Australian government pushes rapid expansion of gas projects

Frank Gaglioti, Patrick O’Connor
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The Labor government of Prime Minister Kevin Rudd is overseeing a significant expansion of Australian gas production and export. The energy source is set to develop into a vital source of profits for Australian capital, with the government riding roughshod over environmental concerns and workers’ protests against substandard conditions to position Australia as a major player in the burgeoning global market for liquid natural gas (LNG).

The Gorgon gas project announced last September is the most important of several new fields opened up in the last two years. Located 130 kilometres off the Pilbara coast in northern Western Australia, Gorgon is one of the largest natural gas fields in the world. Chevron Australia claims that the project represents 8 percent of current world LNG capacity. US petrochemical giants Chevron and ExxonMobil, and Dutch- and British-owned Shell are exploiting the gas field, with an upfront capital investment estimated at $50 billion.

The joint owners have already signed several contracts to supply LNG worth about $200 billion to different Asian countries, including India, South Korea and Japan, over two decades. The most significant deal was that with China’s largest oil company PetroChina, which is to pay an estimated $50 billion for 45 million tonnes of LNG.

Last August Minister for Resources and Energy Martin Ferguson flew to Beijing for the contract signing between PetroChina and ExxonMobil. “This unprecedented export deal confirms Australia’s importance as a global energy superpower, supplying vital clean energy resources and technologies to China and our other Asia-Pacific trading partners,” he declared.

The deal has significant long-term implications for the Australian economy. LNG was only first exported in 1989 but now represents a major earner. According to an article in the *Australian* last September: “All things going well (petroleum prices hold, project timeframes are hit and demand meets contracted expectations), LNG will surpass coal as our biggest export earner by the mid-point of this decade.”

This underscores the reasons behind the Rudd government’s determination to prevent anything from standing in the way of the oil and gas companies. Enormous profits are at stake. Moreover, coal and iron ore exports to China and other growth markets played a critical role in preventing the Australian economy from entering an official recession in the aftermath of the 2008 financial crash. The Australian ruling elite now hopes to develop LNG as another potential buffer from future global economic turmoil.

Environment Minister Peter Garrett swept aside serious environmental concerns to allow the Gorgon project to proceed.

Gorgon’s processing plant and internal liquefaction and purification facilities will be located on the Barrow Island nature reserve, home to several rare species including the green turtle and dugong. Last year an oil spill from the West Atlas mobile offshore drilling rig saw oil and gas leak into the ocean for 11 weeks. According to experts, up to 2,000 barrels per day spilled and extended 25,000 square kilometres. Throughout the disaster, the Labor government downplayed the extent of the environmental disaster. Garrett and other ministers emphasised that the incident had no relevance to Gorgon’s potential environmental impact.

Protests by workers in the industry over substandard conditions have similarly been dismissed and forcibly suppressed. Rudd and Deputy Prime Minister Julia Gillard sought to make an example of construction workers at the Pluto gas field, a $12 billion project in the Carnarvon Basin of the North West Shelf which is run by Woodside Petroleum and set to begin exporting gas to Japan next year.

Workers stopped work last December and January against Woodside’s proposed new accommodation system aimed at cutting costs. Gillard immediately condemned the workers and urged employers to use the full weight of the governments industrial relations watchdog Fair Work Australia against strikers, including injunctions and damages. The Rudd government was above all determined not to allow the Pluto workers to undermine the huge investments and potential profits.

Pluto is one of several gas projects currently under construction. In Queensland, the British BP Group is developing the Bowen and Surat basins, with LNG plants planned for Gladstone. The area contains large deposits of coal seam gas—natural gas trapped within coal beds. On March 24, China National Offshore Oil Corp signed a contract to purchase 3.6 million tonnes of gas a year for 20 years. Resources and energy minister Martin Ferguson again flew to Beijing for the official signing ceremonies. "The coal seam methane industry potentially means about $50 billion in investment over time, tens of billions in exports and tens of thousands of jobs," he declared.

The new projects will add to Australia's existing gas production. More than 90 percent of conventional natural gas reserves is located off the north and north-west coast of the country, in the Carnarvon and Browse basins in the Pilbara region and the Bonaparte Basin in the Timor Sea. Exploitable coal seam fields are in Queensland and New South Wales. Less lucrative liquid petroleum gas (LPG) is also extracted at several fields, with the largest located in the Bass Strait. Only half of LPG production is exported, with the rest consumed domestically for vehicle fuel and other uses.

One of the largest LNG projects currently operating is the Bayu-Undan gas field in the Bonaparte Basin, located 250 kilometres south of East Timor. It pipes gas 500 kilometres to Darwin where it is processed by Woodside Petroleum for export to Japan. The Greater Sunrise field, estimated to be three times larger than Bayu-Undan, is due to be tapped in the coming years. Development on the $6.6 billion project is currently stalled over a dispute between Woodside Petroleum and the East Timorese government, which wants a gas refining plant constructed in Timor rather than have the gas piped to Australia or to a floating facility. Securing the Timor Sea's oil and gas revenues was the central motivation underlying the Australian military interventions in 1999 and 2006, which aimed at bolstering Canberra's dominance in the resource rich territory.

Australia's relations with Timor point to the geo-political calculations involved in the rapid expansion of the gas industry.

The energy source is playing an increasingly important role in the world economy—bolstered by improved extraction and refining technologies, concerns over the long term future of oil supplies, and aided by the relatively low carbon emissions involved in the LNG combustion. Australia has the 14th largest known gas reserves globally and ranks 20th in terms of current production. Production is set to spike upward in the next five to ten years, once the projects under construction become operational. According to an analysis in the *Australian* last year, national annual gas production could increase from 19 million tonnes to 140 million tonnes by 2020. This, the article explained, "would catapult Australia to the No. 1 global supplier of LNG, ahead of Qatar".

Australia is well positioned in relation to the burgeoning Asian markets. Japan is the world's biggest LNG consumer, accounting for nearly 50 percent of global LNG trade. South Korea is also a large consumer, while India and especially China are rapidly developing into major markets.

Some countries with the largest gas reserves are not major exporters. The US, for example, largely consumes the natural gas it produces, while Iran currently lacks the infrastructure and technology necessary for large scale exploitation and export. Other major gas producers—such as Russia, Canada, Norway, and Algeria—largely or exclusively export their gas via pipeline.

To convert gas into LNG involves cooling it to –161 °C (?260 °F). LNG is processed and then transported in fitted cryogenic ships. This is a technically difficult and expensive process that has been made profitable in part because of the political complexities of running pipelines over several countries. Increasingly tense great power rivalries in regions including the Middle East, Central Asia, and Eastern Europe have created significant uncertainty for national governments and energy companies looking to trade natural gas via transcontinental pipelines. Russian gas giant Gazprom's move to shut off supply to Ukraine in January 2009 led to shortages in several European countries, heightening concerns internationally. As a result, a secure LNG supply has become an attractive alternative.