Australian resources," Mr Barnett told reporters at the In The Zone conference in Perth yesterday.

Mr Barnett has been pushing to see Browse developed through an onshore LNG plant at James Price Point, north of Broome.

The estimated \$40 billion project would be by far the largest ever single investment in the Kimberley region of WA, but there has been lengthy debate about its future in light of soaring labour and equipment costs, the high Australian dollar, and ongoing protests by environment and Aboriginal groups.

Shell to date has refused to confirm or deny its intentions to pursue FLNG at Browse, stating only that it believed all potential projects should be assessed through different lenses.

But Mr Barnett said it was clear that Shell was pushing for FLNG behind the scenes in its talks with its partners in the project, including project operator Woodside Petroleum. "It's pretty obvious that there's been some discussion within the joint venture about (FLNG)," Mr Barnett said.

Mr Barnett also warned that FLNG could pose greater safety and environmental risks compared with conventional land-based LNG developments, despite the Premier having already approved Shell's world-first FLNG project that

will be deployed at the Prelude gasfield off northern WA.

"If the project is offshore, there's very few jobs for Australia, the whole structure will be built offshore, and indeed there'll be no gas coming onshore at all," he said. "That'd be a disastrous result for Australia and Australia's natural resources."

Speculation that Shell is working to develop Browse through floating LNG has been rising since the company decided to buy Chevron's 16.7 per cent stake in the project in late August.

The head of Shell's Australian operations, Ann Pickard, rejected Mr Barnett's claims that FLNG was unsafe, and described the technology as the potential saviour for an Australian LNG industry that was increasingly uncompetitive with alternative LNG producers in other parts of the world.

Speaking on the sidelines of the Deep Offshore Technology conference in Perth yesterday, Ms Pickard defended the design of the FLNG technology after Mr Barnett had raised concerns about its environmental safety.

"(FLNG) is designed around safety, safety is absolutely paramount. Protecting the environment, protecting people is absolutely paramount in the design, so obviously I disagree," Ms Pickard said when asked about Mr Barnett's comments. Ms Pickard said FLNG technology represented a way for Australia's LNG industry to become more cost-competitive in the face of potentially cheaper LNG exports out of the US, Canada and East Africa. "The Australian industry has a major problem in general," Ms Pickard said, adding that LNG from North America was capable of being delivered to Tokyo for cheaper than LNG out of Australia.

Floating technology, she said, would help Australian projects compete with rival developments overseas. "Floating, right now, we are seeing as the most cost-competitive new entrant to LNG in Australia," she said.

"We do see it as probably the potential saviour of the Australian LNG industry over the next decade or so."

FLNG technology involves incorporating the components of a traditional land-based LNG plant on to an enormous ship that sits directly above offshore gasfields.

The technology allows for the development of gasfields previously considered too remote and/or too small to warrant development via traditional methods.

The floating LNG facilities will be the largest floating vessels ever built, at 488m long, and are designed to withstand major storms and cyclones.