

# Gas shortage may kill \$1b urea plant

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The international backers of a proposed \$1.2 billion gas-processing plant on the Burrup Peninsula have threatened to take the project interstate or overseas because they cannot lock in gas supplies, amid fresh calls for the State and Federal governments to intervene to avert a looming domestic gas crisis.

Oswal Group chief Pankaj Oswal told *The West Australian* the company had hoped to build the new ammonia urea plant near its existing \$700 million Burrup Fertilisers plant in the North-West but was forced to look elsewhere because it could not secure any long-term gas supplies in WA.

"It's become impossible (to build the new plant in WA) because there's no gas to start with," he said. "If someone can get gas right now, well hats off to them because the Govern-

ment is giving it all away to LNG production. We'll move to where the gas is available." Mr Oswal's frustrations echo warnings in a report released by the State's Economic Regulation Authority this week highlighting looming problems in the supply of domestic gas to the WA market in the

next five to seven years.

The growing domestic gas problems are already beginning to bite in WA's power industry, where the unavailability of new long-term supplies has forced at least two mining firms to turn to coal-fired power plants, despite growing community concerns about greenhouse emissions.

The uncertain future for gas supplies has also forced State-owned Verve Energy to seek approvals to continue burning coal at its Kwinana power station for an extra seven years until 2015. Coal is also considered the only option for a tender being run by electricity retailer Synergy for an

extra 400MW of baseload power needed to meet growing demand in the south-west grid.

While the State Government's response to the issue has been to make producers set aside 15 per cent of the gas from any future LNG developments for the domestic market, industry players believe it fails to address the crisis.

A spokesman for State-owned gas retailer Alinta said urgent policy action was needed to secure new domestic gas supplies. "We need action very quickly at a State and Federal level or this will become a very serious problem," he said.

Dampier to Bunbury natural gas pipeline chairman Stuart Hohnen, who has long argued for more government action on the issue, said he was aware of many big projects such as Mr Oswal's that could not get off the ground because they could not source any gas. He said the problem was that

the companies sitting on big gas reserves were preoccupied with developing more lucrative LNG exports, rather than supplying the domestic market.

Mr Oswal said one option would be for governments to forgo production royalties on gas directed to the domestic market. This would ensure the State had a viable downstream gas-processing industry that would ultimately help secure big-scale steel and aluminium manufacturing projects.

Mr Oswal's threat to leave the State has added sensitivity for the WA Government given the \$700 million ammonia plant his company has built on the Burrup Peninsula represents Labor's only success in attracting international gas-processing firms to the North-West, despite committing \$180 million in taxpayer funds on infrastructure.

Energy Minister Fran Logan could not be reached for comment.