

Pradhar, Nalin
From: Taylor, Marie
Sent: Monday, 19 May 2003 0:36 PM
To: Mortwell, John; Ryan, John
Co: Pradhar, Nalin; Abbott, David
Subject: Extension Request of Sales Grant Arrangements for Stuart Pacific Petroleum

John & John

SPP has written to the Minister requesting an extension of the 12 month sales grant for any naphtha sales to international markets, which expired on 12 May. SPP cites its dependence on Mobil and the fact that it has not claimed any moneys under the grant as reasons why it would "be prudent to extend the grant". Failing an extension, SPP seeks an understanding with the Government that the sales grant would be made available should it be necessary in the future.

It would appear that SPP is seeking additional insurance to underpin its commercial arrangements to sell its naphtha to Mobil. SPP has a contract with Mobil to purchase its naphtha until 2005 and unless Mobil exits refining in Australia (which is possible), they would appear to have a secure position at this stage.

You might recall these arrangements were put in place to counter Greenpeace's activities which at the time resulted in SPP's inability to sell its product domestically.

I understand the Office (Ross Dunn) is supportive of a positive consideration to this request from SPP. This follows recent requests from SPP for "bridging finance" to help SPP meet short term cashflow difficulties, which we successfully managed to respond in the negative to.

My reading of the cabinet submission underpinning this arrangement is that the Minister would need to take this back to Cabinet and would therefore need to seek the Prime Minister's permission to do so.

In addition, the Government's decision to put this arrangement in place was made subject to SPP taking legal action against Greenpeace and with the understanding that the viability and environmental impacts of the project would be made clear within this 12 month window. We will need to reconsider these issues in the context of any new submission.

I understand there has been a feasibility study completed by SPP which we will need to review as well as the outcomes of the environmental impact assessment of Stage 2 of the project which was being progressed by EA at the time.

It would therefore appear that the Minister will wish to signal his intention to take this forward and to seek the PM's views. We therefore propose to draft a response to SPP along these lines.

Happy to discuss.

Marie
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