

# Burrup talks down float's gas supply risk

**Michael Smith**

Western Australia's Burrup Holdings, which is preparing a \$3 billion sharemarket float, insists a long-running dispute with one of the companies supplying gas to its ammonia plant will not threaten long-term gas supplies.

Since *The Australian Financial Review* revealed the float plan last month, there have been questions about the long-term sustainability of pricing and supply of gas to the company's ammonia plant in the Burrup Peninsula.

While Burrup confirmed force majeure, declared in 2006 by one of the suppliers from the Harriet gas field joint venture – Perth-based Tap Oil – was still in place, it said there was no supply or pricing risk.

The other partners in the Harriet joint venture – Apache Corp and Kuwait Foreign Petroleum Exploration – suspended themselves from obligations to meet long-term supplies in 2006, but have since withdrawn force majeure.

It's understood Burrup has

secured an agreement from Apache that it will supply the defaulting sellers' percentage of gas, even if it suffers a financial loss as a result.

Burrup's advisers are pitching the 25-year Apache-led supply agreement as one of the most attractive parts of its business, but critics question its ability to get gas at current prices beyond the next six years.

"There is no pending litigation with the Harriet joint venture and there is no disruption to the gas supply to Burrup Fertilisers' operations," managing director Pankaj Oswal said in a letter to the *AFR*.

"Current and future supply to Burrup is not limited to Harriet gas fields and is not impacted due to arrangements in place with key joint venture partners."

Tap owns 12 per cent of the joint venture, while Apache is the operator with 68 per cent.

Tap is presently meeting all its supply obligations under the agreement. It refused to comment on the dispute, but pointed to a 2006 statement in which it blamed well failures at the Harriet gas fields for

the situation.

Resources companies often use force majeure to exempt themselves from agreements because of unplanned events such as natural disasters.

Sources close to Burrup said Tap Oil used the force majeure as a bargaining tool to seek gas price increases.

Burrup's agreement with the Harriet joint venture commenced for 25 years from July 2005.

The agreement can be extended by a further five years.

Burrup confirmed last month it was drawing up plans to launch Australia's largest initial public offering for more than six months.

UBS is advising on the float, pitching 217.2 million shares at \$2.30 to \$2.80 each to raise as much as \$608 million, giving Burrup a market capitalisation of up to \$3 billion.

Norwegian partner Yarra plans to retain a 27 per cent stake in Burrup after the initial public offering, while the Oswal family Burrup Trust will reduce its stake from 70 per cent to 53 per cent.



**There is 'no disruption' to the gas supply to Burrup Fertilisers' operations.**