

Costs hit Burrup ammonia plant

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HIGHER input costs continue to plague the state's major projects with the announcement that the proposed development \$900 million second Burrup Peninsula ammonia plant has been postponed.

The delay for the scheme adds to numerous recent cost blowouts at Western Australian projects, despite record prices for the end products of these ventures.

In an indication of just how hard the project has been hit, Melbourne-based Plentex sold its 45 per cent share in the proposed 800,000-tonne ammonia plant to lead partner Dyno Nobel last week for \$200,000.

In a statement, Plentex executive chairman Peter Streader said: "The internal rate of return for the ammonia plant could not be met in the current high construction cost environment".

In January 2003, the company overcame Native Title issues with the project, with the state government agreeing to pay more than \$11 million to claimants over

the Burrup Industrial Estate.

Then, in July last year, Plenty River Ltd – as Plentex was formerly known – reached an agreement with Dyno Nobel to offload 45 per cent of the project's bankable feasibility study.

While the plant is likely to proceed in one way or another, the company's withdrawal came because of the "extreme sensitivity of ammonia plants to capital costs".

Paradoxically, the higher cost of gas in Australia, which is a major factor in production of ammonia, will prevent Plentex from realising current high prices for ammonia, known to be in short supply.

The latest delay follows several other major hurdles at WA projects.

In the past six months, notable cost hikes have rocked Minara Resources Ltd's Murrin Murrin nickel project and BHP Billiton Ltd's Ravensthorpe nickel mine.

The capital cost of expanding the Murrin Murrin project ballooned by 30 per cent to \$450 million, Minara

said last year, while BHP Billiton said recently the cost of its Ravensthorpe nickel mine had increased 28 per cent over the past 18 months to \$1.8 billion.

The Burrup cost blowout also comes despite the state government sinking \$183 million into building vital infrastructure at the peninsula as an incentive for business to invest.

The only project to get the nod in the estate is the \$630 million ammonia plant for Indian-owned Burrup Fertilisers, which is nearing completion.

Chamber of Commerce and Industry economist John Nicolaou said the higher costs for materials and labour in WA put the state at risk of losing these kinds of major projects.

"In the end these production inputs are global commodities," he said. "Our comparative advantage would be in our innovation and development skills, but it's clear that this has not outweighed the costs in this case."



COST CRUNCH: The next major development on the Burrup Peninsula is unlikely in the near term after project partner Plentex withdrew last week, adding to the state's cost troubles.