

## **Australia to Pick Single Site for Kimberley LNG Plant (Update2)**

By Angela Macdonald-Smith

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The Australian federal and Western Australian state governments will identify one site in the far northwest for a shared liquefied natural gas plant in a move environmental groups said throw doubt on existing project plans.

The move, part of a "strategic assessment" of the Kimberley region, will avoid "piecemeal" development of projects in the region, federal Environment Minister Peter Garrett and Western Australia's Acting Minister for State Development John Kobelke said today in an e-mailed statement.

Ventures led by Japan's Inpex Holdings Inc. and Woodside Petroleum Ltd., Australia's second-biggest oil and gas producer, are proposing to build LNG plants in the Kimberley area, which Tourism Australia describes as "one of the world's last true wilderness areas." They are seeking to tap natural gas from undeveloped fields in the Browse Basin for export to north Asia.

"The message very clearly is that strategic assessment is the predominant model now for the Kimberley," said Paul Gamblin, senior policy adviser at WWF-Australia, an environmental group. "It does mean that Inpex and any other proponents following another track will find it more and more difficult to proceed down that road,"

Inpex, Japan's largest oil explorer, and France's Total SA are seeking environmental approval for a A\$10 billion (\$9.1 billion) LNG plant on the uninhabited Maret Islands off the Kimberley coast.

BP, Chevron

Perth-based Woodside's venture, which includes BP Plc, BHP Billiton Ltd., Chevron Corp. and Royal Dutch Shell Plc, are considering five options for the Browse LNG project, including building an LNG plant onshore on the Kimberley coast, or building an offshore plant on a reef.

Project proposals put forward under existing environmental legislation "will be considered in the normal way," Margot Marshall, a spokeswoman for Garrett, said in an interview. "If there are applications under the law as it stands they will be treated on their merits."

Still, state and federal governments, when considering Inpex's or any other project for environmental approval, will be under "enormous pressure" to stand by today's commitment to a single Kimberley LNG site, WWF-Australia's Gamblin said.

The governments expect to select a site for the shared LNG project by mid-year, Marshall said. Details of ownership and commercial arrangements haven't been decided, she said.

#### 'Competitive Access'

“There will be a competitive access regime but the precise details of the infrastructure, who owns what and how it operates are for down the track,” Marshall said by telephone.

Inpex wasn't consulted prior to today's statement by the ministers and hasn't been formally advised of the governments' position, the company's Australian unit said today in an e-mailed statement. Inpex is seeking “clarification” from the governments before commenting further, it said.

Woodside supports the move by the federal and state governments to identify a suitable LNG plant location in the Kimberley, said Roger Martin, a spokesman in Perth.

“We would hope that the work can be done in a timely manner which will allow us to finalize a location by mid-year,” he said. Woodside has initial accords to sell LNG from the Browse Basin to PetroChina Co. and Taiwan's CPC Corp., with deliveries starting in 2013-2015.

Should Inpex get environmental approval for its Ichthys LNG project the Maret Islands may become the site for the shared plant, said Frank Harris, co-head of global LNG at Edinburgh-based Wood Mackenzie Consultants Ltd. In that case, the volume of LNG that could be produced from the Browse Basin would be limited by the size of the site, he said.

#### Site Constraint

ConocoPhillips and Karoon Gas Australia Ltd. are among explorers seeking gas in the Browse Basin. The basin, lying to the east of the Carnarvon Basin, holds about 30.3 trillion cubic feet of the fuel, about 21 percent of the nation's total, according to the Western Australian government.

“Ultimately it looks like there's an awful lot of gas in that part of the world,” Harris said by telephone from Tokyo. “This may put a constraint on how much LNG you can produce in the Browse Basin.”

Once the site is chosen, the concept of the shared project should speed development, Marshall said.

The strategic assessment of the Kimberley region will be carried out under the federal Environment Protection and Biodiversity Conservation Act, Garrett, former lead singer of rock band Midnight Oil, said in the statement. It will include a study of the region's environmental and heritage values, he said.

Australian environmental organizations in December signed an agreement with a group representing indigenous communities in the Kimberley pushing for a single development "hub" for LNG. The group, the Kimberley Land Council, said today it will start consultations next week with indigenous communities to "decide the future of gas development" in the region.

"The informed consent of traditional owners is crucial to the go-ahead for any development of gas resources in the Kimberley," said Wayne Bergmann, group executive director.

LNG is natural gas chilled to liquid form, reducing it to one-six-hundredth of its original volume, for transportation by tanker to destinations not connected by pipeline.

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