

Finance

Liquid fuel options for oil put Qld in spotlight

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QUEENSLAND has long been Australia's premier coal-producing state.

However, its other energy resources have been limited. Although Queensland pioneered Australian oil and gas, it's been a relatively small producer compared with Victoria and Western Australia.

The gas situation is now changing quickly with the growth of coal seam methane but what are the prospects for oil?

Australia needs to find more oil as prices reach record levels, production falls and imports rise.

Australian oil production peaked at 260 million barrels in 2000 and last year was down to 160 million barrels, requiring us to import 44 per cent of our liquid fuel needs.

Australia's oil import bill is now twice what we earn from thermal coal exports.

However the chances of finding a new Bass Strait are not good.

Converting shale, coal and gas to liquid fuels is a much surer bet.

That's where Queensland comes in, with bountiful resources of all three, as well as a growing biofuel industry.

Queensland has shale oil resources of 36.7 billion barrels. That's more than 100 times annual Australian oil demand.

Queensland Energy Resources, the leading shale player, is currently assessing technology options, with the possibility of a pilot plant within three years and a long-term aim of producing more than 100,000 barrels a day.

At Chinchilla, Linc Energy is bringing together two proven production processes, underground coal gasification and coal to liquids, to produce ultra-clean liquid fuels. Linc is currently building a demonstration facility and plans to be producing 20,000 barrels a day by around 2010.

There is also potential to convert coal seam methane to ultra low sulphur diesel. Initial investigations by Arrow Energy and Alcan suggest that a 20,000-barrel-a-day gas-to- liquids plant would be technically feasible and commercially viable.

Biofuels are also making progress. Just last week funding was finalised for the \$130 million Dalby Bio-Refinery, a large-scale grain-to-ethanol plant.

None of these alternatives are cheap, quick or easy but as oil prices remain high and our dependence on imported oil grows, particularly from the Middle East, Queensland's huge oil-producing potential is likely to get a lot more attention.

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