

No hope of Darwin development for Ichthys

THE WESTERN FRONT, Nigel Wilson | *March 03, 2008*

FUTURE development of one of Australia's major gas reservoirs - the Ichthys field in the Browse Basin - remains extremely clouded.

Inpex, Japan's largest oil explorer, confirmed last week it had accepted an invitation from the Northern Territory Government to consider constructing an LNG plant in Darwin using Ichthys gas piped around northern Australia.

But the plan has virtually no chance of succeeding.

Taking Ichthys gas to Darwin would require an 850km pipeline, rather than a 190km link needed to the nearest point on the Kimberley coast.

Only a week earlier, Woodside chief executive Don Voelte had ruled out transporting Browse gas to Darwin, not just on cost grounds but because of numerous regulatory hurdles.

We can assume that Inpex and its French partner, Total, already know that answer - so why the proposal?

The Ichthys reservoir in permit WA-285-P, about 220km north of Broome, is estimated to contain between 8 and 10 trillion cubic feet of gas.

Total has taken a 24 per cent stake in the LNG development, which was tentatively estimated two years ago to cost about \$6 billion for an initial output of 6 million tonnes a year.

The Australian reported last September that then Northern Territory chief minister Clare Martin had had top-level talks in Japan aimed at wresting the Ichthys project away from WA.

Her move was a direct challenge to WA Premier Alan Carpenter's controversial gas policy that requires LNG proponents needing onshore facilities to reserve 15 per cent of their gas for domestic use.

Ms Martin told Japanese government ministers and Inpex executives, including chairman, Kunihiko Matsuo, that shipping Ichthys gas to Darwin would get around that policy.

Her successor, Paul Henderson, last week seemed to concede Darwin was unlikely when he stated that Inpex's preferred location for its plant remained the uninhabited Maret Islands, off the Kimberley coast.

This choice is being opposed by environmental groups concerned that piecemeal industrial development of the Kimberley could destroy precious ecosystems. Their concerns have led the WA Government to investigate a site for an LNG hub close to Broome that would be made available to all Browse Basin LNG project proponents, including Inpex.

WA Deputy Premier and State Development Minister Eric Ripper has called Inpex's bluff.

"We're confident ... that an LNG processing hub in the west Kimberley will turn out to be the best technical and commercial solution and also the best solution to meet environmental, heritage and native title considerations," he said.

"Inpex, of course, have to consider all different options for their plan but in the end I think they'll come back to the west Kimberley because that would be the best solution from a commercial point of view as well as from an environmental, heritage and native title point of view."

But the Japanese company, which is half-owned by the Japanese Government, appears not to want to go into a hub, maintaining that the WA Government has given tacit backing to the Maret Islands by allowing it to proceed to secure environmental and native title approvals.

Managing director of Inpex Browse, Jiro Okada, said last week that while the Maret Islands location remained the company's preferred option, Darwin's Middle Head Peninsula was a good "alternative site that could be developed within a reasonable time frame".

Mr Okada made no reference to a rather more fundamental issue facing Inpex and Total. The Ichthys reservoir has also been drilled from an adjacent permit by Shell, which has reported two significant discoveries. Inpex and Total will have to do a deal with Shell and possibly Santos, which owns the adjacent permit to the north that is also thought to cover the Ichthys field.

What was significant from his statement was that the quantity of the LNG had increased to more than 8 million tonnes a year, 2 million tonnes more than the original proposal.

That might be because the bigger plant will be needed to offset the cost of the pipeline to Darwin or it might be that the current Maret Island proposal is too small in terms of contemporary LNG thinking.

Whatever. It remains that the Darwin option for Browse gas is commercially unsustainable.

As Don Voelte concluded: "It's a heck of a long pipeline."