White Paper provides for LNG assistance

The Australian Petroleum Production and Exploration Association (APPEA) welcomed what it said is the acknowledgement of 'Australia's vast natural gas resources as a major contributor to the global climate change challenge' in the federal government's Carbon Pollution Reduction Scheme (CPRS) White Paper, released during December.

The government acknowledged the introduction of the CPRS in Australia before other nations commit to similar schemes may impact upon emissions intensive trade-exposed industries. It said it is committed to providing these industries with 'transitional' assistance and has extended the Green Paper's proposed assistance to industries with a lower emissions intensity.

Two rates of assistance, 60% and 90%, will apply, with LNG production likely to fall under the 60% rate. The White Paper states:

"• 90 per cent assistance is to be provided to activities that have an emissions intensity above 2000 t CO2-e/$million revenue or 6000 t CO2-e/$million value added in the specified assessment period

• 60 per cent assistance is to be provided to activities that have an emissions intensity between 1000 t CO2-e/$million revenue and 1999 t CO2-e/$million revenue or between 3000 t CO2-e/$million value added and 5999 t CO2-e/$million value added in the specified assessment period."

The government, however, has rejected calls for assistance for industries assessed to be assisting in emissions reduction at a global level, stating determining life cycle emissions is subjective and lacking in transparency. It noted the current international climate change policy framework imposes obligations on each country, not on the life cycle emissions from domestic production.

The government has also dismissed suggestions assistance should be given to those industries that would be competitive in Australia in a carbon-constrained world, stating: "given the uncertainties over future developments, there are limitations on the extent to which such a policy could be implemented in a fair, transparent and tractable way."

APPEA said the cost to the LNG industry as outlined in the White Paper was less than what it would have been under the Green Paper.

At the launch of the White Paper at the National Press Club in Canberra Prime Minister Kevin Rudd said 'to ease the transition to a low pollution future' the level of assistance provided to firms performing emissions intensive activities had been significantly increased from the initial proposal outlined in the Green Paper.

"These changes mean that a number of important Australian industries that would not have received assistance under the Green Paper model will receive significant assistance", Rudd said. "When the scheme commences all firms that qualify for assistance will receive free permits to cover at least 60% of average emissions in their industry. Based on the changes that we have made it is likely that both LNG production and petrol refining will receive assistance at the 60% rate. These industries would have missed out on assistance under the Green Paper model."

APPEA said the cost to the LNG industry outlined in the White Paper was less than what it would have been under the Green Paper.

"While the design of the CPRS has taken a significant and positive step forward, as a country we still have a way to go in accepting that Australia's gas reserves represent a major strategic asset for supplying Australia and the Asia-Pacific region more broadly with a substantially cleaner source of energy", said APPEA CEO Belinda Robinson. "The LNG industry acknowledges the positive and responsible steps taken by the Rudd Government and looks forward to working in partnership with all governments to lift Australia's LNG competitiveness to become one of the world's leaders."

APPEA has actively lobbied for emissions trading scheme (ETS) concessions, arguing carbon reduction policy should look to facilitate natural gas projects which, it has argued, produce significantly less greenhouse emissions than coal-fired generation.

"To constrain the growth prospects of an industry that enables Australia to practically and substantially assist our region reduce its greenhouse gas emissions to the tune of 120 MMt of greenhouse gases makes no sense", Robinson had previously argued. "Any export industry that can demonstrate the ability to deliver substantial greenhouse reductions for the world and meet a materiality threshold should be included in the Clean Global Contributors category [an APPEA-proposed category of export industries that it argues could help fight climate change by helping other countries reduced greenhouse emissions] as a means for directly addressing the market failure delivered by the absence of a global emissions trading scheme."

Woodside, like APPEA, lobbied for exemptions for the LNG industry, in its Green Paper submission calling for special recognition of the potential of LNG, stating: "It is imperative that the implementation of a domestic emissions trading scheme allows Australia to capture the full value of its low emissions energy exports and therefore in no way erodes the international competitiveness of Australian LNG."

Woodside acknowledged the government's recognition in the White Paper of the LNG industry as a sector that would likely qualify for assistance under the CPRS, however continued to express concerns the ETS could adversely impact the sector's international competitiveness.

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"We look forward to working with the government to minimise the impact of the scheme on LNG, and to discussing other measures which can enhance the growth of the industry in Australia," Woodside CEO Don Voelte said.

"We will continue to emphasise the positive role LNG can play in helping reduce global greenhouse gas emissions, and the contribution the sector's growth can make to the Australian economy. Our concern remains that, in implementing an emissions trading scheme, the government does not make the industry less competitive with producers elsewhere in the world. We do not want a scheme which will cost Australian jobs or lead to an increase in greenhouse gases through the burning of higher emission fuels."

ETS legislation will be drafted in the early part of 2009. Following the public release of the legislation, and a period of consultation, the government aims to pass the bill in June. The ETS is scheduled to commence in 2010. ◆

Bechtel to work on Gladstone LNG

Santos and Petronas announced the appointment of engineering firm Bechtel as the Front-End Engineering Design (FEED) contractor for the downstream components of the Gladstone LNG (GLNG) project at the end of December.

The GLNG project encompasses the construction of an initial nominal 3.5 MM t per annum LNG liquefaction plant on Curtis Island in Gladstone Harbour. Gas will be sourced from Santos/Petronas-owned coal seam gas fields in southeast Queensland.

The appointment follows a six month pre-FEED process, with the contract valued at approximately $US40 MM. As part of the FEED process total project costs will be re-estimated, with the current total cost estimated at $7.7 B. A final investment decision is expected in the first half of 2010.

"GLNG will make Queensland home to the world's first coal seam gas to LNG project", said Santos CEO David Knox. "Today's announcement is a critical step towards making the vision of a globally-significant Queensland LNG industry a reality. GLNG has chosen a proven liquefaction technology and a contractor with a track record of building LNG plants in Australia and around the world. The combination of Santos, Petronas and Bechtel means our project is in safe and capable hands." ◆