

Inpex chooses Darwin, 850-km pipeline for Ichthys

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MELBOURNE, Sept. 26 -- Japanese company Inpex Australia and joint venture partner Total SA of France have shunned Western Australia and selected Blaydin Point at Darwin's Middle Arm Peninsula in the Northern Territory as the landfall for development of their Ichthys gas-condensate field in the Browse basin off northwest Western Australia.

Inpex, as operator of the project proposal, believes Northern Territory's friendlier business environment, gas-ready location, significant in-place infrastructure, lack of domestic gas reservation policy, and closer proximity to the Asian markets will offset the costs of the 850-km subsea pipeline that will be needed to deliver the gas from the field to Darwin.

Inpex Pres. Naoki Kuroda said Sept. 26 that Darwin provided the certainty required for the project's tight schedule to enable first LNG to come on stream in late 2014 or early 2015.

He added that environmental, economic, and engineering studies demonstrate the viability of Blaydin Point as the best location for the LNG plant. Front-end engineering and design is expected to follow shortly to enable a final investment decision by yearend 2009 or early 2010.

Ichthys field in permit WA-285-P holds an estimated 12.8 tcf of gas plus 527 million bbl of recoverable condensate.

Initial plans calls for a \$20 billion (Aus.), two-train project producing more than 8 million tonnes/year of LNG, 1.6 million tonnes/year of LPG, and more than 100,000 b/d of condensate.

The project will inject about \$50 billion into the Northern Territory economy over the next 20 years, beginning with site work in 2010. The development will employ as many as 2,000 workers during peak construction and a 300-strong, full-time work force in Darwin to run the operation once it comes on stream.

Inpex's original plan was to pipe gas a much shorter distance to the Maret Islands off Western Australia's Kimberley coast. Gas was scheduled to come on stream in 2012, but ongoing delays in Western Australian bureaucracy had caused the date to slip into 2013-14.

Western Australia's convoluted approvals process, including restrictive environmental controls, has been blamed for the delays. In addition, the WA government-federal government-backed plan to select a single Kimberley hub for all Browse basin projects has added to the uncertainties.

In contrast, Northern Territory stepped in earlier this year, ensuring Inpex that it had port access and land on which to build, and that environmental and planning approvals would be streamlined.

Inpex and Total also found gas at the Mimia-1 wildcat in nearby Browse permit WA-344-P earlier this year and that production likely will be added to the Ichthys system.

Interest now will turn to the likely landfall of Woodside Petroleum group's Browse gas project, still in its planning stage. Inpex's withdrawal from contention throws the question of a Kimberley hub open to conjecture.

Woodside may now take the view that its best bet also will be a pipeline extending more than 800 km from its Torosa-Brecknock-Calliance fields in the Scott Reef area direct to the Burrup Peninsula in the Pilbara area, where it is building the Pluto LNG plant. It is in need of more gas supplies to enable construction of a second and perhaps third LNG train. This would make the Kimberley hub unnecessary and obviate the need for Woodside to go through the lengthy approvals process.