

ETS could jeopardise Gorgon: Chevron

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Chevron Australia says the government's proposed emissions trading scheme could increase operating costs by up to \$200 million to its massive Gorgon and Wheatstone projects.

At a conference in Perth today, Chevron Australia managing director Roy Krzywonsinski said that in its current format, the ETS could jeopardize the viability of the projects.

"If we take one ETS scenario being proposed by Professor Ross Garnaut, using a hypothesized emissions price of \$20 per tonne over the life of a project, this result could very well increase the operating costs of the Chevron operated Gorgon and Wheatstone Projects by \$100 to 200 million each per year," Mr Krzywonsinski said.

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

"Chevron is very much in favor of climate change policies that are global, transparent, promote energy security, enable technology, and have a broad and equitable treatment of all industries.

"The goal should be to reduce global greenhouse gas emissions, and it's a fact that LNG from Australia, has the potential to help other nations meet reduction targets by displacing other emission intensive fossil fuels.

"While climate change is clearly a great concern for the entire world, we believe that it is also in the interests of the Australian Government to protect the international competitiveness of the Australian LNG industry, and to ensure that all businesses, large, medium and small, are not impeded by an imperfect and unrealistic trading scheme that is too far-reaching.

"We support the Australian Government taking a leadership position in emissions trading, but the current proposed model penalizes the LNG industry, the very industry that is part of the solution to reducing global emissions.

"I will go a step further to say, a well designed ETS should encourage and support industries such as LNG that make a net positive contribution to a lower carbon world.

"We have a lot at stake in Australia.

"We must take the time to get the design of an emissions trading scheme 'right' or the economic hurdle may put final investment decisions on major projects, such as the Gorgon and Wheatstone Projects, in jeopardy. And we know that this is not the

consequence that anyone is looking for."

The 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.

Chevron and its Gorgon partners have plans to spend upwards of \$1 billion dollars capturing and injecting CO₂ from the project into a reservoir underneath Barrow Island.

If successful, the Gorgon carbon capture and storage project would reduce CO₂ emissions from 9.5 million tonnes per year to 3.5mt per year, and make it the largest CO₂ sequestration project in the world.

Chevron has already spent \$100 million on the carbon capture project to date.