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IPL examines Indonesian project

Incitec Pivot Limited (IPL) announced today that it intends to investigate the feasibility of a project to boost the output of three fertiliser plants in Indonesia which are currently producing well below capacity because of a lack of gas feedstock.

The project offers IPL the opportunity to secure offtake of ammonia and urea in return for investing in a coal gasification plant in Aceh, Indonesia. If it is built, the facility would provide synthesised gas feedstock to support the three fertiliser manufacturing plants in Aceh.

"While we have been in discussion with the Indonesian parties for some months, this is still early days in an exhaustive examination of the opportunity," said Julian Segal, IPL's Managing Director & CEO.

"Most of all, we need to be completely satisfied that any project would meet our strict investment criteria."

IPL plans to undertake the feasibility study with the Indonesian Government-owned fertiliser company PT Pupuk Iskandar Muda (PIM), which owns two of the three ammonia and urea plants in Aceh, and the state-owned engineering company PT Rekayasa Industri.

The third fertiliser plant, owned by PT Asean Aceh Fertilizer, currently does not have sufficient natural gas feedstock to operate.

"If the project goes ahead, we would fund, build and operate the new gasification plant," Mr Segal said.

The three fertiliser plants have an installed capacity of greater than 1.7 million tonnes annually, but are currently producing only 300,000 tonnes because of limited supplies of natural gas. The fertiliser plants would remain Indonesian owned and operated.

The gasification plant would be project financed on a non-recourse basis and secured by offtake agreements. In addition, IPL would take a direct equity interest in the project, which is estimated to cost US$700-800 million.

"If the parties agree to proceed, the project would underpin full-scale fertiliser production for all three plants, secure local fertiliser supplies for Indonesia and provide an additional source of ammonia and urea for IPL for at least 20 years," he said.

In addition to providing the gas feedstock for fertiliser production, IPL will investigate employing poly-generation at the gasification plant to provide electricity and steam for the fertiliser plants.

The feasibility study is expected to be completed by the first quarter of 2008.

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