FINANCIAL REVIEW

NT gas pipeline certain to proceed, says Central Petroleum boss Richard Cottee

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Central Petroleum managing director Richard Cottee sees many benefits from the Northern Territory gas pipeline link. Photo: Jim Rice

The $1 billion pipeline that would enable natural gas from the Northern Territory to fill a supply hole in NSW would need "a third world war" to stop it given the political will the project and the bids to construct it, according to Richard Cottee, whose Central Petroleum could be a key beneficiary of the pipeline.

Mr Cottee, managing director of Central Petroleum, said three of the four bids were unconditional and were seeking no government money to build the North East Gas Interconnector, or NEGI, with the fourth seeking a relatively small $300 million in concessional loans from the federal government's $5 billion Northern Australia infrastructure fund.

NT Chief Minister Adam Giles is expected to announced the preferred bidder on November 17.

Two of the four bidders, APA Group and Jemena, favour the shorter and cheaper route for the line, from Tennant Creek to Mt Isa in Queensland, and have confirmed they are not seeking any public funds for the project which they say can be underpinned by commercial gas transportation contracts.

The other two, DUET Group and a company backed by oil giant China National Petroleum Corporation, have bid to build the pipeline using an alternative southern route, from Alice Springs to Moomba in South Australia's north, the site of Santos's major gas processing plant.

The project is being strongly supported by the NT government, which has agreed to divert gas from a contract held by territory-owned Power and Water to provide initial deliveries, and has been endorsed by the Council of Australian Governments (COAG).

Gas buyers in Queensland and NSW are also supporting the project as they struggle to source long-term supplies from existing producers that are now shipping more gas to Gladstone for the new LNG export projects.

"We're very, very confident that if there's a need which is now more and more acknowledged on the eastern seaboard for the gas and no government funds required to put in the new supply that it's absolutely impossible to imagine it not going ahead," Mr Cottee told the Australian Financial Review after Central announced a capital raising of up to $21 million partly to fund work to firm up gas reserves for the pipeline.

"Yes, there could be a third world war or something like that, but who's going to go back to COAG and say, look we don't need any government funds, this is a pipeline that could save up to a million jobs but we've decided we don't want to do it?"

The southern route to South Australia is longer than the route to Queensland and crosses more difficult, sandy terrain, with APA chief executive Mick McCormack suggesting it would cost twice as much and take longer to build. Estimates for the Queensland route are about $700 million-$800 million.

But government and industry sources point out the greater longer-term, nation-building benefits that the southern route would have, if the cost issue can be overcome.

"The southern route has a lot of longer term strategic benefits both to the company and the nation," Mr Cottee said, while acknowledging hte Queensland route is cheaper and quicker.

He said Central would benefit either way, with Incitec Pivot lined up as a customer for gas should the Queensland route be chosen, and letters of intent that could be firmed up rapidly with potential customers in NSW should the southern route be selected.

"Central is in a position that it can't lose; it's a question of how much it can win by," Mr Cottee said.

Fields operated by Central would provide about 55 per cent of the initial gas delivered through the line, with 50 terajoules a day offered from the Mereenie, Palm Valley and Dingo fields, with the government supplying 40 terajoules a day.

Mr Cottee said he believed the volume of gas from Central-operated fields could be increased to 80 terajoules a day over time.

Central has agreed to sell 55.3 million shares to institutional investors in Australia and Hong Kon at 19¢ each, 3¢ less than the last close of 22¢. Existing retail shareholders can also buy shares at that price through a planned $10.5 million purchase plan that is not underwritten.
