

Chevron sets aside big money to press ahead with Gorgon project

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THE giant Chevron group yesterday gave the clearest indication yet that it expects to make progress on the proposed Gorgon LNG project on Barrow Island off the West Australian coast before the end of next year.

Chairman and chief executive David O'Reilly has included major outlays in the company's capital and exploration budget for 2008, released at Chevron's headquarters in San Ramon, California.

Included in the list of projects identified by Mr O'Reilly in the \$US12.7 billion (\$14.4 billion) allocated for international upstream spending was "development of the offshore Gorgon Area natural gas" in Western Australia.

No breakdown of the probable 2008 investment on Gorgon was given.

Chevron's global exploration and development budget of \$US22.9 billion is 15 per cent more than the company estimates it spent this year.

Earlier this year, while visiting Australia, Mr O'Reilly said that over the long term, Gorgon

production would be about 20 million tonnes a year, even through it has environmental approval for only 10 million tonnes in two production trains.

This week *The Australian* reported the Gorgon partners — Chevron (50 per cent), Exxon-Mobil and Shell (each with 25 per cent) — were hoping to expand the project a further 50 per cent without having to revisit the entire process of environmental approval.

Chevron, operator of the project, has approached both the WA and federal governments seeking advice on the scope of environmental approvals it would need to lift production from 10 million tonnes of LNG a year to 15 million tonnes a year. When Gorgon was originally planned, 10 million tonnes a year was bigger than the North West Shell's output, but rising LNG prices have greatly increased the scale of the industry.

In one of his last acts as Federal environment minister, Malcolm Turnbull in October gave formal environmental approval to Gorgon, two months after the West Australian Government gave the project the green light under what is claimed to be the tightest

environmental control over any LNG project in the world. Government approvals followed an investigation lasting more than three years, which produced Australia's most extensive environmental impact statement.

Barrow Island, the home of Australia's longest-operating on-shore oil field, is a Class A nature reserve and the possibility of a world-scale LNG project has attracted strong opposition from environmental lobbyists.

At the time of Mr Turnbull's approval, Greg Bourne, head of conservation group WWF Australia, expressed "deep disappointment" at the decision to locate Gorgon on Barrow Island, rather than on the mainland.

In September it was announced that Asia's biggest oil and gas company, PetroChina, had signed a binding heads of agreement to buy 1 million tonnes of gas a year for 20 years from Shell's share of Gorgon output — a contract worth billions of dollars.

At the time Shell said it would work with PetroChina to conclude and execute a detailed LNG sale and purchase agreement before December 2008, "conditional on a final investment decision by Gorgon partners".