



01 AUG, 2020

'\$2bn riding on Narrabri plant'

Weekend Australian, Australia

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PERDAMAN, BRICKWORKS WARN ON COST OF GAS PLANT KNOCKBACK

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EXCLUSIVE

PERRY WILLIAMS

Industrial giants Perdaman and Brickworks have warned that up to \$2bn of planned spending on NSW manufacturing plants could be in peril if Santos's Narrabri gas project fails to win approval, threatening a rare investment boost as the nation faces a prolonged economic slump from the coronavirus pandemic.

Multinational Perdaman, Australia's largest brickmaker Brickworks and retailer Weston Energy

which supplies gas to big users in the state have called for the controversial \$3.6bn development to be approved, kickstarting a manufacturing-led recovery from the pandemic.

Perdaman will this week complete a design and engineering study on its planned \$US1.1bn (\$1.52bn) ammonium nitrate plant near the rural NSW town that could either supply fertiliser for agribusiness or explosives for the state's mining industry.

With the NSW Independent Planning Commission wrapping up the final day of a week-long public hearing on Saturday, Per-

daman said it was confident gas could be safely extracted from underground coal seams, with the

project offering a rare opportunity to build a new industrial base in the region.

"We desperately need to build a bigger manufacturing industry here in Australia," Perdaman managing director Vikas Rambal told The Weekend Australian.

"COVID-19 has taught us an economic lesson that we can't always rely on imports and if we can get enough supplies of gas through Narrabri, it can help build value-added industries that we didn't have before."

Perdaman, which last year struck a preliminary 20-year deal with Santos for supplies from

Narrabri, expects up to 700 jobs will be created in constructing the plant, with 100-200 ongoing roles. A first-phase study of the project will be completed by August 7, with a formal engineering and design process to be activated should the IPC recommend Narrabri to the NSW government by its September 4 deadline.

A final investment decision will be made by December 2021 with a three-year construction period to bring the facility online. The fertiliser chief has previously said Perdaman could redirect the investment to other international destinations including New Zealand, Indonesia or the Middle East if Narrabri gets knocked back.

The IPC held two meetings this week with NSW planning, environment and water experts after a public hearing raised concerns over "knowledge gaps" in crucial modelling for the project.

The gas producer touts the development — which could supply half the state's gas needs — as a solution to the tight east coast market by undercutting LNG imports and offering the cheapest new supply source in the state if it does get the nod from planning tsars. Its opponents are worried Narrabri will lead to water con-

tamination on farms and broader environmental concerns including climate change.

Brickworks signed a wholesale gas contract with Santos last year for supplies from its Cooper Basin field in South Australia through to 2024, but said the future of new brick manufacturing facilities rested in part on securing ad-

ditional gas from Narrabri. Brickworks will buy up to 3 petajoules of gas annually for seven years from 2025 under the non-binding deal signed for Narrabri.

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"It's absolutely vital to the economy of NSW that it gets approved," Brickworks chief executive Lindsay Partridge said. **"We need gas to keep our plants running and all the evidence is that shortfalls are coming down the line."**

"Ensuring we can keep making investments hinges on making sure we have enough gas for our operations."

The Australian Energy Market Operator warned this week looming shortfalls could require government action as traditional offshore supplies from Victoria's Bass Strait dried up and big volumes of gas from Queensland exported as LNG.

Energy retailer Weston Energy, which has agreed a non-binding deal for 10PJ a year from Narrabri over a decade, said it was desperate to secure supplies for its customers, including NSW hospitals and councils, the ACT government and Department of Defence.

"We're really worried about that shortfall," Weston chief executive Garbis Simonian said. **"We have a whole portfolio of customers and they all need gas. The problem will be in 2023 when Bass Strait declines,**



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there's going to be a shortfall and we need to supply gas to our customers. That's why Narrabri is so critical.

"The other advantage is it's so close. So the cost of supplying Narrabri gas to the Sydney market is much less than the price of receiving it from Queensland."

Opponents are concerned about the development's

potential impact on groundwater and the surrounding agriculture, with the coal-seam gas project receiving a record 23,000 submissions on its environmental impact statement.

The NSW Department of Planning approved Narrabri in June after a three-year process, with the IPC now midway through its own assessment, including a two-day site visit and a presentation by Santos to planning commissioners.

The IPC quizzed Santos over the likely pipeline route to deliver gas to market should it be successful, the expected carbon emissions from gas wells, the risk of an extreme weather event disrupting ponds where salt from the gas extraction process will be stored, and whether Narrabri will lead to lower gas prices for the state.