

## Australia Becoming an LNG Energy Giant

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Energy firm Santos Ltd is expected to approve its \$15 billion Gladstone liquefied natural gas export project this week, giving the go-ahead to a venture that will boost the nation's LNG production capacity by more than 35 per cent.

The 7.2 million tonne per annum LNG export project is 45 per cent owned by Santos, while Malaysia's Petronas holds 35 per cent and France's Total holds 20 per cent.

Gladstone LNG (GLNG) currently has five million tonnes per annum in offtake agreements from Petronas and Total and has said it is in talks with Korea Gas Corp (KOGAS) and other Asian firms for further sales.

The state-run KOGAS may require a final investment decision for a sales agreement to be finalised, according to some analysts.

China's Sinopec may also be a potential buyer, according to analyst reports.

At 1215 AEDT, shares in Santos were 0.39 per cent higher at \$12.65, against a flat benchmark index.

### One step closer

The project would bring Australia one step closer to becoming the second largest LNG producer by 2020 as producers try to meet growing demand from Asian giants such as China and India.

Production is likely to touch at least 60 million million tonnes per annum by that year, according to the Australian Petroleum Production & Exploration Association Ltd (APPEA).

"If they get a final investment decision, it means they basically have enough pre-sales of product and they have all their ducks in a row with respect to engineering costs and so forth," StockAnalysis analyst Peter Strachan said.

Santos had long-planned to make a final investment decision on the project by the end of 2010 and analysts said this week is the most likely timing for an announcement before the holidays.

### Australia's LNG boom

Australia has more than 100 million tonnes per annum of LNG projects planned to come online before 2020, according to *Reuters* calculations, and could eclipse Qatar as the world's number one LNG exporter.

Still, industry experts say some project delays and cancellations may occur, making it difficult for that target to be achieved.

GLNG is part an LNG boom in Australia which has \$200 billion worth of LNG projects on the drawing board and at least 10 proposed projects expected to be built through 2017.

Santos' decision to move ahead with GLNG would follow close on the heels of BG Group's decision to sanction another coal seam gas-fed LNG export project in the same region.

GLNG and BG's Queensland Curtis LNG are expected to produce a combined 15.7 million tonnes per annum of LNGs, or equivalent to nearly 90 per cent of current Australian exports.

Two additional coal seam gas projects, an Origin Energy and ConocoPhillips joint-venture and a Shell project, are expected to come online in Queensland between 2014 and 2017.