

WA struggles to make up gas shortfall

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West Australian businesses are being forced to scale back or indefinitely close operations, stand down staff and delay stock exchange floats as the state grapples with a severe domestic gas shortfall.



An explosion at Apache Energy's Varanus Island gas processing plant offshore Karratha last week slashed the state's domestic gas supply by one third, hampering major companies and minnows alike.

Apache revealed on Friday that it will be several months before partial production from the facility will resume.

The state's peak business body, the Chamber of Commerce & Industry (CCI), said a survey of its members showed the incident is having a significant adverse affect on local operations and the state's economy.

"Of the 83 respondents to the survey, just over half (55 per cent) indicated their business will be directly or indirectly impacted by the gas outage, with the average decline in production 64 per cent," CCI said in a statement.

"In addition, 14 per cent of companies reported they have shut down or will be shutting down completely."

Australia's second largest nickel producer, Minara Resources Ltd, and gold miner Newcrest Mining Ltd have cut their production forecasts for the 2008 calendar year.

Minara said full year production from its Murrin Murrin nickel mine in WA would be up to 7,000 tonnes lower than its forecast of 38,000 tonnes.

Minara was particularly keen to meet its full year target because the mine has never reached its full production capacity.

The company said it has secured a temporary gas supply but additional supplies would be needed to allow it to operate at full production.

Newcrest expects output from its Telfer operation in WA's Pilbara region to be cut by about 30,000 ounces of gold.

Other mining companies affected by the gas outage include BHP Billiton Ltd, Rio Tinto Ltd, Newmont Mining Corp and Alcoa Inc.

Mineral sands miner Iluka Resources said it was still assessing the likely effect of the gas outage on its WA operations.

Iluka has begun a partial recommencement of processing operations after sourcing an alternative gas supply from gas retailer Alinta.

A spokesman for ammonia producer Burrup Holdings Ltd, one of Apache's largest customers, said there had been a temporary disruption to the supply of gas to the company's ammonia plant, forcing it to shutdown.

The Burrup spokesman said the company would likely extend the initial public offer (IPO) period for its \$2.5 billion float in light of the gas shortage.

The West Australian reported that a further 10 week suspension to Burrup's production could result in an earnings cut of 20 per cent on an annualised basis.

"Burrup is also assessing its ability to recover lost revenue through the insurance policies it has in place," the company said in a statement.

At the smaller end of the corporate spectrum, a laundry service that services the vast majority of the metropolitan and south west hospitality industry was forced to close last week - an embarrassment as a major tourism conference in Perth later this week approaches.

Representatives from WA's major business and industry groups met with government officials on Monday night to discuss the crisis, which WA premier Alan Carpenter has described as a serious situation.

"You can't shrug that (30 per cent reduction in gas supply) off," Mr Carpenter said.

"It can't not have an impact."

Mr Carpenter said the meeting had been very useful.

"There was some discussion about priorities, making sure that emergency services, making sure that householders keep their electricity supplies," he said.

Gas supplies to homes have not been cut, but the government has urged residents to limit their usage.



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