

28 September 2001

Mr Robert Pullella  
Office of Gas Access Regulation  
Level 6, Governor Stirling Tower  
197 St Georges Terrace  
Perth WA 6000

**DRAFT DECISION DAMPIER TO BUNBURY NATURAL GAS PIPELINE:  
OBJECTION TO BROADENING THE GAS SPECIFICATION**

Dear Mr Pullella,

Australian Gold Reagents (AGR) is a joint venture between Wesfarmers CSBP and Coogee Chemicals and has operated a sodium cyanide facility in the Kwinana industrial area since 1988.

AGR uses natural gas as a critical process feedstock and adds value to the natural gas through its manufacture facility to produce sodium cyanide, an important reagent used by the gold industry. Our business has expanded over the years, consuming over 1,000 TJ of natural gas per year and AGR has in excess of \$100 million of capital invested in the business.

The Draft Decision of the Gas Access Regulator proposed in Amendment 9 that the gas quality specifications in the DBNGP be changed to the broadest specifications contained in the Dampier to Bunbury Pipeline Regulations 1998, with effect from 1 July 2005.

We strongly oppose this proposed amendment on two counts:

1. The introduction of lower quality gas into the DBNGP would add significant cost to AGR's manufacture of sodium cyanide for supply to the gold mining industry.
2. The 1998 Regulations provide a process for review of the gas quality specifications, which take account of existing contractual arrangements, whereas the proposed amendment appears to be in conflict with this process.

Unfortunately, we have seen a steady deterioration of the quality of natural gas delivered to our site over the last ten years, which has impacted on our costs of production, which in turn disadvantages us in the market place. Therefore, any further widening of the current specification would have a significant negative impact on our business and on our ability to compete in a market which is becoming increasingly globalised.

AGR has recently committed to expand its facility by building a solid sodium cyanide plant. This expansion together with expected growth in the WA market will increase our current consumption of natural gas by approximately 100% over the next five years. The economics of this expansion would be seriously damaged by the Regulator's proposal to widen the gas specification.

Furthermore, in the wider context, if Western Australia is to grow its chemical industry, based on natural gas as a feedstock not just an energy source, the quality of gas should actually be improved in the longer term in order to attract investors and capital.

Therefore, in summary, we urge the Regulator to reconsider the adoption of a broader specification for natural gas distribution through the DBNGP.

If you have any questions regarding this submission, please do not hesitate to contact me on (08) 9411 8630, or alternatively I would also be available to meet and discuss this issue at your convenience.

Yours sincerely

**ROSS MARTELLI**  
**Manager AGR Pty Ltd**

Ph: (08) 94118630  
Fax: (08) 94118723  
e-mail: [ross\\_martelli@csbp.wesfarmers.com.au](mailto:ross_martelli@csbp.wesfarmers.com.au)