

## Japanese Firms Snap Up Aussie LNG

**A**n agreement between Australia Pacific LNG Pty Limited and the Kansai Electric Power Company was inked recently, securing the supply of approximately 1 MM tonnes of LNG per year for the next 20 years to the Japanese market.

The Sale and Purchase Agreement followed the signing of a Heads of Agreement between the two companies late last year, and is the fruition of the commercial terms of that agreement.

Australia Pacific LNG is an incorporated joint venture between Origin, ConocoPhillips and Sinopec, and its project includes the development of the group's substantial CSG resources in the Surat and Bowen basins, a transmissions pipeline, and a multi-train LNG facility on Curtis Island, near Gladstone.

According to Origin Energy, Australia Pacific LNG will supply Kansai Electric with LNG from its LNG facility on Curtis Island, Queensland, with deliveries expected to begin in four years time.

"This binding long-term supply agreement with Kansai Electric indicates the strength of demand for LNG from Asia and marks another significant milestone in the Australia Pacific LNG project's progress towards a two train development," said Grant King, Australia Pacific LNG's Chairman and Origin Energy's Managing Director.

On condition that Australia Pacific LNG makes a FID on the second phase of the project, which is on track for later this year, the agreement will be finalised.

"We look forward to having a long term relationship with Kansai Electric," said Matthew Fox, ConocoPhillips' Executive Vice President, Exploration and Production, speaking of the experienced LNG buyer in the mature Japanese market.

Meanwhile, Woodside Petroleum received the regulatory all-clear to sell a third of its stake in the \$30 B Browse gas project, also to Japanese customers, Mitsubishi Corporation and Mitsui & Co.

The companies will buy a 14.7% stake in LNG project in Western Australia, valued at \$1.96 B, through their Perth-based joint venture company, Japan Australia LNG (MIMI).

Analysts commented on the move, saying it would spread the risk between Woodside and its joint venture partners BHP Billiton, BP, Chevron and Shell which elected not to match the MIMI offer.

However it was perceived that the deal was unlikely to affect the final decision date to proceed with the project, which was recently pushed back until the first half of 2013.

While MIMI would end up with a 14.7% share in the entire development, Woodside's interest would fall to 31.3% from 46%.

On July 3 2012, Woodside said that the Foreign Investment Review Board (FIRB) had given the green light to the deal.

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“Woodside is now working with the Browse joint venture partners to finalise the sale, making MIMI a party to the Browse joint ventures,” the company said in a statement.

Woodside’s shares closed 56 cents, or 1.76%, lower at \$31.25.

MIMI intends to buy about 1.5 MM tonnes of LNG a year from the Browse development for an undisclosed price. It will also take a 16% stake in the East Browse joint venture and an 8.0% interest in the West Browse project.

Woodside is the major equity holder and operator of the proposed project off the Kimberley coast. The project aims to commercialise the Browse joint venture’s three gas and condensate fields – Brecknock, Calliance and Torosa – 425 km north of Broome.

Under the plan, gas and liquids from these fields would be brought to an onshore LNG plant at Browse LNG Precinct, 60 km north of Broome.

Woodside in April again pushed back the final decision date for the Browse development to the first half of 2013, saying it needed more time to consider engineering and design work.

State One Stockbroking industry analyst Peter Kopetz said MIMI’s stake would diversify the base and spread the risk among the participants.

“Maybe there’s a perception from the market that perhaps the other participants weren’t that interested,” Kopetz said. “But it shows the others are happy to have MIMI on board.”

Bringing on a new partner would not increase the chances of further delays to the company’s final decision on Browse. “Woodside are moving the project forward quite nicely,” he said. ■