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# Billion-dollar bonanza

## UK-Chinese gas deal in the bag

Tony Grant-Taylor

BG Group's massive LNG deal with China's CNOOC group, signed yesterday, and Shell and PetroChina's bid on Monday for Arrow Energy are a huge boost to the credibility of Queensland's coal seam gas-to-LNG dreams that could see \$40 billion invested in the next 10 to 15 years.

But the figures being touted for the value of BG's 3.6 million tonne-a-year, 20-year contract with CNOOC - ranging from \$50 billion to as much as \$80 billion - are open to question.

LNG prices in the Asian market are generally founded on a base rate and vary with the oil price. So, calculating BG's revenue over a 20-year period is fraught with risk.

The contract, which involves all the planned output from BG's first proposed Gladstone LNG train - as LNG processing lines are called - will underwrite both that train and a second to lift BG's output to 7-8 million tonnes.

Shell and PetroChina's \$3.4 billion bid for Arrow Energy, if it is successful, should do the same for its project - with PetroChina to take 50 per cent of its output and potentially taking 100 per cent, though no firm contracts have been signed.

Santos LNG executive Rick Wilkinson told *The Courier-Mail* this week his group's sales deal with Santos's Malaysian partner, Petronas, as good as guaranteed the Malaysian company would take 2 million tonnes a year from their proposed plant, and gave Santos the right to require it to take another 1 million tonnes.

A formal sale agreement has not been released, though.

Each of these three groups is hoping to take final investment decisions by year's end.

This would set them on a course to possibly produce first gas by late 2014, but more likely during 2015, and to spending perhaps \$20 billion on gas field development and their LNG plants over the next five to 15 years.

That leaves Origin Energy, the fourth operator in the rush to get a plant up and operating on Curtis Island in Gladstone harbour, without an announced LNG customer.



CNOOC is a highly accomplished company and we look forward to working together as we bring this new ground-breaking LNG project to fruition

BG chief executive Frank Chapman

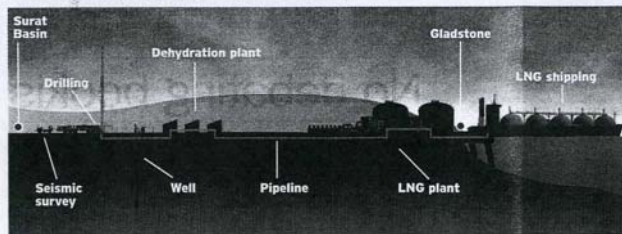


**GAS EXPLOSION:** Queensland's coal seam gas industry has sprung from almost nothing in the past decade to be a multibillion-dollar global scale business.

But it is partnered by ConocoPhillips of the US - which Origin likes to point out has been selling LNG for decades.

Total potential investment if each operator manages to build two trains - plus their accompanying gas field development and pipeline infrastructure - runs to as much as \$40 billion.

All the Gladstone hopefuls have spoken of three or four trains down the track - which would mean Queensland's coal seam gas industry, which has sprung from almost nothing in the past decade - would be fuelling a multibillion-dollar global scale business rivalling the industry in Western Australia.



### Latest deal

- Britain's BG Group and China National Offshore Oil Corp sign 20-year deal.
- CNOOC will buy 3.6 million tonnes a year of LNG from Gladstone project.
- Underpins half the output of project's first two processing units.
- CNOOC will have 10 per cent stake in project's first phase.
- CNOOC will also acquire 5 per

- cent stake in some of BG's Qld CSG reserves.
- BG and CNOOC will join a consortium to build and own two LNG ships.
- BG also has deals with Singapore and Chile to supply 4.7 million tonnes of LNG a year.
- BG says this will underpin output from its plant's second processing unit.