



GROUNDED

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AN INDUSTRY'S FIGHT FOR ACCEPTANCE

Underground coal gasification's lock down has left many in the Surat Basin nervous about a potential mass exodus from Queensland of the industry's major players.

The State Government enforced a pilot phase on the industry in February this year preventing any of the five companies with UCG interests in or around the Surat Basin to enter commercialisation.

It has also limited the industry to just three pilot projects, those of which are owned by Linc, Carbon and Cougar.

A UCG consultative committee has been formed featuring many of the industry's main players that, along with an independent

scientific panel, will decide if the process is safe.

A recommendation is expected no earlier than 2011.

MetroCoal CEO Mike O'Brien said if the State Government failed to find an acceptable resolution, the worst case scenario was a UCG boycott of Queensland.

"The de facto moratorium has the potential to delay the development of UCG but, more importantly, has the potential to push UCG development out of Queensland," Mr O'Brien said.

UCG involves burning coal as it sits underground to create gas, and was pioneered in Soviet Russia in

the early 20th century.

Western Downs Regional mayor Ray Brown said the two-year clamp put on commercial UCG could be good in the long run.

He said the pilot phase would allow the UCG companies time to fine tune their technology and sort out any issues with their processes.

Cr Brown said UCG could have a key role to play in the Surat Basin but, with three of the five projects situated in the Western Downs, he wanted to be assured of its credibility.

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Good news long term

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"It's great technology, let's just make sure it's right environmentally too," he said.

Linc Energy was an early victim of UCG's uncertainty in Queensland when it took its commercial aspirations to South Australia in late 2008 as a conflict with the coal seam gas industry reached boiling point.

CEO Peter Bond said Queensland would only figure in the company's future if the State Government offered some security.

"We're not waiting and when the Queensland situation is better defined, we're always here, we can always come back and look at it then," he said.

Mr Bond said the two-year moratorium on commercial UCG could cost Queensland dearly.

"I think they're missing out on a lot — several thousands of jobs and several billions of dollars," he said.

"It's a big impact."

Cougar Energy CEO Dr Len Walker was involved in Australia's first UCG pilot burn near Chinchilla at what is today the

site of Linc's demonstration facility.

His company is behind a 400MW UCG gas turbine power station near Kingaroy.

Dr Walker said he expected a positive outcome for the UCG industry from the two-year pilot phase.

"UCG will become an accepted technology that enables many countries rich in natural resources to develop and sustain a clean supply of cheap energy," he said.

A Queensland Mines and Energy spokesman said the UCG players represented on the committee had been active participants.

He said the expert panel had started planning its approach to the technical and environmental review of UCG technology.

"(Over the next year) the independent scientific expert panel's terms of reference will be finalised and UCG pilot projects will commence work on preparing their individual pilot project reports," he said.

"The committee will consider options on the range of issues as noted in the UCG policy."