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15th February. 2005

General Manager
Regulatory Affairs - Gas
Australian Competition and Consumer Commission
PO Box 1199
Dickson ACT 2602

Attn: Mr Mike Buckley

Dear Sir,

PNG Gas Project – Submission re Application for Authorisation

We, as BHPB Cannington and Queensland Nickel (100% BHPBilliton), refer to ACCC's 23rd December 2004 request for submissions on the above Application.

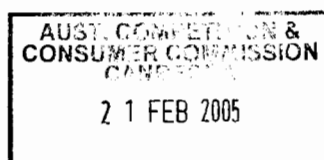
BHPBilliton via the Cannington Mine and QNI Townsville Nickel Refinery, are both users of gas and potential users of gas. Given the location in Queensland and experiences to date, Cannington and QNI have been exposed to significant issues in respect to supply and delivery of gas within the QLD market. It is based on this experience and the ongoing needs and growth of our operations we make this submission.

Overall we are supportive of a competitive gas market and believe projects should be developed on a competitive basis. If and once the PNG Gas Project becomes operational it should be enabled and formatted to be another source of competitive gas supply to Qld.

We do have some concerns in the PNG Gas Project's (PNGG) Application for Authorisation (application) where it has potential to remove or stifle future competition and unlikely to be of public benefit.

It is our view PNGG joint marketing should be allowed up to financial close of the Project which we understand has already been approved by the ACCC in a past interim approval. Once financial approval has been achieved i.e. the Project is viable and has the necessary foundation customers, then it appears any continuation of joint marketing is not of public benefit and would only align to a private benefit of the Project. PNGG have not provided enough evidence to support a case for public benefit following financial close.

PNGG have also assumed the market will not mature without their presence or Authorisation. There is significant evidence the market is and will mature without the need for the PNGG Authorisation.



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If the application is successful then it appears the terms & conditions will be fixed for the life of the project (expected to be of the order of 30 years) and any future partners (and the market) will be forced to follow the same terms and conditions. Further, it would appear the public would have very little recourse via the Trade Practices Act (TPA) if the application was successful.

It is also not clear in the application what level of reserves are covered by the application. Is there a defined limitation to reserves or will it be left open? If open then there would be additional concerns regards the unlimited size and scope the project could achieve over the next 30 years and the impact of such a size on potential "swamping" the market.

With all PNGG partners (both current & future) being tied to an authorisation it would appear the Project rate of return would be tied to the highest individual partner level. This rate of return may not be required by the other partners and hence the public would be deprived of potential lower gas pricing if individual partners were able to market separately.

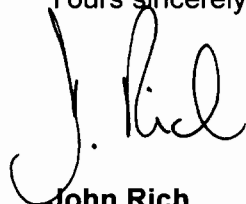
While we understand the PNG to Australia pipeline is not covered by this application we do request that the potential impact of this pipeline is considered as part of the environment within the application. This is particularly the case if the pipeline remains uncovered as is the default position currently under the National Code.

Regarding your Issues Paper question re precedents in Australia for separate marketing, we note currently separate marketing is practised in both the Geographe-Thylacine and Surat fields without commercial incapacity.

We note also ExxonMobil is one of the PNGG partners and as such is there a condition of ringfencing from their other Eastern Australian operations?

Overall, we fail to see why the existing ACCC Authorisation cannot remain which currently allows joint marketing to financial close. Future marketing (post financial close) can be handled by the individual partners (or their agents) and at that time we see no reason for the market not to support such partners under a competitive regime. The operation of the field could still be jointly controlled providing the public (market) with the necessary security.

Yours sincerely,



John Rich

For and on behalf of BHPB Cannington and QNI

Bcc D. Dalla Valle, O. Bobeldyk, M. Wilson, R. Webb, D. Biggs