

## Transcript

**ABC 7.30 Report 29 April 2008**

**Natural gas: the future of fuel? By Greg Hoy**

KERRY O'BRIEN: The recent prediction by the head of Caltex Australia that the price of oil may very well double the already record highs for crude, have only heightened concerns about the security of Australia's future fuel supplies. The Federal Government, for instance, has launched a national energy security assessment. As oil production in Australian fields declines, the Government has also sought and won approval under the United Nations Convention on the law of the sea, to expand its search for oil offshore by an area equivalent to five times the size of France. But Federal Resources Minister Martin Ferguson agrees that unless there is soon a "eureka oil strike", Australia must find a new fuel alternative with sufficient reserves to power a vast and vital national car and transport fleet. But there are those who say there's an obvious solution to the fuel crisis right under our collective nose, a solution that could cut fuel bills by up to 60 per cent. Greg Hoy reports.

NOEL CHILD, TRANSPORT CONSULTANT: At the moment we're a bit like a bus heading towards the edge of the cliff. Crude oil is going to become short in supply and it's going to become progressively expensive.

MARTIN FERGUSON, MINISTER FOR RESOURCES & ENERGY: Time is not on our side.

JOHN MIKOLAJUNAS, OES NATURAL GAS: The Government and governments all around the world are scrambling to find alternatives to petroleum products.

GREG HOY: They're selling off Australian gas by the ship load. Sixteen million tonnes this year, gas ships loaded with liquid natural gas, gas chilled to liquid minus 161 degrees Celsius to reduce its volume to one 600th of its original 84 billion litres in bulk. 2,200 gas ships have already left our shores in long-term, wholesale supply contracts with China, Japan, South Korea, Italy, Spain and the United States, nations scrambling to secure their energy supplies for decades to come.

BELINDA ROBINSON, AUSTRALIAN PETROLEUM PRODUCTION & EXPLORATION ASSOCIATION: It provides an energy source for a world screaming out for energy. There's no doubt there's a tightness in the supply of energy, particularly to meet the tigers of India and China. But secondly there's also an enormous appetite for cleaner energy, so natural gas has around half the greenhouse gas emissions of coal fired electricity.

GREG HOY: But with global demand for natural gas expected to double in the next five years, some are left wondering if Australia is missing its own boat.

OLLIE CLARK, NATURAL GAS VEHICLES ASSOCIATION: The thing that strikes me as being rather quaint, to put it mildly, is that we pay anywhere from about \$8 billion to \$25 billion to import the oil and we get a paltry \$4 billion for the gas that we sell to overseas countries. It seems odd to me, especially given gas is a superior fuel for many, many purposes including the use in motor vehicles.

JOHN MIKOLAJUNAS: There's massive reserves of natural gas that are not being used and that's why we're selling them off to China at such low prices. We should be making use of this fuel ourselves locally because if we don't, we're going to be paying for petroleum products. Natural gas can represent a saving of up to about 60 per cent on what you're paying for petrol and that includes diesel and LPG as well.

GREG HOY: Going for gas, as prominent players in the Australian gas industry recently gathered in Perth, the grapevine was abuzz with the boom in business for the sector.

BELINDA ROBINSON: Gas used to be probably second best choice. When our explorers went looking they went looking for oil and if they found gas it was a second best option. Now, with the demand for energy supplies, increased demand from energy supplies, particularly from the Asia Pacific region, we're really seeing gas become a much higher value product and priced accordingly.

GREG HOY: And here the Australian Government hinted it will increasingly move to secure more of Australia's gas reserves for Australians.

MARTIN FERGUSON: It's therefore about balancing our desire to grow exports, while ensuring there are sufficient gas available at a fair market price to meet the needs of Australian industry and consumers.

GREG HOY: Could that mean quarantining 15 per cent of production for local use as controversially the West Australian Government has insisted on from multinationals?

MARTIN FERGUSON: They're very lucky being actually able to develop our nation's natural assets. They also accept that they have to give something back to Australia. You don't have to belt industry up to get a positive response. They are seriously thinking through this debate.

GREG HOY: To retain a sufficient proportion of production for domestic use.

MARTIN FERGUSON: Will see over time a process which delivers to us domestically and also internationally from an export point of view.

NOEL CHILD: Governments need to look at the issue of where our future transport energy is coming from and take the step, which is a little unpopular in terms of modern economics particularly, of setting some targets and perhaps some mandates otherwise the default position I think is just to continue on the same path way until the bus does hit the wall.

GREG HOY: The Australian Government is about to embark on an energy security assessment.

MARTIN FERGUSON: With only about a decade of known oil resources remaining at today's production rates, Australia is looking down the barrel of a \$25 billion trade deficit in petroleum products by 2015.

GREG HOY: There are other strong reasons, supporters say, Australia should go for gas, not just for generating power with greenhouse efficiency, but to fuel the vast motor vehicle fleet of a sprawling nation, using compressed natural gas, half the price and less polluting than LPG, liquid petroleum gas, a by product of the oil industry.

OLLIE CLARK: Globally there are about 800 million vehicles on the roads of the world and there's about 8 million natural gas vehicles that you pull up at a garage as if you were refuelling with petrol or diesel or LPG and you plug into your car into the natural gas supply and it's full in a couple of minutes just like it is with the other fuels.

GREG HOY: Australia has abundant reserves of gas, enough to last around a century and a half but there is one far greater attraction for motorists who have grown tired of being battered by rising fuel prices.

JOHN MIKOLAJUNAS: You'd be looking at around 40 cents per litre covering all costs including compression of the gas.

GREG HOY: Already plenty of big car manufactures are making natural gas fuelled vehicles overseas, and many Australian homes already have natural gas. So with a small compressor you could easily fill up your car at home. The oil companies mightn't like that, of course, nor the Government, which collects \$14 billion a year in excise tax on petrol, 38 cents in every litre you buy plus GST. So the plan is in three years to start introducing excise tax on natural gas for vehicles only, but at a about half the rate charged for petrol. Question is will this loss in government excise taxes be a disincentive for Australia to go for gas?

JOHN MIKOLAJUNAS: I don't think we'll see hesitation because of the excise, I don't think the governments have much choice anymore and I think they will move down that path because they're being forced to.

GREG HOY: Meantime, how goes the ever expanding search for oil soon to be extended with the UN's blessing by an area equivalent to 35 per cent of Australia's land mass, pushing out, out into deeper and deeper waters offshore.

BELINDA ROBINSON: What's not going quite so well is the exploration and the search for oil in those areas that we call frontier areas, so those massive sedimentary basins where we don't know what's there.

GREG HOY: So what is plan B should the search fail? Ongoing trials, we're told, trials to develop gas and diesel from coal.

MARTIN FERGUSON: There are ongoing discussions between my department and a range of companies about coal to liquids and gas to liquids, it's about synthetic diesel, it's about a cleaner fuel.

GREG HOY: No mention there, you might note, of compressed natural gas. Some say a cheaper, cleaner, greener proven technology that would capitalise on one of our richest resources.

NOEL CHILD: This is a product that many other economies in the world have fastened on to as an important aspect of meeting the transport energy challenge. It's real, the technology's real, the technology's available. I think what's needed is political and industrial will.

KERRY O'BRIEN: Greg Hoy with that report.

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