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ARCKARINGA PROJECT CAN SUPPLY SA

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ARCKARINGA PROJECT CAN SUPPLY SA

A proposed US$3.5 billion coal to liquids and power project in South Australia's Arckaringa Basin should provide long-term security of supply of transportation fuels to the State, according to project proponent, Altona Energy.

Addressing the South Australian Resources & Energy Investment Conference, Altona Executive Director, Mr Peter Fagiano, said the project could augment existing grid electrical supply to meet the State's power demand.

"The project's planned diesel production meets the forecasts demand for South Australia up until at least 2030, easing the pressure on South Australia which currently relies on international imports and "out of the State" supply of transportation fuels," Mr Fagiano said.

"As such, South Australia is subject to price volatility for its fuels due to fluctuating crude oil price, freight costs and foreign exchange rates and additionally has exposure to security of supply due to factors such as politics in the Middle East and North Africa."

Mr Fagiano said these factors could be avoided by the utlilisation of Arckaringa coal based fuels.

"This provides 'homeland security of supply' and competitive supply – as the cost of production sits at around US$53 per barrel of diesel based on current plant costings," he said.

"Today, international crude oil prices sit in excess of US$110 per barrel to which you would normally add another $15 to $20 per barrel to allow for refining costs to produce diesel plus transport. OPEC forecasts that crude oil prices will settle between US$80 to US$90 per barrel

"Based on these economics, the development of the Arckaringa project looks attractive both in the medium and long term."

Altona's project has coal reserves estimated at 7.8 billion tonnes of which 1.3 billion tonnes is JORC complaint.

The project has a proposed annual throughput of 10 million tonnes of coal to produce 10 million barrels of diesel/naptha products while exporting 4.5 million megawatts of electricity.

The coal to liquids and power plant components are estimated to cost US$2,990 million with mine facilities adding a further US$535 million to the cost.

Annual revenue is estimated at US$1,000 million.■