



PIPE DREAM

Incitec calls on Canberra to open up supply of gas from NT

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INCITEC Pivot has called on the Federal Government to break up the gas monopoly that is threatening domestic and industrial users with spiralling price rises.

Chief executive James Fazzino said Incitec Pivot was prepared to do its bit and has copied a strategy used 10 years ago when it backed Queensland Gas, then run by Richard Cottee, with a 10-year offtake agreement.

It has gone back to Mr Cottee, now at Central Petroleum, and signed a heads of agreement for another 10 years supply of 15 petajoules a year, this time from conventional gas fields in the Northern Territory.

But there is a problem. Central Petroleum does not have a pipeline to get the gas

to markets in places like Mt Isa or hubs like Wallumbilla and Moomba and it is likely to cost about \$1 billion.

"If anyone can do it, Richard Cottee can," Mr Fazzino said.

He said the market desperately needed more gas suppliers.

"We have four monopolists supplying gas," he said.

Mr Cottee wants the Federal Government to act as underwriter for the pipeline project, but analysts do not see a big enough market.

However, Mr Fazzino said even though there were five major gas companies in the market when Incitec went to the market there was only one bidder for gas contracts on a "take it or leave it" basis.

"If Australia's east coast gas market is to function effectively it needs gas com-

petition which it doesn't have at the moment," he said.

"The east coast market is short of gas.

"It requires government leadership in approvals and to ensure the pipeline gets funded.

"The LNG plants have managed to short the whole of the industry and also households, so there is plenty of demand.

"So the solution isn't more gas, it's more gas producers and the role for government is to encourage more competition in the gas market to support the emerging gas companies and ... to put in the infrastructure so that gas can get to market."

Mr Fazzino made the comments as Incitec reported a 33 per cent slide in net profit for the year to September, to \$247.1 million.

The bottom line was dragged down by \$109.2 million in writedowns linked to overseas operations it picked up when it bought explosives maker Dyno Nobel in 2008.

Underlying profit, which strips out one-offs, increased 21 per cent to \$356.3 million, easily beating analysts' forecasts.

Mr Fazzino said the result reflected the company's ability to deliver in the face of challenging markets.

The company's final dividend was 7.3¢, up from 5.8¢ a share. Its shares closed 5.5 per cent or 16¢ higher at \$3.08.

THINK BIG:
Richard Cottee's Central Petroleum has the gas, but not the pipes.

