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## Incitec deal buoys NT pipeline plan

Incitec Pivot boss James Fazzino and Central Petroleum chief Richard Cottee go way back. They were both involved in negotiations to secure gas supply contracts with the Queensland Gas Company (QGC) for Incitec's Gibson Island plants in 2004.

Fazzino and Cottee have joined forces again to sign a landmark gas supply deal that waters down the argument that Australia does not need a proposed gas pipeline between the Northern Territory and New South Wales.

Fazzino is taking on a degree of risk with the agreement which explains why their business history is important here because he has faith in Cottee's ability to make it work.

Central has entered into an agreement to supply up to 15 petajoules of gas to Incitec Pivot, connecting NT gas reserves to eastern Australia.

They have agreed a starting field price, although the details are not being disclosed, and the deal is obviously contingent on a pipeline going ahead.

NSW and the Northern Territory last week signed a deal to accelerate

development of a pipeline to help address NSW's gas-supply crisis.

The plan has been criticised by some energy experts who say the pipeline, which may cost up to \$1.3 billion and is still some years away, cannot deliver gas at competitive prices without subsidies.

But Cottee, who runs the junior explorer that holds gas resources in the NT's south, says the deal is evidence the financials stack up for industrial customers in eastern states such as Incitec, which is willing to buy NT gas.

Incitec, which manufactures fertiliser and mining explosives, is a heavy natural-gas user and has long lobbied the federal government to address the issue of rising energy prices. It has long argued the Australian gas market is dysfunctional and wants access to multiple sources of gas in the way that companies operating in the United States would have. It has been in talks with a number of potential suppliers.

Central Petroleum, which holds exploration acreage and undeveloped gas resources in the south of the NT, is a strong supporter of the pipeline for

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obvious reasons. Well-known entrepreneur Cottee took over as chief executive of Central Petroleum in July 2012. He made his name running Queensland Gas Co which he expanded from a \$20 million explorer into a \$5.6 billion takeover target that was acquired by Britain's BG Group in 2008.

He also took on Clive Palmer, who failed in attempts to take control of the oil and gas miner two years ago.

Ian Smith at rival explosives maker Orica last year penned a deal to buy natural gas from BHP and Esso Australia Resources. Companies like Orica and Incitec as seeking to

manage their exposure to rising energy prices. Fazzino believes the nation's lack of an energy policy is "a train wreck" and many energy-intensive manufacturers face a spike in energy costs and uncertainty over supply when big LNG projects under construction on Australia's east coast start exporting gas.

Incitec is building a \$US850 million ammonia plant in Louisiana rather than in Australia because of the US state's lower costs and regulatory hurdles.

Incitec earlier posted a 33 per cent fall in full-year earnings to \$247.1 million, largely because of \$109.2 million in write-downs.

The result was ahead of some analysts' expectations, sending its shares up more than 3 per cent.

The problem for Fazzino is that market conditions in the agricultural and resources sector remain challenging and he is relying on cost savings and other operational improvements to improve underlying performance.

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