

# High noon in West's gas showdown

An alliance between WA Opposition Leader Colin Barnett and environmentalists to protect the world's greatest collection of rock art could upset plans to invest billions of dollars in the remote Burrup Peninsula.

Peter Klinger reports.

**N**estled atop the Burrup Peninsula at the northern tip of Western Australia's Pilbara region lies Australia's gateway to the Chinese energy market.

This 87 square kilometre peninsula 20 km north-west of the Pilbara's unofficial capital, Karratha, could become the country's biggest ever domestic profit centre.

But standing in its way is a tangled web of disagreement that has led to the business community clashing with the Liberal Party, the WA Labor Government committing \$136 million of taxpayer funds to support industry development, an international outcry to protect the Burrup's ancient rock art — which has even attracted the attention of Prince Charles — and a confrontation between WA's peak employer body and its Pilbara offshoot.

So far, more than \$13 billion has been invested by the North-West Shelf venture partners in building a world-class gas plant on the Burrup, connected via a 135 km underwater trunk-line to three offshore gas-producing platforms.

Another \$5 billion in capital investment has been earmarked for the Burrup by proponents of chemical plants, keen to tap into the NWS gas supply and take advantage of nearby ports and Australia's stable political climate.

It could turn the Burrup into the most capital investment-intensive land in Australia, with \$207 million spent or earmarked to be spent per square kilometre on the peninsula.

Confirmation in August that the NWS partners, led by operator Woodside Petroleum, are the preferred suppliers to China of \$25 billion worth of LNG has boosted hopes that a variety of downstream projects long proposed for the Burrup will finally proceed.

Even indications this month that one of the six proponents, Syntroleum, has all but withdrawn have had little impact on the potential for the Burrup, with the proponents of a methanol project and a fertiliser plant worth a combined \$1.3 billion expecting to wrap up the financials within weeks.

Coupled with the NWS expenditure, the overall investment figure on the Burrup looks even more impressive — \$620 million a sq km — considering that only a third of the heritage-rich peninsula has been earmarked for development.

These statistics are difficult to match, and they have the WA Government frothing at the mouth at the prospect of the anticipated influx of taxes and much-needed jobs for regional parts of the state.

Without a stone having been turned, the flow-on has already been felt: the rental market in Karratha has sky-rocketed; the service industry is getting ready for what it expects will be a tendering frenzy; and skilled and unskilled workers from around Australia have logged inquiries about job opportunities.

The new projects are expected to require 4,000 workers during construction and an estimated 600 permanent operational staff.

Yet in the face of the obvious economic benefits to the Pilbara, WA and Australia in general, a campaign to halt further development of the Burrup is gathering momentum.

There is strong opposition from green groups opposed to what they call the destruction of Hearson Cove, the Burrup's most accessible recreational beach, and mounting international pressure to preserve

millennia-old Aboriginal rock art scattered throughout the barren peninsula. It is arguably the world's greatest collection of rock art and the peninsula has been placed on the National Trust list, while the International Council on Monuments and Sites has described the art as having World Heritage status.

Even Prince Charles, who visited the Burrup in 1994, has commissioned his staff to investigate any threat to the rock art.

The WA Government is also yet to reach agreement with three Aboriginal groups, the traditional owners of the Burrup and nearby land, without which four of the five projects cannot proceed.

Burrup Fertilisers arranged its own native title deal before the Gallop Labor government formally took over the key negotiator's role earlier this year. Government talks with the three claimants are destined for arbitration. A jurisdictional hearing was scheduled to take place in Perth yesterday and full arbitration is likely to occur later this year.

And seven weeks ago, the head of the WA Liberals, Opposition Leader Colin Barnett, angered the business community with his support for the development of the Maitland industrial estate, the Greens' preferred location, instead of the Burrup.

The 4,450 hectare Maitland site is about 20 km south-west of Karratha. But even with

its potential as an industrial estate, it is years off being ready for development and most of the projects' proponents have categorically stated they will not shift from the Burrup.

Notwithstanding the government's unequivocal pro-Burrup development stance, the growing opposition forces are thought to have made potential financiers to some of the proposed projects very nervous.

"I think there's a real prospect the local reaction is scaring off people looking at this region," the Burrup region's WA parliamentary representative, Fred Riebeling, says.

The Premier, Geoff Gallop, shares

## **"My Government is not prepared to squander this opportunity."**

Riebeling's concern, as evident by his address to the Pilbara Natural Advantages conference in Karratha last month.

"We must seize the window of opportunity that exists for us today, or we turn our back and walk away," he said.

"And my government is not prepared to squander this opportunity."

