

By Jason Scott

July 2 (Bloomberg) -- Western Australia, generator of more than a third of the nation's exports, is creating a market to allow bids for surplus natural gas in a move touted by the state government as a way to help alleviate an energy shortage.

The Gas Bulletin Board will allow gas users and producers to make trades through an e-mail-based system, with the highest bidders matched by an independent organization to the lowest selling price, state Energy Minister Fran Logan said in a statement in Perth. The board starts operating tomorrow, with minimum trades of 0.5 terajoules.

Mining companies and small businesses are scrambling for alternative fuels after the state government gave essential services, including hospitals, priority in the wake of an Apache Corp. pipeline explosion that cut 30 percent of Western Australia's gas supplies. Small businesses were unlikely to participate in the bidding system, Logan said.

"This is pretty much a match-making service," Paul Balfe, Brisbane-based director of consultants ACIL Tasman Pty, said today. "Because the minimum trade is 0.5 terajoules, which would power about 10 households for a year, this is more for medium and large-end gas users, and not for mom and dad shopowners."

The system is likely to be dominated by gas from the Woodside Petroleum Ltd.-operated North West Shelf venture, which accounts for about 70 percent of the state's supplies.

Apache Shortfall

Apache said June 23 it expects to resume 57 percent of supplies from a blast-damaged plant on Varanus Island off the state's northwest coast by mid-August, with full capacity to be returned in December.

"The disruption to gas supplies because of the explosion at Varanus Island means it is critical to ensure that every terajoule of gas is made available to those who need it most," Logan said in the statement.

Since the disruption, small businesses have been contacted by energy retailer Alinta Ltd., a unit of Sydney-based Babcock & Brown Power, late in their working day, informing them of how much gas they can expect in the next 24 hours.

Westpine Industries, 50 percent owned by Wesfarmers Ltd., fired a third of its workforce because of the loss of gas supplies, the West Australian newspaper reported today. Production at Midland Brick, the world's largest brickworks, and Prime Laundry, which serves about 85 percent of Perth's hospitality industry, have been curtailed.

Mining companies have also suffered. BHP Billiton Ltd., the world's largest, brought forward a four-month rebuilding project at a nickel smelter and shifted gas to an alumina refinery.

Iluka Resources Ltd., the world's biggest zircon producer, will restart its Western Australian operations this week after securing alternative gas supplies from the North West Shelf venture. Aditya Birla Minerals Ltd., the Australian copper mining unit of India's Hindalco Industries Ltd., last month signed a contract to receive alternative gas supplies to power its Nifty mine in the state.

To contact the reporter on this story: Jason Scott in Perth at jscott14@bloomberg.net