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Bucking the Burrup

Resource giants look overseas to build projects

By Ben Cranston

RESOURCE companies continue to overlook the Burrup Industrial Estate but the Department of Industry and Resources has defended the jewel in its North West crown.

Burrup Fertilisers will build its next ammonia plant in Papua New Guinea – blaming high gas prices and a crippling labour shortage – while Syntroleum, Methanex and Liquigaz overlooked the controversial site.

But the DoIR has pinned its hopes on the only new player at the site, Burrup Fertilisers, to snare any future projects.

Department of Industry and Resources director of infrastructure and development Roger Dean says the Burrup is not stagnant.

"The Burrup infrastructure is already being partially utilised by Burrup Fertilisers and its existence will make the area more attractive in the future," Mr Dean said.

"It is possible that the current boom in LNG and iron ore investments may make it difficult for other industries to compete for labour, but that too is a cyclical matter."

Mr Dean said a handful of very large projects had committed to feasibility studies and approvals processes in the Burrup Industrial Estate spending $100m on assessment work.

Burrup Fertilisers had commenced production and the North West Shelf Venture's Train Five was under construction but not all starters had made it to the finish line.

"The other companies, (Syntroleum, Methanex and Liquigaz) did not proceed for a range of commercial and corporate reasons," he said.

"This is not at all unusual, as most feasibility studies do not lead to investments being made. In at least one case, the company simply failed to achieve an off take agreement for its product."

He blamed global factors, beyond the control of the State Government, for losing these projects including exchange rates and gas prices.

"There are several projects still interested in the Burrup. One of these is Woodside's Pluto project. Others are not yet public," Mr Dean revealed.

"As mentioned, global factors beyond our control can determine whether or not a project goes ahead, whether it be on the Burrup or anywhere else in WA.

"The Department of Industry and Resources continues to market the Burrup as a hub for the resources industry in Australia."

Mr Dean said the Burrup was hosting huge investment in expanded iron ore and LNG capacity by Pilbara Iron and the North West Shelf Venture.

He said the Pluto proposal would undergo the usual commercial testing by Woodside.

"The Dampier Port Authority is also planning to expand the harbour and the service industry around the harbour," Mr Dean said.

"All of this indicates that things are moving ahead for the Burrup and investment is certainly not stagnant."

Burrup Fertiliser managing director Pankaj Oswal told Forbes Asia Burrup would love to build another ammonia plant in Australia.

"But the gas price here is too high, and labor costs have risen too rapidly. There's also an issue with the exchange rate, which has risen from 60 (US) cents when we started Burrup Fertilisers to 76 cents today," Mr Oswal said.

"The major attraction in coming to Australia was the gas price.

"Since 2001 it has risen three-fold. We also suffered a delay of about nine months in construction, the unions gave us a horrid time, and the overall cost blew out by 20 per cent. The price we're being offered in Papua New Guinea today is far more competitive than current prices in Australia."

"The big attractions of Papua New Guinea for us are simple. It's the gas price and the cost of labor. About 70 per cent of the cost of ammonia is the gas, and it's getting too hard to find skilled workers in Australia because of the resources boom," he said.

"We've learned a lot.

"Other Indian companies have asked [us] about our experience, and I've said it's good – but not right now. The timing is not correct. It's a boom, costs are going haywire, and the competition is too hot."