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BG's \$15 Billion LNG Project Sparks 'Dash for Labor' (Update1)
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(Updates with closing share price in fifth paragraph.)

By James Paton

Nov. 3 (Bloomberg) -- BG Group Plc's \$15 billion liquefied natural gas project in Australia's Queensland state will spark a "dash for labor" as the U.K.-based energy producer and rivals compete for skilled workers, Sanford C. Bernstein & Co. said.

BG committed Oct. 31 to the Queensland Curtis LNG venture, the first of four Gladstone developments to start construction. "We now move from the 'dash for gas' to the 'dash for labor' phase," said Neil Beveridge, a Bernstein analyst in Hong Kong.

The U.K.'s third-biggest oil and gas producer said the project, which will liquefy gas extracted from coal seams, is expected to generate 5,000 construction jobs during the next four years. Santos Ltd. aims to commit to the first phase of its Gladstone LNG venture by the end of the year. That development may cost \$18 billion, according to CLSA Asia-Pacific Markets.

"The biggest challenge will be to deliver these projects on cost and on schedule," Beveridge said in an e-mailed response to questions. The demand for labor in the Gladstone region will boost costs and may cause delays, he said.

Santos, which has dropped 10 percent in Sydney this year, gained 0.6 percent to A\$12.74 by the market's 4:10 p.m. close. The benchmark S&P/ASX 200 Index gained 0.5 percent. BG, based in Reading, England, has advanced 12 percent in London this year and closed yesterday 3.4 percent higher at 1,252 pence.

Australia's jobless rate, at 5.1 percent in September, is about half the level of unemployment in the U.S. and the euro zone. The International Monetary Fund forecasts that Australia's growth will advance to 3.5 percent next year from 3 percent this year, driven by investment in the resources industry.

Pipe Fitters, Welders

Concern stronger growth will cause inflation to accelerate led the Reserve Bank of Australia to unexpectedly increase its benchmark interest rate yesterday. Governor Glenn Stevens raised the overnight cash rate target a quarter point to 4.75 percent.

The first four LNG processing units at Gladstone may require 9,000 workers when construction peaks, according to Energy Skills Queensland, a body set up by the state government and energy companies to tackle labor shortages. Engineers, pipe fitters, electricians, welders and workers with water management skills are among those in high demand, the organization said.

Arrow Energy Ltd., acquired by Royal Dutch Shell Plc and PetroChina Co., aims to develop an LNG project in Queensland, while Origin Energy Ltd. plans another one with ConocoPhillips.

Energy companies and the Queensland government have cooperated for the past two years, seeking to increase labor supply to meet the demand and to reduce the threat of increasing costs, Glenn Porter, chief executive officer of Energy Skills Queensland, said by phone yesterday.

Labor 'Challenge'

Their plans have included a A\$10 million (\$10 million) fund to improve training, increasing the number of apprentices and providing career advice, he said.

"It will be a challenge," Porter said. "It's a whole new industry in Queensland and not a lot of those skills are available in the Queensland labor market. They need to be created or brought in from somewhere else. So the industry identified that issue early."

Contractors on the projects will hire workers from overseas as a "last resort" if they cannot find Australians, he said.

BG's Australian unit has backed programs to train workers and promote the industry as a career option in order to meet an expected rise in labor demand, Brisbane-based spokesman Mark Todd said in an e-mail. "We are confident that we and our contractors have developed initiatives over the past three years of planning that will provide the workforce and skills needed."

Adelaide-based Santos is likely to rely on fixed prices for contracts to reduce the risk of escalating costs, even though that may result in a higher initial cost estimate, Di Brookman, a Sydney-based analyst at CLSA, said in an e-mail.

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