

Australia to Promote Coal-to-Liquids to Improve Energy Security

By Angela Macdonald-Smith

June 5 (Bloomberg) -- Australia will promote development of an industry for the conversion of coal and natural gas into cleaner transport fuels to improve security of supply, the country's resources minister said.

The government is working with proponents of the technology on an "action agenda" for the industry, Martin Ferguson will say at a lunch today, according to an e-mailed copy of his address. Converting coal and natural gas to fuels will play a "major role in Australia's energy future," he said.

Australia's trade deficit in oil and refined fuels is more than A\$7 billion (\$6.7 billion) and is set to expand to A\$25 billion within the next decade. Monash Energy, a venture between Anglo American Plc and Royal Dutch Shell Plc, is considering building a plant in Victoria state to turn coal into motor fuel, while Linc Energy Ltd. is set to open a plant in Queensland that will produce 5 barrels a day of ultra-clean diesel from coal.

"The industry is real - and taking off - and ultra-clean GTL diesel is in the global marketplace, attracting significant premiums," Ferguson said in the address.

A review being carried out by Treasury Secretary Ken Henry into the taxation system will include an assessment of barriers to investment in natural gas processing plants in Australia, Ferguson said. It will study the hurdles faced in particular by developers of gas fields in remote areas and potential policies to encourage the development of new liquefied natural gas and gas-to-liquids projects, he said.

Australia 'Underweight'

Australia is "underweight" in its share of global LNG supply given the size of its gas resources, Wood Mackenzie Consultants Ltd. said in April. The country has about 15.2 million tons a year of LNG production capacity, while the oil and gas industry association has a target of 50-60 million tons a year of capacity within about 10 years.

Chevron Corp.'s proposed Gorgon LNG project, with planned capacity of 15 million tons a year, has been delayed by a surge in construction costs. Woodside Petroleum Ltd.'s Sunrise and Browse ventures are among other projects awaiting approval.

"New gas projects such as Gorgon, Browse and Sunrise are struggling to get off the ground and it is therefore time to even up the playing field for investment," Ferguson said in the address. He didn't elaborate.

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