

Business crisis looms after WA gas explosion

5th June 2008, 7:45 WST

The company behind WA's huge gas explosion admits it has no idea when supplies will resume.

Amid growing fears that Tuesday's explosion off the North-West coast could take a far bigger toll on WA's gas supplies than initially thought, project operator Apache Energy refused to estimate how long it might be before it could resume providing its one-third share of the State's gas supplies.

West Australians were urged to take fewer showers and reduce heater use and Energy Minister Fran Logan refused to give taxpayers any idea when gas supplies would return to normal.

WA's main electricity supplier, the State-owned Verve, said it remained confident that power supplies would not be affected because the vast bulk of its gas came from the Woodside Petroleumoperated North-West Shelf project.

But in a move reminiscent of so-called Black Wednesday in 2004, when Western Power told customers not to use airconditioners because of an electricity shortage, Alinta is now asking domestic customers to limit their gas use.

The explosion occurred about 1.40pm Tuesday near one of the plant's gas export pipelines on tiny Varanus Island, about 100km off Karratha.

Alinta general manager of retail sales Ralph Bates said yesterday he did not "anticipate" residential customers would be affected in the "short term" by the Apache explosion.

"All customers can assist by limiting gas use during this period," he said. "Residential customers can assist, in particular, by limiting the number and frequency of hot showers and by reducing the use of space heaters throughout the day and night."

Apache managing director Tim Wall said it would take "a number of days" just to review the pipeline rupture with a team of engineers. When asked whether the repairs would be completed in the short-

term, Mr Wall said: "Until I get in there, it's going to be hard to know."

The impact on the State's booming mining sector was immediate yesterday as companies were forced to shut some operations and switch to more expensive alternative fuels in a move that will cost the sector hundreds of millions of dollars in lost production.

Iluka Resources shut parts of its South-West and Mid-West operations, while Alcoa was forced to switch to diesel to keep operations running at full capacity.

Wesfarmers had to close its ammonia and sodium cyanide production facilities at CSBP and run the LPG plant in Kwinana at just 50 per cent of its capacity. It was also forced to delay commissioning of its new \$138 million LNG plant at Kwinana, which was due yesterday.

Newcrest Mining said the explosion had cut gas to the power station which supplies its Telfer mine, claiming diesel fuel stocks were available but limited and BHP Billiton said its Worsley Alumina operation was facing reduced gas supplies but it was not certain how it would impact on operations.

Burrup Holdings is also poised to bring forward a major maintenance shutdown of its Pilbara fertiliser plant after struggling to secure enough gas to keep the operation going in the wake of the explosion.

Burrup would not comment yesterday but it is understood the fertiliser group is likely to fasttrack the shutdown, originally scheduled for next month and due to last for at least two weeks while maintenance is performed.

The timing of the Varanus explosion is unfortunate for Burrup's controlling shareholders, Pankaj Oswal and Yara International, who are in the middle of trying to raise up to \$502 million from the \$2.5 billion float of the fertiliser group.

The Chamber of Commerce and Industry and the Opposition called for a long term energy policy to give business and investors a greater degree of confidence about the State's energy future.

"The latest disruption exposes the State's dependence on a limited number of gas production plants and highlights the need to implement policies that encourage the development of a more diverse primary fuel base," said CCI chief executive James Pearson.

“Any State energy policy should consider the full range of energy sources available including gas, coal, nuclear and renewable energy.”

Liberal MP and former energy minister Colin Barnett said it highlighted the importance of developing smaller gas fields which were not necessarily in the North-West, such as some identified near Dongara.

He called on the Federal Government to crack down on the so-called “use it or lose it” policy, under which gas explorers should lose their claim to gas fields if they sit on them too long without developing them.

Mr Logan, who will visit the damaged facility tomorrow, denied the State’s gas supplies were vulnerable, claiming there were several private operators and the State Government was focused on encouraging more private enterprises into the sector.

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