At stake is more than just immediate economic wealth. Many believe it is unlikely WA will attract all five projects, because negative factors outside the state's control, such as turbulent equities markets and a downturn in the US economy, are hampering project financing efforts.

Syntroleum's cause was not helped with the collapse of energy group Enron, which was to have taken an equity stake in the \$1 billion Sweetwater proposal.

But there are genuine fears in Perth that failure to secure at least three projects to the Burrup will add weight to the argument against doing business in WA.

Methanex conceded in June that it was also evaluating potential sites in Chile, while Agrium Inc has options in Trinidad and the Middle East.

Mike Kendall, the Australian head of UK-listed GTL Resources, says the choices for his \$610 million project are the Burrup or overseas.

"That's precisely it, and it [Burrup] needs to happen quickly," Kendall says.

The stand-off between Epic Energy, the owner of Australia's longest natural gas pipeline that transports gas from the Burrup to south of Perth, and the WA government's gas regulator over a proposed drastic cut in tariffs is well-documented, as are controversial stamp duty assessments worth a combined \$132 million that have been contested by Westralia Airports Corp (which succeeded) and Alcoa Inc (yet to be determined).

The WA mining industry has long been critical of what it claims is an unworkable native title system that is holding up much-needed land access, while employer groups

### **Methanol project – GTL Resources:**

Cost: \$610 million. Plant to produce 1Mtpa of methanol. Proposed for Withnell East, needs 35 ha. London-based GTL expects environmental approval next month and is waiting for native title clearance. Financial close expected this month. Financial adviser: Société Générale.

### **Methanol project – Methanex:**

Cost: \$1 billion. Plant to produce 5Mtpa methanol. Proposed for Hearson Cove, needs 100 ha. Canadian-based Methanex is about to submit environmental application, needs native title clearance and financial close. Financial adviser: ABN Amro.

### **Sweetwater gas-to-liquids plant – Syntroleum:**

Cost: \$1 billion. Plant to produce 11,500 barrels per day of synthetic hydrocarbons including solvents, lubricants and chemical feedstock. Proposed for south Hearson Cove, needs 79 ha. US-based Syntroleum has native title and environmental approval. Will make a decision whether to withdraw formally by end of this month. Financial adviser: Merrill Lynch.

### **Ammonia project – Burrup Fertilisers (parent Oswal Group):**

Cost: \$650 million. Plant to produce 759,000tpa of ammonia to be exported. Proposed for King Bay-Hearson Cove, needs 72 ha. India-based Oswal has environmental and native title approvals, is waiting for financial close. Financial adviser: Macquarie Bank.

### **Ammonia-urea project – Dampier (Nitrogen Agrium inc 51 per cent, Thless 10 per cent, Plenty River Corp 39 per cent):**

Cost: \$900 million. Plant to produce 1.2Mtpa of granular urea and 100,000tpa of ammonia. Proposed for King Cove-Hearson Cove. Consortium is awaiting environmental and native title clearances. Financial close hoped for second quarter next year. Financial adviser: Westpac.

### **Dimethyl-ether project – Japan DME (consortium of Itochu Corp, Mitsubishi Gas Chemicals, Mitsubishi Heavy Industries, JGC Corp):**

Cost: \$1 billion. Plant to produce 1.7Mtpa of dimethyl ether. Proposed for Hearson Cove, needs about 60 ha. Consortium is preparing environmental approval application and awaiting native title clearance. Financial adviser: n/a.

have warned that contentious industrial relations reforms introduced by the Gallop government have diminished WA's competitive business advantage.

The perceived importance of industrial development on the Burrup is obvious. WA's peak employer body, the Chamber of Commerce & Industry, has sent a strongly worded letter to Barnett expressing concerns at his support for Maitland. *The Australian Financial Review* has obtained a copy.

"Maitland cannot be seen as a viable alternative to the Burrup in relation to the current multibillion-dollar wave of industrial projects," the chamber wrote.

"It is almost certain that if these projects are denied land on the peninsula as provided for in the established land use plan, they will not be developed in WA at all and the considerable benefits that would be accrued to the state will be lost."

The previous Court government, in which Barnett was resources minister, endorsed the Burrup Peninsula Land Use Plan and Management Strategy in 1996. Around the same time, efforts to develop Maitland as an industrial estate subsided.

It is difficult to picture the Burrup until viewed through one's own eyes.

Geographically speaking an island linked to the Pilbara mainland by salt fields that form the core of Rio Tinto subsidiary Dampier Salt's operations, the peninsula is a cluster of millennia-old boulders. It makes the building of infrastructure an exhaustive and expensive exercise, far greater than it would be at Maitland.

