

14th December 2007

Dear Peter

SUBJECT: BP RESPONSE TO THE GAS EXCHANGEABILITY PAPER

Gas is a key commodity to Western Australia's manufacturing, electricity generation and mining industries which consume the majority of the state's natural gas supplies each year.

Since 1984, BP Developments Australia Pty. Ltd. in its association with the North West Shelf Venture has had a long history of producing and supplying gas into Western Australia and BP Kwinana Refinery is an active user of gas.

With the strong growth in the WA economy, demand for gas has far exceeded supply with fears that the supply of gas into the domestic market will not meet future demand beyond 2020. In order to help guarantee security of supply in the future, the WA Government announced its gas reservation policy in Oct 2006 detailing the requirement of producers of LNG projects to put aside up to 15% of gas reserves for domestic use from any future offshore development. The quality of gas from individual reservoirs varies over time and BP believes that a broader gas specification will enable the flexibility needed to provide continued supply to meet market demands. The recent Federal Government commitments on climate change and emissions will increase the importance for accessing gas as a clean energy alternative.

BP hence supports the views put forward in the "Review of the gas quality specification for the Dampier to Bunbury Natural Gas Pipeline (DBNGP), Western Australia" which was published in 1995, in particular the identification for the need to broaden the pipeline gas specification to open access to the broadest possible range of Western Australia's gas reserves.

Whilst BP acknowledges the safety issues identified in the 1993 study which identified the risks associated with some gas appliances at the time, many of these older appliances would have now been replaced. For many years gas appliance in Australia have been designed for safe operation consuming a gas quality consistent with the Australian National Standard. It should be noted that the blended gas quality of Domgas being supplied into the DBNGP exceeds the current pipeline specification requirement and WA Gas Standards Regulations 2000. Acceptance of a gas with lower quality must be considered with recognition of the gas quality of all producers. In their 2005 ERA submission, Safety Energy supported a broader gas specification consistent with the Australian Standard after consideration of the safety implications. BP supports adopting the Australian National Standard AS 4564 which specifies a maximum and minimum Wobbe index as this option allows the broadening of Western Australian specifications.

Application of the Australian National standard for the DBNGP would be an enabler for smaller gas fields to access the Domgas market and improve the diversity of gas supplies and thus improve security of supply and competition.

Whilst some might express concern about the technical implications of broadening gas supplies, BP notes that with declining indigenous gas supplies around the globe, all of the major gas markets around the world are moving toward extending gas quality standards for similar reasons of wanting to access a broad range of gas sources to promote competition and security of supply. The United States for example, driven by the requirement to facilitate LNG supplies, is pursuing legislation amendments via the NGC White Paper. Similarly, Europe via EASEE gas, is seeking to agree a wider gas specification tolerability in support of the gas harmonisation directive. Even Asia is seeing moves to increase gas quality flexibility, with Japan seeing value in reducing LPG blending requirements and China signing LNG supply contracts across a full range of produced gas quality.

In summary, BP Developments Australia Pty. Ltd. would welcome and support adoption of a broader gas specification consistent with the Australian Standard and believes such a move will act as an enabler to improve security of supply and competition in the WA gas market.

Yours sincerely

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