



Turtle Power Threatens Chevron's Gorgon Gas Project

SYDNEY - Environment officials seeking to protect nesting turtles called for a block on Chevron's A\$11 billion (US\$8 billion) Western Australia gas project on Tuesday, but the state's leader said he remained a strong supporter.

Western Australia's Environmental Protection Authority (EPA) said it would advise the state government to reject the Gorgon liquefied natural gas (LNG) project off the state's coast because of the impact it would have on a nature reserve.

Chevron, which holds half of the Gorgon project, said in a statement it would appeal, and would continue to participate in the assessment that will lead to a final government decision expected later in 2006.

Western Australia state premier Alan Carpenter said his government was fully behind the project, which backers say could add A\$2.9 billion a year to the Australian economy.

Carpenter has the power to by-pass the agency, as his predecessor did over opposition to Gorgon in 2003.

"We would be bitterly disappointed if this project did not go ahead. It's a very big project for Western Australia and it has to be taken into a bigger context," he said.

Environmental concerns centre on Gorgon's potential to damage protected nature reserve Barrow Island, the site of a proposed plant to process around a quarter of Australia's known gas reserves, Gorgon's estimated 40 trillion cubic feet.

"We find the project environmentally unacceptable and advise the government to reject it," authority spokesman Charlie Maling told Reuters as the EPA released a report highlighting the potential impact on marine conservation in the area.

Almost half of the project's 10 million annual tonnes of LNG has been pre-sold to Japanese customers, while partners are understood to be marketing to further customers in the United States and India.

Cornerstone Gorgon customer Tokyo Gas said it had not heard about any delays resulting from the EPA report.

"Australia has an aspiration to be one of the world's important LNG exporters," said Colin Beckett, general manager of the producing companies' partnership, Greater Gorgon.

"It's in the best interests of Australia and our trading partners that this project gets the go-ahead."

NEGATIVE SIGNALS

Industry players warned against a block.

"The government will take all factors into account, but if it did turn Gorgon down it sends very

negative signals to the investment community about Australia," said Belinda Robinson, executive director of the Australian Petroleum Production and Exploration Association, the industry's key lobby group.

"Especially given the Gorgon partners have turned themselves inside out to address environmental concerns," she said.

The EPA report said the impact on flatback turtle nesting on Barrow Island, the introduction of non-indigenous species to the island's "pure" ecosystem, and damage inflicted by seabed dredging were too risky to allow the project to proceed.

Australian Greens Senator for Western Australia, Rachel Siewert, said partners should look at putting infrastructure on Australia's mainland instead.

"Proposing to build something on this scale inside Australia's most precious island nature reserve was deeply flawed from the beginning," she said.

The EPA's warning comes despite a 42-year history of exploration on and near the island, where Chevron already operates an oil extraction and processing facility, Australia's oldest and largest onshore field which has produced 300 million barrels.

It is the latest environmental road-block for firms looking to lock into booming global gas demand after Norway said it will impose tough environmental demands on explorers in its Arctic gas fields and Shell was forced to redesign its Sakhalin-2 LNG project in Russia, fearing potential damage to whale feeding grounds.

ExxonMobil and Royal Dutch Shell Plc each has a 25 percent stake in Gorgon.

ExxonMobil said last month a final investment decision on Gorgon could be delayed into 2007 because of increasing costs. But the partners were counting on government support and still hope for first first production from the field in 2010, Chevron said. (US\$1=A\$1.33)

Story by Paul Marriott

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