

Queensland Gas: We've got **the power**

It's not oil – but it is the world's largest known supply of coal seam gas. And that, in a world of outrageous oil prices and enforced carbon trading, may prove even better than oil, long term, for Queensland and Australia.

By Mike Sullivan

If Queensland was sitting on as much oil as it has coal seam gas in the Surat Basin, its economic prospects right now would seem stellar.

Listen to Queensland Gas Company (QGC) chief executive, Richard Cottee, and you begin to comprehend the so-far underestimated opportunity of these vast gas holdings in the Surat Basin – “our acreage” Mr Cottee calls it.

He believes Queensland is sitting on a resource to empower Australia's energy future and give the Australian economy enormous and sustainable energy advantages.

From QGC's research, he knows that the possibilities for the coal seam gas his company controls in the Surat Basin are manifold – and, if commercialised properly, could offer several hundred years worth of supply. But what Mr Cottee imagines better than anyone is how diverse the uses for that gas can become.

Gas supply and gas-fired power stations are obvious—and QGC is travelling well down that track. How about gas-powered heavy transport vehicles – and eventually, cars – at a far lower bowser price than petrol?

“I think transport's the big one. I think electricity generation is there, I think industrial development co-located with electricity... fantastic opportunities in that regard. And I think export LNG (liquefied natural gas) is the catalyst that is going to cause most of that to happen,” Mr Cottee said.

If the economics don't excite business, then the carbon savings should certainly come into play. Natural gas burns cleaner than petrol and diesel, emitting fewer hydrocarbons and particulates.

VERSATILE SOLUTIONS

Mr Cottee is all about making the most of QGC's resources by creating a versatile and integrated resources group. He will provide the company's product in whatever form makes the most sense for customers, whether that be raw piped gas, or as electricity from gas-fired power supplies, or converted as LNG which can run smaller power plants for regional manufacturing plants – and even heavy road and rail transport.

The plan is already “quite advanced,” he said.

QGC wants to build a new gas-fired baseload power station which makes economic a 820km gas pipeline between the Surat Basin and Newcastle.

QGC's coal seam methane resources happen to be close to both the Queensland electricity grid and the Roma-to-Brisbane gas transmission pipeline, which explains QGC's cheeky but ultimately abandoned bid for Sydney Gas two years ago. This aimed to create opportunities to commercialise coal seam gas and exploit arbitrage opportunities between the two state markets. Although that bid failed, it led to a 20-year gas supply deal with AGL, which included AGL acquiring a stake in QGC, and later, QGC entering into a \$870million alliance with British Gas (BG Group).

QGC sold BG a 20 percent interest in its Walloons gas acreage and the two groups are now looking into the feasibility of building a \$8billion coal seam gas-fed export LNG plant at Gladstone. BG took up a 10 percent stake in QGC – helping in no small way the market capitalisation of QGC to soar towards \$5billion – and the rest is history being written on a daily basis by Mr Cottee's team.

QGC's immediate future is to sup-

ply gas to two power stations in Queensland and NSW (gas as electricity), gas to AGL (gas as gas) and gas to be processed into LNG at Gladstone.

POWERFUL CASE

Mr Cottee said the “desktop studies” are still being done, but the plan right now is for a gas-fired power station to be built at Condamine, where the pipelines feed to both Gladstone and the Hunter Valley, and massive gas reserve storage takes place underground.

This process is even more amazing given the way the technology works, replacing the water stored within the underground deposits with gas.

“By replacing the water that we have taken out with the gas we inject, our desktops (analyses) show that we would be able to store about 140 years supply directly underneath that confluence of pipelines,” Mr Cottee said. “We are doing the re-injection tests physically in the last quarter of this year and by the first quarter of next year we will be able to declare it a goer, or whether we liquefy it. We are pretty confident it's going to be a go.”

It is a well-conceived plan. QGC will end up with what he jokingly calls “Cottee's corner” with a power station plus a storage of 140 years gas supply, directly underneath this confluence of pipelines, opening up supply to Gladstone, the Hunter Valley, Brisbane, Adelaide and Sydney.

“And you can do it all on an instantaneous basis because you have got an instantaneous recall from the storage,” Mr Cottee said.

WATER BYPRODUCT

This occurs because QGC's acreage is a stratigraphic plate. When they remove the water from the rock there is no water recharge – it can be replaced with



Richard Cottee's vast ambitions for Queensland's coal seam gas burn bright.

gas. It is a perfect seal. This has been proved by QGC with, now, three years of practical production, Mr Cottee said.

"We've turned it on and turned it off and turned it on again over six months and haven't seen any water recharge at all."

If Mr Cottee has his way, the water QGC extracts will be put to good use as well, for irrigation throughout the region and as cooling water for existing coal-fired power stations. An alternative, he said, could be to store the water in the underground space vacated by the coal and gas, for later extraction.

It is what Mr Cottee describes as "a virtuous cycle" – as is his concept for LNG roll-out to the road transport sector.

"You have to say the Queensland Government has been a bit of an unsung hero in the whole of this.

"You've got a huge CSG industry as a result of one government policy that was meant to be environmental and it has now delivered a huge economic resource," he said.

"Now, they are really good policies.

"The only other one you can really think of like that was in the 1970s oil shock with the conversion of taxis to

LPG. Now, you would have to say, why can't you convert your taxis to LNG? That's the next stage."

He believes measures such as fuel or registration rebates for transport companies that have a percentage of their fleets operating on natural gas would accelerate the uptake, for economic and environmental reasons.

"The Queensland Government, I think, has got the agenda (on gas)," Mr Cottee said. "But I don't think anyone has really got the agenda on (LNG for) transport yet. It is beginning to percolate.

"That agenda has to shift to ask how can we meet our environmental obligations without affecting the world's poor (as biofuels have done so far, he lamented), without creating hidden pollution, without affecting water supply and with security of supply... and indigenous supply if possible.

"The answer is bleedin' obvious. It is natural gas."

And Richard Cottee knows precisely where to find it.

www.qgc.com.au n

• For a full report on Richard Cottee's vision, got to www.businessacumen.biz

QUEENSLAND LEADERS.

QUEENSLAND GAS COMPANY IS A partner company of Queensland Leaders, the organisation helping to develop the next generation of international businesses headquartered in Queensland.

"Part of the responsibility for every corporation is to try to put something back into the community," Mr Cottee said. "We do some things on the educational front and, when we have more money, we will do more.

"That educational front is on a whole host of different levels.

"It can be giving Indigenous children the opportunities from pre-school onwards or it can be helping the rural poor, or it can be enabling others – there are not that many opportunities for the really bright, for example.

"Part of the thing is you are trying to increase the talent pool. That is what Queensland Leaders does (in business).

"The Queensland Leaders, when they came to see me, I thought it was an incredibly good concept.

"They (leaders of growing companies) realise they are not alone."

www.queenslandleaders.com.au n