

# \$24m to fix troubled gas-processing plant

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COOPER Energy and APA Group will inject \$24m into the troubled Orbost gas-processing plant in Victoria, under an agreement aimed at improving the plant's capacity.

A transition agreement entered into by the companies last August was due to expire on May 1 but has been extended for another year as investigations into operational problems at the site have continued to limit production.

APA acquired the Orbost plant from Adelaide-based Cooper Energy in 2017. Under the deal, APA was required to upgrade the facility and process gas from Cooper Energy's flagship Sole gas project in the east of the Gippsland Basin.

The plant has a nominal capacity to maintain stable supply of 68 terajoules of gas a day but last month operated at an average of just 42 terajoules a day, due to ongoing problems associated with "foaming" in the absorber vessels.

Cooper Energy managing director David Maxwell said production at Orbost would soon reach 45 terajoules a day but more time was needed to get the plant up to full capacity.

"We're two-thirds of the way there – we've got a foundation now at 45," he said.

"One would hope that we didn't have to extend it (transition agreement) but we did, to give ourselves more time.

"They (APA) have a contractual undertaking with us to provide processing capacity at 68 which is embodied in the gas-processing agreements and the development agreement, and if they're not able to get to 68 then we'll need to have a conversation with them."

Under the terms of the transition agreement, APA is required to compensate Cooper Energy for costs associated with sourcing back-up gas supplies to service customers of the Sole project.

Long-term sales agreements with industrial customers started in December. Mr Maxwell said about 11 per cent of the gas supplied under the agreements had been delivered from alternative sources due to the production issues.

He was hopeful the \$24m of upgrades – expected to be completed by the end of the year – would deliver marked improvements in production capacity.

“I expect performance will gradually improve between now and October/November, and then post the next round of capital works we’ll assess performance again,” he said.

“I would hope the rate would significantly increase by late 2021, early ’22.

“There’s a lot of work being done to identify exactly what the cause is. All of the most likely causes have been looked at initially and not been confirmed as the cause so that work’s continuing.”

Despite the operational issues, Mr Maxwell said Cooper Energy would report a “step up” in gas production, revenue and cash flow when it releases its quarterly report next week.