But it is the proximity to the NWS plant (the source of power), access to deep-water ports and the benefit of 10 years of strategic planning that make the Burrup the preferred location.

In the past, BHP investigated the possibility of a methanol plant on the Burrup while Perth conglomerate Wesfarmers considered a fertiliser operation.

The King Bay-Hearson Cove pocket on the

Burrup is the preferred location for five of the six projects, including Syntroleum's.

Barnett, who has long pushed for resources-rich WA to play a role in downstream industries, denies any suggestion of a policy backflip on his part and says the CCI is short-sighted in its outlook.

"I was the most pro-development resources minister since Charlie Court," he says.

Barnett concedes he is more aware today of the importance of the rock art and believes any action to the detriment of the art could make the Burrup a worldwide focal point.

There are an estimated 1 million carvings up to 60,000 years old on the Burrup, ranging

### "It is the world's most significant collection of rock art."

from deep etchings to "poundings" (slight indentations) and scrapings.

"I was never conscious of the actual importance of the rock art at the time [he was a minister]; that was something that I didn't pick up at the time," he says.

"It is the world's most significant collection of rock art and we have a responsibility to preserve it. I hope we can have industry and rock art compatible, but the more I read it says it can't be.

"I am sure, from everything I have heard, that it will become an issue of international significance. People are suggesting that the rock art will disappear in 50 years [as a result of pollution from the proposed chemical plants]."

Many people, including Robin Chapple, a Greens member of the WA Parliament, believe not enough environmental impact studies have been carried out.

Chapple says the acid mist generated by the various chemical plants will gradually destroy the petroglyphs. And even though each individual project requires environmental

approval (Burrup Fertilisers and Syntroleum already have approval) and individual proponents say their projects will have minimal impact on the rock art, Chapple, for one, wants to see more research on the cumulative effect of allowing Hearson Cove to be developed.

"Whilst the Burrup was always identified, it was identified for strategic developments, and downstream developments were identified for Maitland," Chapple says.

"We have a huge heritage problem in WA where we retain old power stations and old buildings and yet here we have the world's greatest petroglyph collection... the only other [petroglyph] site that is remotely like it is a site in Turkey, and that's only 4 sq km."

The projects' proponents reject suggestions their plants would have a significant impact on the rock art. GTL's gas-to-liquids project is earmarked for Withnell East, an area closer to the NWS operation.

"All the fuss is about Hearson Cove and we are further north," says GTL's Kendall.

"There are some very small rock art sites and we have no doubt that we will be able to move them."

Woodside has been the only party that has moved substantial amounts of petroglyphs, during the construction of NWS facilities in the 1980s when a construction camp site at Hearson Cove was cleared of rock art.

The removed petroglyphs were to have been set up in a protected environment at a later date but conjecture over who is responsible for the cost has seen the rock art remain in storage.

Methanex wants to build its \$1 billion methanol plant on the old Woodside construction camp site and claims there should therefore be little concern.

The other main thrust of Barnett's argument is that the 670ha Hearson Cove area can only accommodate two to three projects, which makes it crucial to push ahead with the development of Maitland as a dedicated industrial estate. Estimates suggest it would

cost \$300 million to fully develop sufficient infrastructure at Maitland, although an initial \$100 million to \$150 million is likely to be enough to support the first industries.

"What will make this a leap forward for WA is by building a whole range of plants [at Maitland] to build up an integrated chemical industry, like they have in the Gulf of Mexico, so that the individual proponents get some real synergies. But you can't do that at Hearson Cove," says Barnett.

Barnett is supported by the Karratha and District CCI, which has also raised the hackles of the Perth-based WACCI.

The Karratha chamber's president, Leann Cooper, believes the government should have allocated funding for Maitland so that infrastructure work could be under way.

"They should be proactive and say 'let's go and set it up', and if you start setting it up now, you would get a lot more business into the area than out on the Burrup," Cooper says.

"A lot of the [local] community is worried about losing their recreational beach at Hearson Cove, and Dampier and Karratha residents are worried about emissions.

"We are not against the Burrup [development]. What we are saying is that we have a [Maitland Industrial Estate] Taskforce set up and we realise that all the projects that have been proposed are fine but we are running out of room."

Barnett's successor, Development Minister Clive Brown, says his government will not invest in Maitland until it has commitments from industry to locate there.

Brown dismisses tags that his government is ignoring the potential threat to the rock art and points to the management committee he set up in August that has been charged to study the effects of emissions on the art.

"We have heard a number of claims and counter-claims and I am pleased to announce a management committee of the highest calibre to co-ordinate a study that will establish the facts," Brown said at the time.