

WA, Woodside gas dispute far from over

Andrew Burrell

Woodside chief executive Don Voelte and West Australian Premier Alan Carpenter yesterday agreed to end their public row over the government's controversial plan to force gas producers to set aside reserves worth billions of dollars for domestic use.

After a meeting in Karratha, the pair decided to work through their differences in private.

But the high-profile dispute is far from being resolved because Mr Carpenter appears determined to push ahead with the plan, arguing that WA's natural gas supplies will run out in 10 to 15 years if some of the state's reserves are not quarantined from export.

It also emerged yesterday that Mr Carpenter's plan had been opposed by the state's Department of Treasury and Finance, which said domestic gas reservation "could be a radical intervention with potentially serious consequences".

The department said in a submission to a paper on the issue that the move "may not be capable of delivering the low-cost secure gas supplies it intended to achieve".

The Federal Minister for Industry, Tourism and Resources, Ian

Macfarlane, yesterday described the proposal as sheer folly.

"He would, in fact, apply a new tax to gas resources in Western Australia," Mr Macfarlane said.

Mr Carpenter last week called on opponents of the plan to end their "unnecessary and emotive commentary" on the issue. The outcry was triggered by the premier's comments that he intended to force companies to retain up to 20 per cent of gas produced offshore.

The move is aimed at ensuring that sufficient supplies of low-cost gas are available to meet long-term energy needs in WA's booming economy.

Mr Voelte described as "crazy" the plan to force Woodside to retain gas produced offshore rather than export it as liquefied natural gas at higher prices.

Prime Minister John Howard weighed into the debate last Friday, saying the gas belonged to all Australians and was not simply an asset for the people of WA.

He said in principle governments should not put fetters on what a gas producer can do with its product.

When asked about the plan yesterday, federal Opposition Leader Kim Beazley declined to back the premier.

Mr Voelte said in Karratha yesterday that he had had a good discussion with the premier, but he would not go into detail in public.

"We have had good relationships with the state government for years. We have always ... come to a conclusion that is good for the state, good for the country and good for Woodside."

Among the planned LNG projects affected by the plan would be the expansion of the North-West Shelf, Chevron's Gorgon project, Woodside's Browse Basin and Pluto, and BHP Billiton/Exxon-Mobil's Scarborough field.

The North-West Shelf, operated by Woodside, has been required since the 1970s to set aside a fixed amount of gas for domestic use, but those reserves have mostly been allocated.

KEY POINTS

- Don Voelte and Alan Carpenter will resolve the dispute in private.
- But Carpenter appears determined to push ahead with his plan.
- Kim Beazley has declined to support the WA premier.