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## Hurdles prompt call for caution

PUBLISHED: 12 HOURS 13 MINUTES AGO | UPDATE: 2 HOURS 47 MINUTES AGO

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ANGELA MACDONALD-SMITH

Australia's shale gas industry has major obstacles to overcome and investors need to be realistic about its prospects, a Perth-based expert in unconventional gas has warned.

Access to international liquefied natural gas markets or gas-to-liquids technology would be crucial if any of Australia's potential shale gas resources were to be developed, Geoff Barker, a partner at Resource Investment Strategy Consultants, said yesterday.

Despite all the hype, none of the country's estimated 200 to 250 trillion cubic feet of shale gas had yet been booked as reserves, in contrast to more than 50 tcf of booked coal seam gas reserves, he said. Santos, Beach Energy, AWE and Senex Energy are among companies exploring for shale gas in Australia, but gas they have booked so far is all categorised as a prospective or contingent resource.

Speaking exclusively to *The Australian Financial Review* before the Australian Petroleum Production and Exploration Association conference in Adelaide, Mr Barker said shale gas prospects must be put in perspective.

"We need to be cautious because the Australian situation is going to be very different to what we have seen in the US for a number of structural reasons," he said.

The boom in shale gas in North America, which has transformed the US from a gas importer into a likely LNG exporter, has stirred up excitement about the potential for a similar success in Australia.

But Mr Barker warned structural differences between the US and Australia made the economics of shale gas very different in the two places. RISC estimates it will cost about \$150 million to prove up a shale gas play in Australia, before any development costs, half as much as is typical in the US.

But Mr Barker cautioned that Australia faces some significant challenges markets with limited demand.

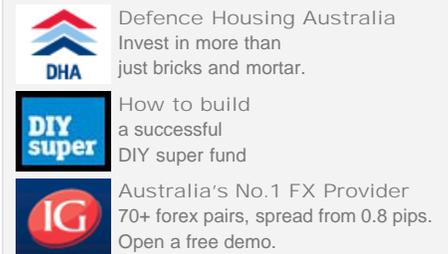
Importantly, costs of proving up and developing reserves are also two or three times higher in Australia than in North America and are likely to remain at least 30 per cent more even if a critical mass of development brings local costs down, he said.

Explorers in the eastern states or Cooper Basin had an advantage because of proximity to markets and existing infrastructure, Mr Barker said. While the Canning Basin in WA would benefit from LNG export facilities at James Price Point, it would still need larger volumes of gas to be commercial, he added.

The Australian Financial Review

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ANGELA MACDONALD-SMITH

Angela covers the energy sector from our Sydney newsroom.



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