

## Kudos for Ichthys plan

Tuesday, 30 September 2008

**IN A response to the *Slugcatcher's* comment [How green are my islands], a PNN reader who prefers to remain anonymous believes Inpex has made the correct decision in relation to the development of "their" gas assets.**

*Gas reserves stuck in the ground have little or no value to anyone – shareholders, governments or the wider community be they local or remote.*



*LNG projects are notoriously difficult to develop especially in an offshore environment and if you get the chance you must take it because another chance may not come around for a very long time (typically 15-30 years).*

*Project certainty is key in LNG projects because they are only feasible once signed head of agreements relating to sales contracts are in place and they are very expensive to develop and operate.*

*Unfortunately, the WA government and the relevant stakeholders with support from outsiders who want the Kimberley environment to remain "pristine", have conspired in this instance to ensure this project could not be developed in WA because such certainty could not be guaranteed.*

*From an economic perspective, the pipeline itself is actually paid for by the "avoidance" of the 15% Domgas Reservation obligation.*

*By my calculations the pipeline will cost anywhere between \$800 million and \$1.5 billion, and the lifetime cost to the project of the 15% reservation (about 2 trillion cubic feet of the 12.8tcf) would have been worth about the same amount over the life of the project depending on price obtained for the gas in the domestic market (if it could have ever been sold).*

*From a regional development perspective there may actually be no loss to indigenous people in Australia because the Northern Territory has a significant population of Aboriginal people of its own who can potentially benefit from the project.*

*In addition, the potential domestic development of industry in the NT will be as beneficial to Australia as any that might have occurred in the Kimberley region.*

*The lesson here for Western Australia, and it is one which it is slow learning, is that industry/mineral development requires support in the form of available industrial land on which to locate, infrastructure to support development, as well as regulatory and approval frameworks that can guarantee certainty in reasonable timeframes.*

*They also require certainty in relation to taxation and other costs (greenhouse) to ensure sound investment decisions can be taken.*

*Unfortunately, the reality in Australia and WA, despite the rhetoric of*

*governments of all persuasions, is that we do not have such an environment and it doesn't look like we are going to get it anytime soon.*

*Meanwhile, another reader reckons the ultra-long pipe line will probably do more damage to the environment overall than if the facilities had been located closer together.*

*At the end of the day the development is going ahead just in a bigger format.*

*The local and WA communities have lost a huge amount due to this dropping of the ball by the WA government of the time.*

*My congratulations to the NT government, though, for having the foresight to help their local communities grow and prosper.*