

Carpenter's gas plan could backfire on WA, warns Treasury

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and **JESSICA STRUTT**

Alan Carpenter has been dealt a blow over his controversial gas reservation plan, with a document written by his Government's Treasury warning strongly against the move.

The discussion paper, which is particularly embarrassing for the Premier given that it comes from the department run by his deputy Eric Ripper, said such a move could have "unintended adverse consequences for WA".

Treasury described Mr Carpenter's proposal, under which international petroleum giants would have to keep some of their reserves for use

in WA, as a "radical intervention".

"The proposed gas reservation policy . . . may not be capable of delivering the low-cost secure gas supplies it is intended to achieve," the paper said.

"The Department of Treasury and Finance believes that the risk of unintended consequences from this policy is significant, while the benefits of the reservation may be overstated and its difficulties not fully considered. It therefore does not support a reservation policy at this point."

Mr Carpenter said last night that

he always recognised there would be two sides to the economic debate.

"Some would argue the economic rationalist line — that is market forces prevail irrelevant of the outcome," he said. "Others argue the Government has a role in delivering a balanced and pragmatic outcome.

"Our domestic gas policy is about securing WA's energy future. This is the real world, we have to do it."

The document emerged as Mr Carpenter failed to strike an agreement with Woodside chief executive

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Still no deal in gas reserve row

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Don Voelte in a 1½-hour meeting near the company's gas project in Karratha yesterday.

Mr Carpenter issued an ultimatum to Woodside and other gas giants on Friday when he told *The West Australian* the Government would not approve their projects unless they set aside a chunk of their reserves for local use.

He said it would also be unacceptable for gas companies such as Woodside to say they would make gas available to WA consumers only if they were prepared to pay the same price as Asian customers.

After yesterday's meeting Mr Voelte, who had previously attacked Mr Carpenter's plan as "crazy", said Woodside still planned to go ahead with its development of the Pluto gas field on the North-West Shelf.

But Mr Voelte refused to say whether Woodside would agree to the Government's request for the company to make a portion of Pluto's

gas available for local use.

"I honour the right that this Government has and the Premier has to visit with a company like ours and not to have me disclose any type of those discussions," he said.

Mr Carpenter said it was a constructive meeting and both sides had agreed to have more talks on the gas reserve plan.

A spokesman for Mr Ripper denied the document was problematic, saying Mr Carpenter took advice from a range of Government departments and industry groups when forming policies.

Federal Labor leader Kim Beazley refused to endorse Mr Carpenter's plan, saying only that he "respects" his position.

Mr Beazley said that as prime minister he would develop a plan for transforming gas to liquid to find an alternative to Australia's dependency on Middle East oil, which would require a substantial reservation of gas for Australia's needs.

But later a spokesman for Mr Beazley said his plan was a separate issue from that facing Mr Carpenter and Mr Beazley's comments did not equate to an endorsement of Mr Carpenter's demands. The spokesman said the way the State Government approached gas development was a matter for Mr Carpenter.

"(Mr Beazley) respects the way Carpenter is going about it and he respects his decision," he said.

Opposition Leader Paul Omodei said the Government was sending a confusing message, as it had done on the uranium issue.

Mr Omodei said he recognised that locking up gas reserves for domestic use could threaten investment and backed calls for an industry audit before quarantine levels were set.

But he continued to acknowledge reserves for domestic use were necessary, putting him at odds with Federal Resources Minister Ian MacFarlane.

GAS BAGGED

Domestic reservation could be a radical intervention with potentially serious consequences. Extensive and intensive investigation of its likely consequences, including economic modelling, should be undertaken before any decision is taken on whether it should proceed. This evaluation should include a discussion on whether guaranteeing a supply of gas at prices significantly below the world market price is feasible in the long term.

However, the proposed gas reservation policy outlined in the Discussion Paper could have unintended adverse consequences for Western Australia, and may not be capable of delivering the low-cost secure gas supplies it is intended to achieve.

It therefore does not support a reservation policy at this point.

SOURCE: DEPARTMENT OF TREASURY AND FINANCE