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Page: 35

Burrup ammonia plan on hold as Plentex sells out

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Hopes for a second $1 billion ammonia development on the Burrup Peninsula have again been dashed, with Melbourne proponent Plentex blaming massive cost blowouts for its decision to quit the venture after a decade of effort.

Plentex, which changed its name from Plenty River Corp last month, said it was selling its 45 per cent interest in the proposed 800,000 tonnes a year development to lead partner Dyno Nobel Asia Pacific for just $200,000 because of runaway construction costs and a failure to secure a competitive gas supply deal.

Plentex said the "current high construction cost environment" meant the project could not meet the targeted rate of return. And despite its proximity to WA's vast gas reserves off the Pilbara coast, it had been impossible to secure sufficient volumes of gas "at an internationally competitive price".

"There appears little likelihood that there will be any positive change in these adverse conditions in the foreseeable future," Plentex chief Peter Streader said.

Furthermore, a land allocation granted to the joint venture by the Department of Industry and Resources was due to expire last Sunday, and Plentex said it was unlikely to be extended without a positive commitment to proceed.

However, a spokesman for DoIR last night indicated the allocation had not been withdrawn, saying Dyno Nobel was "continuing to fulfil its obligations and is proceeding with environmental studies onsite".

Plentex's withdrawal comes three days after Dyno Nobel had been due to hand down the findings of a new feasibility study into the so-called Dampier Nitrogen proposal.

Mr Streader could not be reached for further comment yesterday, but in a statement said Dyno Nobel was continuing work on the feasibility study.

The Norwegian explosives group was acquired for $2.2 billion by Macquarie Bank and Orica last September, with Macquarie retaining the Australian and US business and planning a float for later this year.

Should the project secure full financial backing within two years, Plentex stands to receive up to $2.5 million in success fees.

A senior chemicals industry source said last night that with ammonia remaining in short supply, it was unlikely the new owner would shelve the proposal.

But gas prices — the single biggest cost in ammonia production — were far higher in Australia than more investment-friendly destinations in South-East Asia such as Brunei.

For its part, Plentex said it was now eyeing several alternative plant locations around Australia, where cheaper gas might be available, allowing it to use the ammonia expertise it has gathered over the past decade.

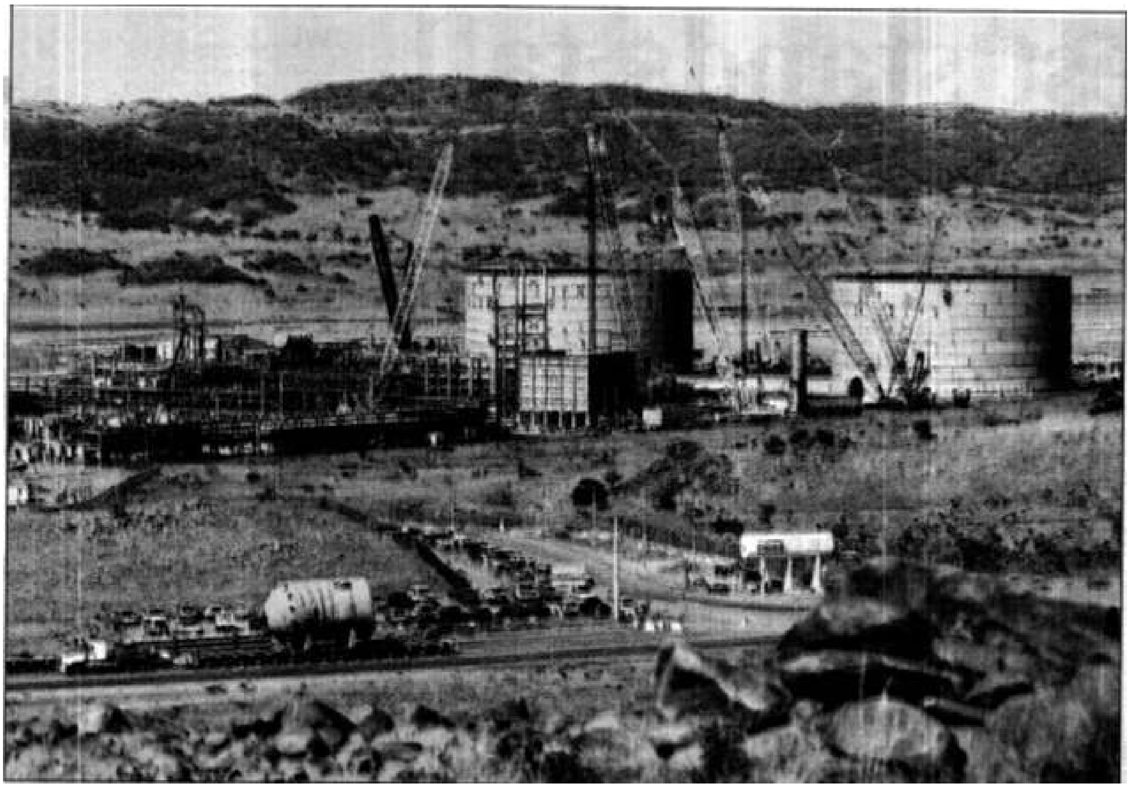
However, its immediate focus would be on a return to mineral exploration through the acquisition of gold and base metal projects in North Queensland.

The Plentex proposal was one of at least three major ammonia projects slated for the Burrup Peninsula, but to date, only one — the $650 million Indian-backed Burrup Fertilisers plant — has come to fruition.

The Plentex proposal itself has suffered many setbacks as partners moved in and out, and projected returns shifted in tune with gas prices and exchange rate fluctuations.

Dyno Nobel's predecessor as lead partner in the Plentex proposal, Canadian giant Agrium, quit the joint venture in 2003, and claimed it was the rightful owner of the project.

The WA Government subsequently awarded the land allocation and existing approvals to the Plenty River venture before awarding Agrium a separate property on the Peninsula in late 2004.



Costly affair: The $650 million Burrup Fertilisers plant is the only one of three major ammonia projects to be completed.