

the Territory

# Why Sunrise Gas Onshore is in the National Interest

A proposal has been advanced by Shell and Woodside to develop Sunrise, the largest identified gas reserve in the Timor Sea (8.4 tcf), by converting gas to LNG on a floating facility at the site of production then exporting it.

Should this proposal go ahead, gas from the smaller field at Bayu Undan (3.4 tcf) would be brought onshore by a small diameter pipeline, which would preclude joint development of these fields (the original proposal). This would severely restrict the availability of gas for industrial development in the Northern Territory and have a severe impact on national gas supplies by the end of the decade.

| Issue | Message | ACIL report |
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| **Australia's energy needs**<br><br>Links to the national gas grid provide certainty of supply, competition and lower prices | The Council of Australian Governments last year agreed that the efficient provision of reliable, competitively priced energy would underpin wealth and job creation and improved quality of life for all Australians.<br><br>Eastern Australia's current domestic gas supply is largely dependent on reserves in the Cooper and Gippsland Basins, while the Territory's supplies are dependent on the Amadeus Basin, both of which will start to decline in the next ten years. Sunrise gas, if brought onshore, would be linked to the national grid at Moomba.<br><br>The floating LNG concept proposes that Sunrise gas would be exported to Asian and American markets, with only Bayu Undan gas brought to Australia. Yet gas onshore is critical to Australia's energy reform program.<br><br>ACIL predicts that without Sunrise gas on shore, South Australia and the east coast will not have enough gas from about 2008 to meet a moderate increase in demand for commercial and industrial use. The availability of Sunrise gas will ensure certainty of supply, increase competition, and reduce gas prices (particularly for Queensland, South Australia and the Northern Territory).<br><br>The proposal is complementary to the proposed pipeline from Papua New Guinea. | Intro, 3-11<br>Map on page 5<br><br>See detail in second report |
| **Jobs**<br><br>A major boost for local jobs and skills development | Gas onshore will increase local content, jobs and training, whereas the floating LNG plant will be built overseas. It is estimated the onshore proposal will generate 10,600 full time jobs nationally (taking into account projects that will be generated by the availability of the gas). This is 4400 more jobs in Australia than the FLNG option. | See tables |
| **Economic development**<br><br>To ensure a sustainable economic future | Gas is essential to competitive business development, including regional and small business development.<br><br>Sunrise gas onshore will create $15 billion in additional wealth for the nation over the life of the project (over and above the FLNG option) because of the jobs, contracts and projects it will foster, as well as additional government revenue of $110 million ($100 million of which would go to the Commonwealth).<br><br>Research by the Centre for International Economics shows Sunrise gas onshore will increase national Gross Domestic Product (GDP) by $4 billion every year for the life of the project and the Territory's (GSP) by 46% (see separate economic factsheet). | Page 8, 12, 14 and tables |

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| **Environment**<br><br>– a cleaner energy source | Gas onshore will reduce greenhouse gas emissions, by allowing fuel oil and black coal fired plants to move to gas, a cleaner fuel. The ACIL report estimates that Sunrise gas onshore would create savings of at least 7.3 million tonnes of carbon dioxide a year in Australia. | Pages 3, 9 |
| **Investment attraction**<br><br>Competitive advantage | Gas is critical to investment attraction, regional development (particularly Northern Australia), and industrial growth in the north.<br><br>Development of this national resource is in line with the strategic goals of Invest Australia's Strategic Investment Coordination and Investment Attraction programs and provides a key competitive advantage in attracting major investors to the Northern Territory and Australia. | Page 8, 12 |
| **People's resource**<br><br>This resource belongs to the people | Woodside gained Commonwealth support for its development of the North West Shelf and its fight against Shell's takeover bid last year on the grounds of national interest. The same arguments apply here – who controls the resource?<br><br>The resources of the Timor Sea belong to the Australian and East Timorese people. We need to ensure they are developed in a sustained, strategic and cooperative manner that benefits both the owners and the production companies The ACIL report describes the Floating LNG development as 'sub optimal'.<br><br>Australia's commitment to the Timorese people includes jobs and training. We believe the Timorese people would be disadvantaged by the floating LNG proposal. | Pages Intro, 1, 17 |
| **Territory development**<br><br>Our vision is to become Australia's fourth gas hub | Sunrise gas onshore is critical to the sustained economic development of the Territory, to reducing our dependence on Commonwealth funding, and to a range of projects on hold pending resolution of this issue.<br><br>Projects depending on Sunrise gas include a $3.6 billion alumina smelter and power plant, the Compass Resources polymetallic project at Batchelor, a pipeline from Mataranka to Gove to allow expansion of Nabalco's alumina plant, industrial expansion in Darwin, and the proposed pipeline linking Sunrise gas to the national gas grid at Moomba. | Intro, 1 |
| **Why the urgency?**<br><br>A window of opportunity | The issue of bringing Sunrise gas onshore must be resolved now because potential customers need certainty of supply. The Northern Territory has already lost major projects, such as Methanex, and we risk losing billions of dollars worth of projects if the issue drags on.<br><br>In addition, the Sunrise issue needs to be resolved before a final decision is required on the pipeline diameter for the Bayu Undan project. The original proposal by Phillips and the Sunrise developers was to build a joint pipeline to Darwin from Bayu Undan. Once the pipeline is installed, it will narrow the options for the future development of Timor Sea gas fields. | |
| **Sovereign risk**<br><br>If it can float in – it can be floated out | A floating plant reduces long term commitment to development of the reserves as it can be moved at any time.<br><br>An offshore facility is also less physically secure than one onshore. | Intro, 17 |

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