

Helium plant raises downstream dreams

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HOPES are rising for downstream gas industries after the first sod was turned yesterday on the first helium plant in the southern hemisphere.

The \$41 million BOC Gases helium plant at Wickham Point, Darwin, is a direct downstream gas enterprise made possible only by the LNG gas plant.

Hopes are high for the possibility of more gas to come from Inpex's Icthus field or Woodside Energy's Greater Sunrise project. New gas supplies would spark jobs and spin-off industries.

BOC Gases project director Rod Heather said his company would look at further growth if more LNG were made available. "If we get more gas we might also produce liquid nitrogen," he said.

If more gas were sourced, larger downstream industries such as the proposed \$3 billion Dow Chemicals plant or the potential \$300 million Arafura Resources ore separation facility could base themselves in Darwin, creating hundreds of jobs.

But the Territory's heavy industry cannot grow without more gas. And despite vast reserves in the Timor Sea to the north and the Browse Basin to the west, the NT has been unable to secure enough.

ConocoPhillips has planned a second train at the Wickham Point LNG facility -- but is still looking for more gas to feed it.

Rio Tinto Alcan is waiting for gas for its Gove alumina refinery after Power and Water Corporation bought Eni Australia's Blacktip deposit for Darwin's civil consumption for the next 25 years.

Despite the abundant gas to the north, many companies forward sell their entire production overseas before work even begins on extracting it.

ConocoPhillips forward-sold all its LNG to Tokyo Electric and Tokyo Gas for the next 17 years.

Woodside Petroleum forward-sold all its Browse gas for 20 years to the Chinese Government through a state-owned company subsidiary last year.

Up to 3 million tonnes of LNG per year from the project, worth up to \$45 billion will sail away.

Oil and gas projects are very expensive, costing hundreds of millions of dollars to develop, meaning companies often need guaranteed sales to secure finance to build them.

ConocoPhillips spokesman Robin Antrobus said companies have to ensure a project is commercially viable before it can be developed.

"It depends on price and return," he said. "A company can only develop a project if it can get a reasonable return ... you have to go through the economics, the commercial and risk factors."

This can leave governments scrambling to secure a sliver of the very gas that was a publicly owned asset while still in the ground.

And while the Territory Government does its best to woo Inpex, the broader gas industry is facing challenges from higher costs.

Australian Petroleum Production and Exploration Association (APPEA) spokesman Tim Langmead said conditions were becoming more difficult for energy projects as input costs continue to rise.

"Upstream oil and gas project costs have doubled since 2005, with Australia one of the worst affected regions," Mr Langmead said.

Mr Langmead blamed rising fuel prices, equipment costs, the skills shortage and steel price hikes for the rising costs.