

2.0 The Project Area, History and Proposed Developments

2.1 OIL AND GAS DEVELOPMENT IN THE REGION

Oil was first discovered in PNG in 1911, but it was not until the 1980s that commercial reserves of oil and gas were found in Southern Highlands Province. Gas production began at Hides in 1991, followed by oil production at Kutubu (Kutubu Petroleum Development Project) in 1992. In 1995, Chevron Asiatic Ltd proposed the first gas project in PNG (the PNG Gas Project) to build on this established petroleum production infrastructure by commercializing gas from Kutubu, Gobe, Agogo and Moran and exporting the gas by pipeline to Australia. The PNG Gas Project underwent a series of feasibility, socio-economic and environmental investigations in the years that followed but went into abeyance in 2000. Shortly thereafter, Chevron sold its PNG petroleum interests.

By 2004, the PNG Gas Project's competitive position had improved and the project was revived, with Esso Highlands Limited as the operator. In late 2004, Esso Highlands Limited proceeded to front-end engineering design and an environmental assessment, which received an Approval-in-Principle from the PNG Government, but, for commercial reasons, the PNG Gas Project went into abeyance once again at the end of January 2007.

The studies conducted by Esso Highlands Limited for the PNG Gas Project encouraged licensees of the gas fields at Hides, Angore and Juha to enter into an agreement to evaluate production and export of LNG as an alternative to previous gas project proposals. The PNG Government-approved PNG LNG Project is the successful outcome of these latter collaborations.

Plate 2.1: Gobe Production Facility



2.2 KIKORI INTEGRATED CONSERVATION AND DEVELOPMENT PROJECT

In recognition of the high biodiversity in the area, the Kutubu Petroleum Development Project and the World Wide Fund For Nature (WWF) established a collaboration in 1994 aimed at facilitating conservation efforts in the Kikori River basin via an Integrated Conservation and Development Project (ICDP) whereby WWF works with local communities to foster conservation through sustainable development activities.

To achieve this, a Kikori ICDP (KICDP⁶) area was defined that encompassed the entire drainage of the Kikori River extending over 300 kilometers from the Southern Highlands to the coast and which includes the existing oil export project and both previous gas projects (see Figure 1.1). This area was defined on a catchment basis and in order to focus on conservation to counteract possible indirect impacts should in-migration occur⁷. The KICDP area is now known as a significant conservation management area, although not legally declared as such, and thus has major relevance to biodiversity conservation in New Guinea.

2.3 THE PROJECT AND PROJECT AREAS

The Project has been divided into three geographical segments – the Upstream Project Area, the Marine Project Area and the LNG Project Area (see Figure 1.1). The Project itself is to be undertaken in a series of development phases (Figure 2.1 and Table 2.1), with Phase I scheduled to commence operations in 2014 followed by additional developments in subsequent years. A detailed description of the Project is provided in Appendix 1 and the locations of major facilities are shown in Figure 2.2.

⁶ Now termed the Kikori River Program.

⁷ This was considered to be the most significant potential impact of the oil development.

Figure 2.1: Indicative project development schedule

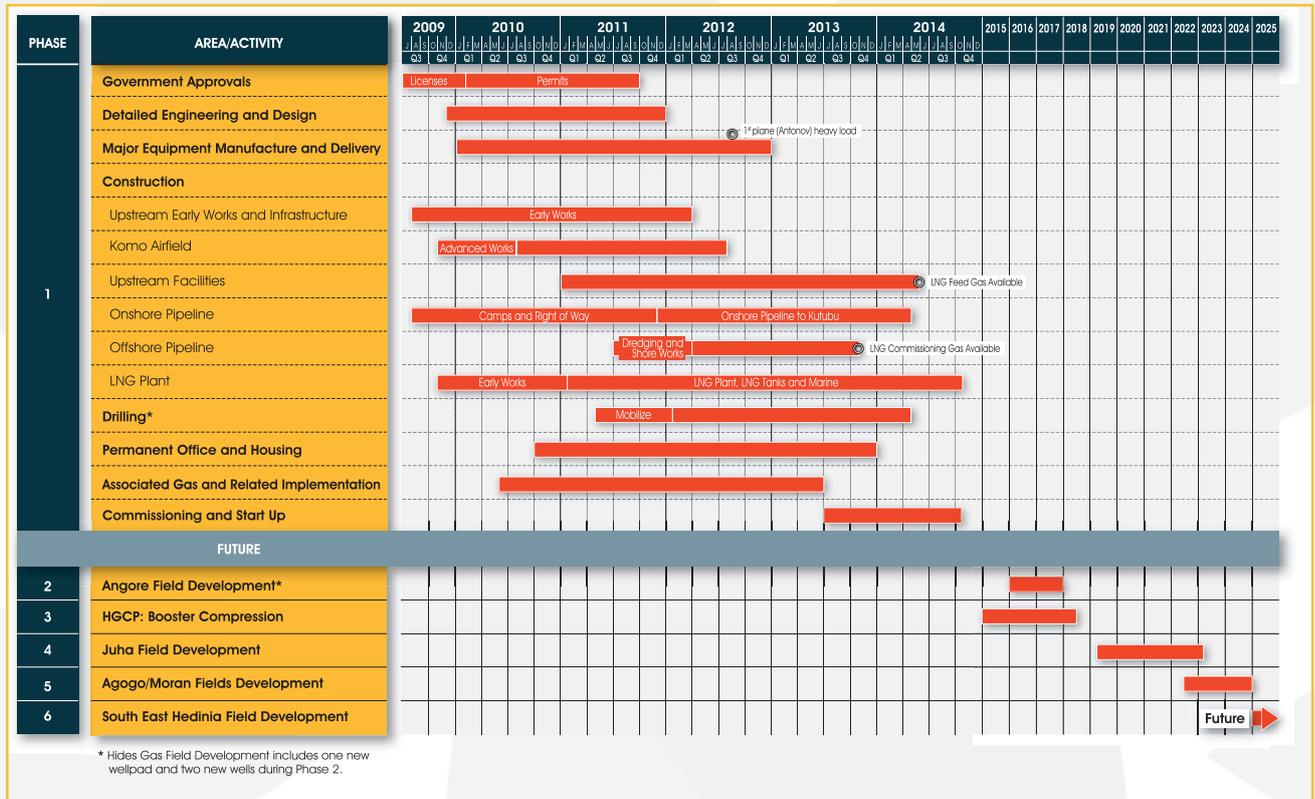


Figure 2.2: Project elements

