

WA could lose big fish to NT

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FACING uncertainty over its preferred project site in Western Australia, the operator of the proposed Ichthys liquefied natural gas project, Inpex, is moving to assess the viability of processing gas near Darwin.

The Japanese major had hoped to be shipping its first Ichthys cargoes in 2012, but admitted yesterday that production would be "delayed slightly". In January, the company conceded that the budget and development schedule were under review.



The Maret Islands

Ichthys is the ancient Greek word for "fish" and with at least 8 trillion cubic feet of gas it is a very big fish indeed, one that demands developing.

But Inpex is frustrated by WA's drawn-out approvals processes. It is also facing intense lobbying by environmentalists against its planned liquefaction plant at the Maret Islands off the Kimberley coast.

In addition, the recent announcement by Federal Environment Minister Peter Garrett that the federal and state governments would review development options for the Kimberley and move to identify a site for a common-user LNG hub was seen by some commentators and environmentalists as undermining the viability of a development on the Marets.

No wonder Inpex is considering its options.

Inpex and joint venture partner French major Total still say a Marets development is their preferred option. But they yesterday signed a "project facilitation agreement" with the Northern Territory Government under which the JV will take "a serious look" at the Middle Arm peninsula near Darwin as the site for the LNG plant, Inpex Browse managing director Jiro Okada said in a statement.

"The Northern Territory Government has clearly demonstrated that Darwin offers an alternative site that could be developed within a reliable time frame," Okada said. "The joint venture must explore all realistic options."

The Northern Territory Government said the project facilitation agreement ensures that a whole-of-government approach is taken to the development of the project, including facilitating the necessary environmental and planning approvals, provision of land at Middle Arm, and port access.

Like some other LNG proponents facing budgetary pressures, Inpex is looking to produce efficiencies by upsizing its operation. The company was originally planning a 7.6 million tons per annum (MMtpa) two-train plant on the Marets, but is now studying a larger plant for Darwin, which would also comprise two trains.

Well aware of WA's reputation as a difficult place to progress developments, the NT Government has been trying to woo Ichthys since late last year when previous Chief Minister Clare Martin visited Japan for top-level talks with Inpex.

Inpex is currently undertaking a range of technical and engineering studies to fully assess the Darwin option and to see how it compares to its current preferred option of processing the gas on the Maret Islands off the Kimberley coast in Western Australia, NT Chief Minister Paul Henderson said.

"Darwin offers a high degree of certainty and security for the project – with land on Middle Arm Peninsula available for the development of current and future LNG facilities," he said.

"Access to a modern deepwater port, an international airport, direct links to the national highway and rail networks, as well as the attributes of a modern capital city, make Darwin an attractive option for Inpex."

But Woodside Petroleum is sceptical that these benefits add up for Browse Basin gas. Last week, chief executive Don Voelte said the company had ruled out piping gas from its Browse Basin gas fields to Darwin for liquefaction.

An Ichthys pipeline to the Marets would be 190km long; one to Darwin would be 850km long.

Woodside still intends to develop a Browse LNG project but says it would either pipe the gas to WA's Burrup Peninsula or process it somewhere on or off the Kimberley coastline, possibly in the federal and state governments' proposed common-user LNG hub.

However, Woodside has several LNG projects in its project pipeline, and Browse LNG is likely to follow Greater Sunrise and a second production train at Pluto, so that company is not feeling the same time pressures as Inpex to develop its Browse gas.

If Inpex is forced to discard its Marets option, it will probably end up working via a common-user LNG hub being developed that comprises multiple trains under different ownership structures – either the governments' proposed Kimberley LNG hub or a Darwin LNG complex that comprises the current Bayu Undan train, two Ichthys trains and possibly one or more Sunrise trains.

Inpex has a 76% stake in Ichthys, while French major Total has the remaining 24%.