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Explosion leaves Carpenter facing his worst crisis

Tony Barrass | *June 13, 2008*

TO butcher a Spike Milligan line, Western Australia is a quarry surrounded by an oil slick, floating on 134 trillion cubic feet of natural gas.

So it can only be described as an irony that a state that now drives the national economy finds itself in the most bizarre of situations: an energy crisis.

There are many questions being asked about how the state has arrived at such a position.

How can one explosion on a remote island off the Pilbara coast, as dramatic as it was, threaten to seriously disrupt an economy steaming along at breakneck speed?

Like most things in business, it all comes down to numbers.

Let's start at the $25 billion Woodside-operated North-West Shelf joint venture at Karratha.

It exports 70 per cent of its gas to the burgeoning Asian economies and supplies 65 per cent of Western Australia's domestic market.

The remainder of the local gas market, give or take a bit from upstarts Arc and Origin Energy, comes from Apache Energy's Varanus Island processing plant off Karratha.

Make that did.

Thankfully, no-one was injured in last week's explosion, but it forced Apache to speculate that it may be out of production for "a few months".

It has also resulted in Premier Alan Carpenter describing the fallout as the biggest crisis facing the Labor Government since it came to power in 2001.

With Apache out of the equation for at least eight weeks, the task of supplying the domestic market has fallen on Woodside's broad shoulders.

It is going at full capacity to feed the 1500km-long Dampier to Bunbury pipeline, the main arterial pipe that energises the south-west and along the way feeds the monster that has become colloquially known as the mining boom.

So why don't we build more pipelines?

Western Australia has the Dampier to Bunbury pipeline, the Goldfields gas pipeline, the Kalgoorlie to Kambalda pipeline and another six that carry gas from process plant to user.

Not that simple.

The owners of the Dampier to Bunbury pipeline will only expand to meet signed contracts for new gas, according to the Australian Petroleum Production and Explorations Association.

Restrictions placed on the type of gas allowed into the pipes are also prohibitive, making it harder for smaller gas fields to be economically developed and discouraging suppliers from undertaking a commitment to build pipelines that could be used to transport gas to smaller markets.

In fact, almost all the domestic supply in Western Australia, except about 4 per cent, goes to just five big customers: Alinta, Alcoa, BHP Billiton, Burrup Fertilisers and Verve Energy.

That 4 per cent is, of course, the mums and dads, a bigger number of whom would probably live in the western suburbs of Sydney than in Perth, which has a population of 1.2 million.

Although their energy needs are important, they are not, by any stretch, enormous.

But even with a mining boom and a growing reliance on gas, the market in the west is still not big enough to support an expansion of the industry to feed the domestic market.