

Garrett wanders into a minefield on natural gas

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THE WESTERN FRONT



IN his short political career, Peter Garrett has demonstrated a remarkable capacity for saying things without understanding the consequences. Last week was no exception.

The new federal Environment Minister announced a “big picture” strategic assessment of the Kimberley region jointly with the West Australian Government to “ensure that future development does not spoil the area’s rich natural and cultural heritage”.

The study area, stretching from Broome to Cape Londonderry by the Timor Sea, has been a hub for decades, if not centuries, for many forms of economic activity, including fishing, grazing, mining and exploration but some conservation groups say the Kimberley coast is a pristine environment.

The current concern is that vast natural gas reserves located deep in the Browse basin will require a multiplicity of onshore facilities and ports in the Kimberley as they are developed as export liquefied natural gas projects.

In interviews after the announcement, Mr Garrett said the study would be finished around the middle of the year.

The WA Government has been conducting its own study on possible sites for a Kimberley LNG hub under the leadership of Jim Limerick, the soon-to-retire head of the Industry and Resources Department.

Dr Limerick has flagged recommending a hub near Broome associated with an industrial park for downstream processing.

Inpex, a Japanese group, is well advanced in planning a two-train LNG project on the uninhabited Maret Islands off the Kimberley coast to exploit

the Ichthys reservoir, estimated to contain at least 9.5 trillion cubic feet of gas. The islands are not large enough to accommodate a hub.

WA Deputy Premier and state Development Minister Eric Ripper continues to deny that Inpex has government backing for the Maret development.

Both Inpex executives and Japanese officials in Tokyo tell a different story.

Since early 2006, they say, they’ve received WA government assurances the Maret Islands proposal could proceed, subject to environmental and native title clearances.

Certainly, in all the discussions about a single LNG hub during the past year, Inpex has not been directed by the WA Government to halt work on the Maret proposal. The company is believed to have spent about \$35 million on top of exploration expenses running into hundreds of millions of dollars with the aim of supplying its first shipments to Japanese customers from the estimated \$8 billion development by the end of 2012. The Japanese Government’s view is important. Inpex, Japan’s largest oil explorer, is listed on the Tokyo exchange, but its controlling shareholder is the Government.

For the past four decades, successive Japanese administrations have pursued a policy of seeking to reduce energy dependence on the Middle East.

Inpex’s response to Mr Garrett’s announcement was cool in the extreme, stating only that the company had not been consulted.

It wasn’t alone. The Kimberley Land Council, representing native title holders, was upset because the Garrett statement implied there would be an

LNG hub “to resolve the tension between development and conservation”. The land council has been trying to develop a co-ordinated approach to industry after Inpex appeared to have reached agreement with the Maret Islands’ traditional owners.

It seems also that federal Resources Minister Martin Ferguson was given little warning of the Garrett statement.

Just how strategic and comprehensive the study will be is moot. The time frame is so short that it may only allow a literature review on top of Dr Limerick’s work. Issues such as maritime safety and national security appear to be excluded.

The debate on maritime safety and LNG is gathering strength in the US and the impact of a single hub in the Kimberley requiring shipping movements by large LNG carriers at a rate estimated to be five times that of the existing North West Shelf project on the Burrup Peninsula will certainly lead to suggestions of greater public danger.

Also, a single hub may not be the answer if Browse Basin gas is to be Australia’s foremost energy export well beyond the middle of the century, and central to quadrupling LNG exports by the end of next decade.

Defence analyst Carlo Kopp of Air Power Australia has pointed out previously that a bomber armed with air-to-ground missiles could lift off from Jakarta and wipe out the LNG storage tanks at Burrup without too much interference from Australia’s defence forces.

Mr Garrett may well find his strategic environmental study only complicates an already difficult situation.