

Gas prices could harm downstream industries

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THE first shipment from the world's largest ammonia plant in northern Western Australia – the first downstream processing facility in the North West based on local gas production – will leave the Port of Dampier next month.

But high gas prices mean that along with it will almost certainly go the construction of an associated \$A2.7 billion urea plant and a \$411 million ammonium nitrate plant by the same owners nearby.

The consequent loss to the WA economy of these downstream processing industries – probably to gas rich Papua New Guinea – will be enormous.

Premier Alan Carpenter officially opened the \$787 million plant, developed over the past four years by low key private Indian company Burrup Fertilisers Pty Ltd (BFPL), on the Burrup Peninsula, this week.

BFPL will use natural gas as feedstock to produce 760,000 tonnes of liquid ammonia a year, primarily for the production of fertiliser.

It is the biggest Indian investment ever made in Australia and was the project that triggered the state government's establishment of a \$134 million multi-user infrastructure package on the Burrup a few years ago.

Then there were about half a dozen major projects on the drawing board, with BFPL being given the tag of least likely to succeed.

Those that came and went or are still fiddling around the edges include Methanex, Dampier



MOVING ON: Burrup Fertilisers chairman Pankaj Oswal (left) and deputy managing director Vikas Rambal.

Nitrogen, Australian Methanol, Japan DME, Agrium, Dyno Nobel and Deepak Fertilisers.

BFPL has committed to taking \$37 million of natural gas a year from the offshore Harriet joint venture over the 25-year life of the plant, a deal struck on a gas price set in the project's formative years.

Over 70 per cent of the BFPL ammonia project's costs are in the price of gas.

Since the original gas price was struck, the price has more than doubled.

BFPL chairman Pankaj Oswal told *WA Business News* the plant would not be built at today's gas prices.

Further, while a final decision on the ammonium nitrate plant was still six months away, "if we

don't build it here, we'll build an ammonium nitrate/urea plant, probably in Papua New Guinea", Mr Oswal said.

BFPL deputy managing director Vikas Rambal said the planned plant would be the biggest of its kind in the world, producing two million tonnes of urea and 300,000 tonnes of ammonium nitrate a year over the next 20 to 30 years.

"We would love to do this project in WA, but I cannot justify the gas price to the board or the banks," Mr Oswal said.

Mr Rambal said rising construction and workforce costs were also an issue.

The Burrup ammonia project has a pay back period of five to seven years, with production worth over \$270 million a year.