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ETS could wreck gas projects: Chevron

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Oil major Chevron Corp says Australia's proposed emissions trading scheme (ETS) could jeopardise the development of the multi-billion dollar Gorgon and Wheatstone liquefied natural gas (LNG) projects in Western Australia.

Chevron Australia managing director Roy Krzywosinski said that in its current format, the ETS could significantly increase the operating costs of the two projects and put the viability of the investments in danger.

"This result could very well increase the operating costs of the Chevron operated Gorgon and Wheatstone projects by $100 million to 200 million each per year," Mr Krzywosinski told a conference in Perth on Monday.

"This is an additional cost that could put the viability of these massive investments in jeopardy."

Economist Ross Garnaut, who is advising state and federal governments on climate, recommended emissions trading start in 2010, with a fixed carbon price of $20 a tonne that would increase by four per cent, plus the rate of inflation, each year.

Mr Krzywosinski said that the proposed ETS essentially subsidised more carbon intensive industries and left the LNG industry bearing the full economic costs.

The massive undeveloped Gorgon project, which has been delayed for several years, is a joint venture between Chevron - which is the largest stakeholder and operator - ExxonMobil and Royal Dutch Shell.

The operation is expected to produce about 15 million tonnes of LNG per annum over a 30 year period, with some analysts estimating a development cost in excess of $20 billion.

Meanwhile, Chevron said it would commit to its exploration spend of about $US23 billion ($A33.21 billion) this year, despite the turmoil in financial markets.

"Chevron Corporation is committed to following through with our global capital and exploratory spending in 2008 of roughly $US23 billion - a record amount for our company and triple what we spent in 2004," Mr Krzywosinski said.