



Speech by

Hon. J. ELDER

MEMBER FOR CAPALABA

Hansard 19 November 1998

MINISTERIAL STATEMENT

Papua New Guinea Gas Project

Hon. J. P. ELDER (Capalaba—ALP) (Deputy Premier and Minister for State Development and Minister for Trade) (9.46 a.m.), by leave: The proposed \$3.5 billion Papua New Guinea to Queensland gas pipeline achieved another important milestone this week when the PNG Parliament passed key enabling legislation. The passage of the PNG Oil and Gas Act provides the market with increased certainty regarding the fiscal regime and access principles that would apply in PNG and clears the way for all parties to now complete commercial negotiations. The PNG Government is to be congratulated on its efforts in getting this legislation in place and arriving at a solution which satisfies provincial Governments, landowners, commercial parties and the PNG Government.

Over the past few weeks there have been a number of important milestones regarding this project. Two weeks ago, the Queensland regulator and the ACCC approved the access principles for the AGL/Petronas pipeline. These access principles provide customers with the tariffs that will apply for the Australian portion of the pipeline. The tariff is one of the most competitive in Australia and is less than \$1 a gigajoule for establishment customers for the 2,000 kilometres from the PNG border to Gladstone. To put this in perspective, this is a transportation tariff which, on a cents per kilometre basis, is around half that of other major pipelines in Queensland.

Last week, the Federal Government considered a package of measures which would provide support to a range of major projects, including the Comalco alumina refinery. Details in relation to this package are being finalised in Canberra, but clearly this is a major vote of confidence and support. The Queensland Government has been having discussions with the Commonwealth Government and its advisers for a number of months. We are pleased that the Commonwealth Government at last appears as though it may take a proactive role in supporting industry development in Australia.

Projects of this size and magnitude will always involve many difficult and complex issues which inevitably take considerable time and effort to resolve. One of the key outstanding issues in relation to this project is seeking a firm and binding commitment from Comalco, which is potentially one of the key foundation customers. Comalco has been assessing the establishment of an alumina refinery in Australia for some years now. Indeed, the company was originally due to choose a preferred site for its refinery two and a half years ago. Little progress was made under the coalition Government and, indeed, a number of decisions were made that impacted adversely on the project. However, a Queensland Government package was offered to Comalco.

On coming to office this Government convened urgent meetings with Comalco and extended that support package, making it contingent upon Comalco reaching a firm commercial agreement with Chevron and a commitment to Gladstone as its preferred site. At that time Comalco advised that there were a number of outstanding issues, including finalising access principles and obtaining support from the Commonwealth Government.

The State Government has made every possible effort to iron out many of these outstanding issues and, as indicated, access principles are finalised, PNG legislation has been passed and support now appears as though it will be forthcoming from the Federal Government. The onus is now very much on Comalco to finalise its respective negotiations with Chevron and commit to the project.

Those opposite gave up on this project a long time ago and the Leader of the Opposition said that Comalco would never commit. The Government all along has been realistic and open eyed about

the possibility of extended delays occurring to the PNG gas project because of the timing of commercial decisions by Comalco and the Rio Tinto board in London. As a result, the Government has been working on a range of options in partnership with the private sector which would enable the PNG gas project to proceed should Comalco be unable to commit within the next few weeks. Likewise, the project's proponents are well advanced in commercial negotiations with other major customers.

The PNG gas project is aiming to obtain firm gas sales agreements early in the new year and, therefore, the next month will be critical in terms of finalising commercial arrangements between all parties. While the Government has taken a proactive role in trying to facilitate developments, the project will depend very much on all parties arriving at sound commercial arrangements, and any loss of momentum in this regard would be extremely disappointing.

Projects of this size and magnitude require commitment, determination and vision by all parties, including Government. The Government has had the courage to provide that commitment, determination and vision. The benefits to Queensland in terms of jobs, regional development, industrial development and greenhouse gas savings would be huge. Nevertheless, there is a lot of work to do for the proponents of this project and only a small window of opportunity for the remaining milestones to be reached. The success of this project would be great for all Queenslanders, but no Government can guarantee that success. The next couple of months will be crucial for the project.

There has been some comment in this place as to whether the Government is adopting an even-handed approach to other energy related projects. I assure the House that the Government is also working to facilitate a range of other projects in the electricity/gas area. Whether or not the pipeline becomes a reality, it is this Government's aim to ensure that Queensland has access to a range of competitively priced fuel options and is not captive to one energy source or fuel type.

Currently, around 15 electricity/energy projects are undergoing feasibility studies in Queensland. Clearly, only a handful of those projects will proceed, and the Department of State Development and the Department of Mines and Energy are working with a number of those projects. For instance, recent encouraging developments with coal seam methane indicate that it could potentially be a major energy source for Queensland. The Government is keen to work closely with the coal seam methane producers to ensure that this resource is able to reach its full potential. Likewise with a number of the coal-fired power stations, the Government is working to resolve bottlenecks that arise with specific projects.

Queensland offers some of the most exciting prospects for electricity and gas industry development anywhere in Australia. The challenge facing Government is to facilitate projects while still encouraging competition in the market. Major national and international companies have recognised the potential of Queensland's energy sector and the Beattie Government is taking a proactive role in working with these companies to generate competitive energy and sustainable jobs for all Queenslanders.
