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Chevron Australia boss slams ETS

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THE Australian government's planned emission trading scheme will leave the liquefied natural gas industry bearing the full economic costs and essentially subsidise more carbon intensive industries, according to Chevron Australia managing director Roy Krzywosinski.

Speaking at the 2008 Asia Pacific Oil & Gas Conference and Exhibition in Perth yesterday, Krzywosinski said a number of elements in the proposed ETS could be obstacles to the further development of the Australian LNG industry.

Gorgon is Australia's largest undeveloped gas field

Roy Krzywosinski

"If we take one ETS scenario being proposed by Professor Ross Garnaut, using a hypothesised emissions prices of $20 per tonne over the life of the 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," he said.

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

According to Krzywosinski, the 21st century is fast becoming the age of natural gas with the Asia Pacific region projected to become the largest consumer of oil and gas.

With this in mind, Krzywosinski said a well-designed ETS should consider a "cleaner global contributor mechanism and, on this basis, the LNG industry should be recognised and encouraged over more polluting energy industries".

"Australia has a real opportunity here to be a leader in carbon emission reduction and also carbon injection technology particularly in the lead up to the United Nations climate change conference in Copenhagen," he added.

"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."

Krzywosinski said for every tonne of carbon dioxide emitted in LNG production within Australia, up to 9t of CO_2 emissions will be reduced from more carbon-intensive alternatives in places like China.

"The job ahead is clear. We must find a way to reduce greenhouse gas emissions without jeopardising the future of Australia's LNG industry and our economic prosperity," he said.

"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 is not the consequence that anyone is looking for.

“We [Chevron] support the Australian government taking a leadership position in emissions trading, but the current proposed model penalises the LNG industry, the very industry that is part of the solution to reducing global emission.”

Referring to Chevron’s Gorgon project in Western Australia, Krzywosinski said the project would result in a reduction of 45 million tonnes of greenhouse gases a year compared to the use of more carbon intensive fossil fuels to supply energy to Asian markets.

“To put this in context, the net reduction in greenhouse gas emissions is equivalent to taking about two-thirds of all vehicles off Australian roads or a reduction of over 8 per cent of Australia’s total annual greenhouse gas emissions.

“If Australia was to deliver its recognised potential to be a major global LNG supplier, this would result in a net reduction of 120-200 million tonnes of greenhouse gases compared to the use of more carbon intensive fuels in these markets. This is the equivalent of about three times Australia’s current annual transport emissions.

“It is clear that LNG is Australia’s best lever to reduce global CO2 emissions and subsequently, LNG needs to be recognised as part of the solution.”

Meanwhile, Krzywosinski also said the Australian, state and territory governments need to set polices that are “flexible enough” so the private sector can recruit the workers needed to develop the country’s LNG potential.