

Gas reserve strategy hits hurdle

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Alan Carpenter's strategy for combating WA's gas shortage was under a cloud last night after the Premier conceded he could not guarantee that any gas found in new exploration permits off the Kimberley coast would be reserved for WA users.

Mr Carpenter's admission came after Tuesday's revelation that China National Offshore Oil Corporation (CNOOC) had secured the rights to any gas it finds in a potentially rich permit north-west of Wyndham.

It has promised to spend \$162 million on exploration over the next five years.

French giant Total and Indian group Reliant Industries also snared permits nearby after pledging to spend more than \$300 million.

But while the new permits are administered by the State Government, the areas sit within Federal

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waters and come under Canberra's jurisdiction.

Mr Carpenter last night conceded that any discovery by CNOOC would be bound by the State Government's gas reservation policy, under which 15 per cent of all gas reserves have to be quarantined for use in WA, only if it was processed into liquefied natural gas within the State's borders.

"This permit is in Commonwealth waters," he said. "Western Australia's domestic gas policy applies to all future gas developments that produce LNG within the State's jurisdiction."

While gas reserves at the Gorgon gas project off Karratha lie within Federal waters, a proportion must be reserved for the domestic market under the terms of the State Agreement, which allows the gas to be processed into LNG State-governed Barrow Island.

Woodside Petroleum has agreed to quarantine 15 per cent of reserves at its \$12 billion Pluto LNG project as a condition of developing its LNG plant on the Burrup Peninsula. CNOOC's permit lies just 30km west of the \$4 billion Bayu-Undan project, which pipes gas to an LNG plant at Darwin.

The nearby Blacktip gas project plans to build a pipeline to the Northern Territory, while Woodside and Shell are evaluating ship-mounted LNG facilities to develop the big Sunrise gas field in the Timor Sea. Mr Carpenter said it would be a long time before a decision on where LNG may be produced, if gas was found.