



Natural Gas - the future of fuel ?

Posted by [Big Gav](#) on April 30, 2008 - 8:00pm in [The Oil Drum: Australia/New Zealand](#)

Topic: [Supply/Production](#)

Tags: [australia](#), [compressed natural gas](#), [natural gas](#), [transportation](#) [[list all tags](#)]

The ABC's "[7:30 Report](#)" last night had a look at the large amount of optimism that many people have regarding Australia's natural gas reserves - "As world oil prices skyrocket, experts warn Australia must find an alternative source of fuel. Some argue a cheaper, greener solution is right under the nation's nose: natural gas."

Both the APPEA and new Energy Minister Martin Ferguson have been arguing this for some time - though its far from clear how long we can continue to expand LNG exports, expand gas fired power generation (as part of the APPEA's "transition to lower carbon emissions" strategy), contemplate building GTL plants and use CNG for most or all of our transport as suggested in this report (not to mention supplying the usual industrial and domestic uses of gas) especially when one major potential source of supply (from PNG via the now abandoned pipeline project) has been removed from the equation.

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. ...

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, FEDERAL ENERGY & RESOURCES MINISTER: 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 PATROLEUM 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 VEHICLE 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. ...

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 pathway 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's 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.

Of course, even if you can produce CNG for 40 cents per litre, in the absence of any government regulation you'll still end up paying a price that is driven by global oil and gas prices.

Also at the ABC, an opinion column that has a cynical view of the 2020 summit and its recommendations regarding energy - [Solar? Wind? Forget it, we're goin' to gas!](#)



If what the Government believes to be appropriate policies can be blessed with the appearance of popular legitimacy then the risk of not being re-elected is minimised. A disturbing account by Anna Rose, one well-motivated young participant who was plonked into the sustainability and climate change sector, certainly supports that impression.

But even though Australia is the world's largest coal exporter, I'm not sure that the clean coal lobby is the Government's favourite child. Federal Resources Minister Martin Ferguson was interviewed by Kerry O'Brien about renewable energy two weeks ago. After several repetitions of an exasperatingly formulaic answer about carbon trading schemes, he let slip, "I might also say, you shouldn't forget a relatively clean source of energy, that is gas." A pointer towards the real agenda?

I went "sniffing for gas" and turned up Mr Ferguson telling a recent Australian Petroleum Production and Exploration Association conference that the Government wants to encourage more domestic gas projects like the Reindeer development off the WA coast, that the Government is pushing ahead with its review of gas retention leases to encourage companies to exploit their existing reserves, that Australia is facing a \$25 billion trade deficit in petroleum products within seven years and that the Government has announced 35 new areas for petroleum exploration in Commonwealth waters this year, most of them in Australia's north west. We are already the world's fifth largest gas exporter, but the thrust of that seems to be "Find more, pump it out and get it sold, ASAP!" So what if it kills the planet, and us along with it?

Mr Ferguson's focus on the trade deficit in petroleum products (his seven-year estimate may have to be revised now that oil hits a "record high" nearly every day) seems a little odd when we have countervailing trade surpluses in coal and gas, and when the trade deficit in petroleum products is a drop in the bucket compared to what has happened to our net foreign debt.

But not if you're pumping for gas. ...



This work is licensed under a [Creative Commons Attribution-Share Alike 3.0 United States License](#).