

Gladstone LNG push fuels boom for skilled jobs

Liam Walsh

"YOU might say we're burning the midnight gas," jokes Susan Denk, chief operating officer of Unidel.

Business has been "flat out" at the Brisbane-based company, which is working on the raft of liquefied natural gas projects lined up for Gladstone.

Unidel's employees include fauna and flora specialists who go out into the field, wielding Global Positioning System devices, assisting clients in understanding and managing project risks. They might help with environmental impact statements.

They are part of a swelling workforce of consultants and contractors.

Already, lawyers, mappers and environmental experts are working on the five proposed LNG projects for Gladstone. The next stage will bring in pipeline layers and engineers - if projects get the big investment tick.

But risks lie amid the opportunities: A skills shortage could crimp contractors' ability to tap contracts or blow out their own cost forecasts, project cancellations or consolidation could throw cash-flows into chaos, while operators might expand but only offer half-baked work.

By 2015, Gladstone should be home to a giant nest of pipes and containers from the LNG projects.

Gas will be sourced from Queensland's underground coal seams, piped to Gladstone where it will be cooled

to almost -160C, processed and then exported as LNG.

The proponents are Origin Energy-ConocoPhillips, Shell, Santos-Petronas, British Gas's QGC and Arrow Energy.

Not all may make the cut. But the jobs are enormous, even if only a few projects survive.

The Origin-Conoco venture has studies suggesting, at peak, its project alone would create 18,600 direct and indirect jobs nationally. Santos estimates its project will require up to 6000 jobs.

Many a dollar is needed too - QGC this month committed to \$3.4 billion in contracts for long-lead items, such as storage tanks, that contractor Bechtel will order.

The boom is already paying lawyers: Clayton Utz helped set up the Origin-Conoco joint venture and has continuing project work.

Clayton Utz partner Andrew Smith, an oil and gas specialist, says "there'd be two or three partners and maybe half a dozen solicitors at any one time working on various aspects".

He points out LNG projects are bigger than a typical mining venture - it is like developing a "coalmine, the railway line, and the port to go with it".

That requires various skill sets - think construction, project and contract lawyers.

"There simply aren't that many LNG lawyers around town," Mr Smith says.

"The ones who are ... tend to be busy."

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"The companies probably wish there were more of them. But there aren't, which is good," he jokes.

Out in the field, construction, mining and energy services companies like WDS are working on pipeline construction or installing compressors.

"It's a little bit slow - the actual work occurring (currently) in the field. There's a lot of tendering activity at present, and there's a lot of pre-construction work occurring, which is environmental impact statements, designs etc," WDS chief of the infrastructure and services division Rob Bailey says.

The actual laying of pipes in the ground should take off once final investment decisions are made, which is due for most projects this year.

"We're expecting (business) to grow ... particularly the second half of this year," Bailey says.

But a looming problem - depending on economic conditions and China - is a skills shortage.

Fitch Ratings energy and utilities director Gavin Madson



GAUGING SUCCESS: Pressure rising on project costs.

points to LNG projects around Gladstone and Western Australia, and a commodity price resurgence. All these point to a need for workers, be they engineers or welders.

"There's going to be a fight for these skills," he says.

Fitch this month cited petroleum industry research that LNG construction at its peak could create at least 60,000 jobs nationally.

Proponents are working to manage the threat of a skills

shortage or a costs blow-out. "Shell has been involved in the management of the construction of many LNG plants around the world and therefore has experience in managing project costs through varying economic cycles," Shell says.

An Arrow spokesman argues his organisation plans to get their project off the ground 12-24 months ahead of the others.

"We believe we'll be able to access (contractors) in a timely manner," he says.

Origin says it is working with industry, the State Government and local councils "to attract and develop new staff.

"We also have our own apprenticeship and training programs under way," it says.

Santos - predicting demand for workers including mechanics, specialist engineers and project managers - has unveiled a \$50 million plan for apprenticeships and trainee positions.

Contractors and consultants will also grapple with any shortage of skilled workers.

At Unidel, which tripled its workforce in the past financial

year to 170 staff, Denk says measures include in-house training.

Another industry risk has been highlighted in the government-fed insulation boom - under-skilled operators flocking to expanding sectors. One consultancy industry source argues some operators emerging on LNG projects see an opportunity to expand their business but lack depth of expertise. Even big-name consultancies could assign projects to juniors, "supervised" by seniors.

But an industry counterinterview is that project proponents retain a lot of checks and inspections to verify work quality.

A wildcard for contractors is that ventures might be cancelled.

Corporate memories still burn from when Australian Magnesium Corporation's \$1.4 billion light metals project near Rockhampton fell over in 2003. Another risk is consolidation of LNG projects.

WDS's Bailey is philosophical. "We may tender to ... companies that end up merging, but that's just part of life in the construction industry," he says. "We're just keen to see it progress."