

Ripper spends big, priorities unclear

THE WESTERN FRONT: Nigel Wilson, Energy writer | *May 12, 2008*

WESTERN Australia's Treasurer, Eric Ripper, made capital works and infrastructure the focus of his budget handed down last week.

Over the next four years, the Government will spend \$26.1 billion on capital works with a record \$7.6 billion in the next financial year.

And Mr Ripper said that in mid year, the Government would publish an infrastructure strategy that would provide direction for its capital investment priorities.

This would include details on possible time and location of infrastructure programs during the next 20 years.

The document is crucial for the resources sector because among the projects that must be included will be the long-proposed Oakajee port north of Geraldton and LNG hub in the Kimberley, which are needed in the short term.

Presumably it will outline how it sees these infrastructure it identifies being funded.

Clearly Kevin Rudd's promised WA Infrastructure Fund won't make any immediate difference because it is planned to be funded from a partial return to WA of commonwealth royalty payments from the Gorgon and Pluto LNG developments, which cannot be significant until the middle of next decade.

The state Government has said clearly it does not want to fund Oakajee, which is essential to maximise returns from the Mid West's relatively small iron ore resources.

It's a different message for the LNG hub, where the Government seems to envisage a facility that would charge a tolling fee for processing the third-party Browse Basin gas.

How this facility would be financed remains to be seen, but none of the users would be keen to put their gas through someone else's facility -- never mind paying a toll.

Woodside's Don Voelte, an initial hub supporter, has refined his support to backing co-location of rival LNG plants in the Kimberley.

As Woodside is partnered in the Browse by the NW Shelf joint venturers -- BHP, BP, Chevron, Shell and MIMI, representing Mitsui and Mitsubishi -- it's a fair bet that they don't see value in a tolling arrangement either.

This is a fair swag of long-term investors who are not happy with the WA Government's plans for the hub.

It's not an esoteric argument because, if Australia's LNG developments are to meet shipping commitments, a decision on the LNG hub will have to be made shortly.

INPEX, the major Japanese oil and gas producer that had believed the WA Government supported its plans for an LNG processing plant on the Maret Islands, off the Kimberley coast, is getting frantic.

It is supposed to begin shipping LNG from its Ichthys reservoir to Japan in 2013.

Because of the delays in WA coming to a decision on how it wants to manage Browse Basin gas development and the impact on the Kimberley, INPEX has taken up the invitation of the Northern Territory to investigate building an LNG processing plant in Darwin as a means of getting around the WA Government's LNG hub concept.

It has already lodged a notice of intent with the Northern Territory Government and environmental referrals with the federal Department of Environment -- whose minister is Peter Garrett, and he has already hitched his wagon to the LNG hub study.

The company says it is reviewing its WA development options, which means it is seeking environmental approvals for Maret Islands.

INPEX says it will make a decision on plant location once technical reviews have been completed. This is expected to be mid-2008.

Now Woodside has a not dissimilar time frame for Browse development.

Voelte wants to make decisions before the end of this year so Browse LNG can be supplied to Japan, China and Taipei from about 2014.

His alternative to the hub is to pipe Browse gas to the Burrup Peninsula, 1000km to the south of the reservoirs.

In energy terms, it doesn't appear to make much sense. But it may be the only commercial solution where government policy parameters don't make much sense.