

Gas needed to power Northern Australia development



TOWNSVILLE, 27 June 2014: Fortescue Metals Group Chief Executive Officer Nev Power has called on Australia's resources and agriculture sectors to work together to unlock Northern Australia's enormous potential as an energy superpower.

Mr Power said the region's abundant natural resources, vast land mass and proximity to global markets could lay the foundation for thriving domestic and export industries based on competitive energy. He drew parallels to Texas, which boasts strong agricultural industries that co-exist with a very large oil and gas industry.

"Northern Australia is this great country's great, undeveloped economic engine room," Mr Power said. "By working together we can tap its abundant potential and create our own agricultural and resources powerhouses."

Mr Power's view was echoed by Fortescue External Relations Director Tim Langmead who addressed the Australian Davos Connection's (ADC) Northern Development Summit in Townsville today. Mr Langmead said one of the most important requirements for a competitive agricultural industry was low cost energy and Northern Australia had an abundant supply of conventional and unconventional gas reserves. He called for policies that capitalised on Australia's natural gas advantage that could translate into prosperous export industries and provide secure gas supplies that underpin jobs and economic growth.

"As we've seen in the US, competitively-priced gas has led to dramatically cheaper energy, which has reduced input costs for agriculture contributing to the successful coexistence of both industries. We can replicate their success in Northern Australia as long as we unlock our gates and as a nation we demand a tough "use it, or lose it" policy so the gas cannot be warehoused indefinitely.

"Australia could be the lowest-cost producer of ammonia and urea fertilisers on the global cost curve if we embrace our energy advantage in natural gas, which is the primary feedstock of nitrogen fertilisers, while at the same time the displacement of diesel with competitive gas in our energy mix can add to competitiveness through the agriculture value chain."

Mr Langmead said Australia should also enforce "use it or lose it" policies to encourage the market-based development of Australia's gas reserves to ensure the competitive supply of domestic gas. "Northern Australia's comparative advantage is its abundant natural resources but we can only unlock its potential if the mining and resources industries respect and understand the agriculture industry."

Recognising both miners and farmers as complementary elements of strong communities, with both providing primary income that drives growth and development, Mr Langmead cited as an example the Pilbara in Western Australia, where more than 500 Fortescue employees reside and where the company spent \$860 million with local companies in the 2013 financial year.

"Fortescue is a strong believer in the strength of Northern Australia which is why we support the Pilbara Cities Vision," Mr Langmead said.

Fortescue's role in the Pilbara goes well beyond mining with the company committed to changing lives of Aboriginal people by providing employment opportunities. It developed Vocational Training and Employment Centres in the Pilbara that guarantee a job for all graduates. Fortescue's success has led to the employment of 1200 Aboriginal people across its business and it has awarded \$1.55 billion in contracts to Aboriginal businesses.

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