

LNG, pipeline players nervous on emissions trading

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AUSTRALIA's liquefied natural gas developers and the pipeline industry have expressed fears that a poorly designed emissions trading scheme could disadvantage their sectors without helping the environment.

LNG developers in Australia have warned that emissions trading could cripple the competitiveness of local LNG projects against those in Asia, Africa and the Middle East.

"An emissions trading scheme must be flexible, economically efficient and must not negatively impact on the international competitiveness of our LNG projects," *NineMSN* quoted a Chevron spokeswoman as saying.

Chevron operates the proposed Wheatstone and Gorgon LNG projects.

The call echoes Woodside chief executive Don Voelte, who said recently that industry leaders have big concerns over the unknowns of the system and the effects it could have on Australia's LNG exports.

According to Voelte, the trading scheme could amount to a carbon tax not faced by Australia's major LNG competitors, and the Government needs to understand that "it is a fragile marketplace and somehow they have to transition this so they don't make Australian products uneconomic".

Voelte voiced his unease recently to Australia's Climate Change Minister Penny Wong, and told *NineMSN* he believed the Government was now "very concerned" about the impact of emissions targets on LNG.

Analysts have said that, depending on how the new emissions trading regime works, LNG projects with low or little carbon dioxide contamination – such as Santos' Gladstone project and Woodside's Sunrise – could jump to the head of the development queue.

Meanwhile, the Australian Pipeline Industry Association said in its submission on the discussion paper of Australian Government climate change policy advisor Professor Ross Garnaut, that gas transmission players could be severely disadvantaged if they were prevented from recouping costs.

APIA said most gas transmission companies provide transportation services under



Gorgon is Australia's largest undeveloped gas field



Cheryl Cartwright, CEO, Australian Pipeline Industry Association.



Don Voelte - Woodside managing director and CEO

long-term contracts and if an ETS is introduced during the terms of these contracts, the companies would face substantial costs that could not be passed on.

"These long-term contractual arrangements have been entered into before an ETS was being considered, so the costs of an ETS might not be factored into the contracts," APIA chief executive Cheryl Cartwright said.

"If the ETS is introduced before these contracts expire, the gas transmission companies must be able to pass on the costs they will face. The ETS must ensure that the responsibility for emissions is directed to the appropriate entity."

She added an ETS could cost gas transmission companies millions of dollars.

APIA also recommended that any mandatory renewable energy target (MRET) or similar scheme should be phased out with the introduction of an ETS.

The organisation said that if this was not done, it recommended the definition of the scheme be extended to include natural gas. Otherwise, power generators may increase their use of coal to help reduce costs.

"This industry stands ready to make further investment in transmission infrastructure, so any consideration of public investment is unwarranted," Cartwright said.

"The industry simply needs the appropriate policies and economic conditions in order for this investment to occur."

She added the industry was ready to invest in pipelines to transport sequestered carbon from coal-fired power generation, should carbon capture and storage technology be further developed.

However, Cartwright warned that transporting CO₂ provided further technical challenges, making investment in research essential.

The Government plans preliminary consultations with industry and non-government groups on technical issues until June and plans to release a Green Paper on emissions trading design in July. Draft legislation is due in December.