

Reasons why WA needs to keep some of its gas supplies

A commitment by Woodside Petroleum Ltd to set aside 15 per cent of the Pluto project's gas reserves for the Western Australian energy market indicates that regional petroleum companies are warming to the State Government's gas retention policy.

Woodside has signed agreements with two Japanese companies to supply up to 3.75 Mt/a of liquefied natural gas (LNG) for at least 15 years, starting in late 2010.

However, the company's recent pledge to retain a portion of Pluto's gas reserves for local consumption is a positive step that will help underpin Western Australia's long-term energy security.

It follows an earlier commitment by partners in the giant Gorgon gas project (Chevron, ExxonMobil and Shell) with

respect to their domestic gas supply obligations.

The concept of a domestic gas supply commitment is not new. The North West Shelf project, which supplies around two-thirds of WA's gas requirements, has a domestic gas commitment under its State Agreement. This facilitated the establishment of the project back in the early 1980s.

Western Australian Premier Alan Carpenter said the latest arrangement with respect to Woodside's Pluto project proved that the LNG industry could work cooperatively and effectively with the domestic gas industry.

Western Australia's gas reserves are conservatively estimated at 120 trillion cubic feet (based on a P50 analysis, or proven and probable reserves).

Current domestic consumption is about 0.3 Tcf a year. If demand does not change, the State will require 14 Tcf of gas over the next 50 years. Under a more realistic 3 per cent growth rate scenario, aggregate domestic gas demand to 2055 would total 32 Tcf, which is equivalent to around 15 per cent of forecast (ultimate) recoverable gas reserves of about 200 Tcf.

Western Australia currently exports 11.9 Mt/a or 0.58 Tcf of LNG to various markets around the world.

However, the expansion of the North West Shelf project and a number of new LNG projects proposed for Western Australia could see exports grow to 50 Mt/a by 2015.

Should, over the next few years, the majority of the State's gas be committed to long-term contracts for buyers in massive markets overseas, there are serious concerns there won't be enough gas available to meet future domestic needs. ■



Holding back: Woodside has given an undertaking to retain 15 per cent of gas from the Pluto project for Western Australia's domestic market.