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Woodside Says Free Permits, Rebates May Offset Carbon Burden

By Angela Macdonald-Smith

May 8 (Bloomberg) -- Woodside Petroleum Ltd., Australia's second-largest oil and gas producer, said free emissions permits or rebates on exported products may compensate liquefied natural gas producers for higher costs arising from carbon trading.

The use of tax adjustments is another option to help prevent Australian LNG producers from losing sales to rivals in countries such as Indonesia and Qatar where there are no carbon constraints, Perth-based Woodside said in a submission on the design of a carbon-trading system.

Australia is due to start emissions trading by 2010 to help tackle global warming. Ross Garnaut, an economics professor advising the government on the plan, in March recommended the introduction of measures to compensate companies that compete against rivals in countries without a carbon cost. That would avoid so-called carbon leakage where emissions-intensive industries relocate to countries without emissions curbs.

``The competitiveness of LNG production in Australia will be eroded if there are no mechanisms for maintaining Australia's international competitiveness,'' Woodside, operator of Australia's North West Shelf LNG venture, said in its submission released on the Garnaut Climate Change Review Web site.

Woodside, 34 percent owned by Royal Dutch Shell Plc, estimates a carbon price of more than A$100 ($94) a metric ton of carbon dioxide would be required to trigger ``significant'' technological progress in LNG production to cut emissions from the production of LNG.

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