

# PWC asleep at wheel during \$50m gas bid



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TERRITORIANS have been left with \$50 million of gas they will not use after the Power and Water Corporation was outsmarted in a supply deal.

Central Petroleum has won a deal to supply 9.85PJ of gas over five years to the Northern Territory Pine Creek Power Station operated by Energy Development.

Under the supply agreement, Central Petroleum has the right to supply gas from its central Australian fields of Mereenie, Dingo or Palm Valley, in a fixed-price gas contract which may increase subject to CPI.

In a further twist, Central Petroleum yesterday announced a gas transportation deal to move the gas along the Amadeus pipeline after negotiating directly with APA Group, owners of the pipeline.

The total deal, estimated at \$50 million, has caught many gas analysts and Power and Water by surprise given the volume of excess gas available to the government-owned entity from Blacktip and its effective monopoly of gas transportation through both the Amadeus and Bonaparte pipelines.

Power and Water has previously bought 100 per cent of

the transport capacity from APA Group despite not needing or using anywhere near that amount for the gas it uses, giving it an effective stranglehold on transportation and meaning Territory taxpayers are also paying for unused transport services.

In addition to that, Power and Water flares more than 10PJ of unused Blacktip gas, bought at an estimated cost of \$15 million, each year.

It is this gas the previous CLP government used to assist the commercial viability of the \$800 million 622km Northern Gas Pipeline which environmentalists have described as a "terrible outcome" for the NT.

Power and Water would not speculate on the outcome of the tender. A spokeswoman confirmed they submitted a "competitive tender for this contract and on this occasion we understand we weren't successful."

The market may have believed Central Petroleum could not deliver its gas without negotiating transport costs with the Territory's energy provider first, given the capacity position Power and Water has on transportation.

Central Petroleum managing director Richard Cottee said his company had put in a more competitive bid and negotiated directly with APA Group.

"This went out to expressions of interest and we put in a bid but I am not sure Power and

Water knew we put in a bid," he said. "Obviously we put in a more economic price."

The gas transport agreement with APA Group is for an initial 12-month period.

Hydraulic fracturing, currently the subject of a moratorium in the NT, has not been used at Mereenie since 1999.

The gas to Pine Creek will be supplied out of existing reservoirs and Mr Cottee said he was unsure if they will have to frack in the region again. He said technology advancements and knowledge of the fields would impact on those decisions.

"It does not soften my view that the moratorium on hydraulic fracturing is unhealthy," he said.



Central Petroleum managing director Richard Cottee at his gas facility outside Alice Springs