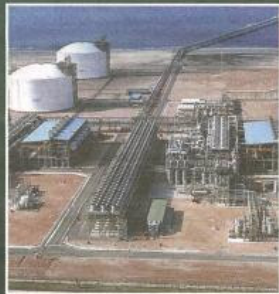




**This little-known island is about to become the centre of a \$60 billion deal that will have Queensland ...**

# COOKING WITH GAS



Steven Wardill  
Emma Chalmers

A MAMMOTH export deal fuelled by Queensland's gas reserves has the state on the cusp of a new economic boom.

Coal seam gas, drawn from the Surat Basin, will be converted to liquefied natural gas at Curtis Island, off Gladstone, in a project linking the bush to the coastline. Premier Anna Bligh last night

joined with representatives of BG Group to announce the company's \$60 billion contract to sell LNG to China for the next 20 years.

The agreement to sell LNG from early 2014 will add about \$200 million a year to Queensland Treasury coffers.

Total annual royalties from Queensland's gas reserves - which are big enough to power the state for 40 years - are expected to rise to \$800 million. Up to 8500

jobs will be created during construction of BG Group's gas plant and pipeline.

Ms Bligh said the signing of the agreement was a "historic day for Queensland" with the birth of an LNG export industry.

"This agreement signals the beginning of a new era in the evolving LNG industry, with thousands of jobs and billions of dollars in export revenue for Queensland," she said. "It is

placing Queensland front and centre of this growing industry and means we are now a leading player in the global LNG market."

Under the deal, 72 million tonnes will be supplied to the China National Oil Corporation from BG Group subsidiary Queensland Gas Company. It will be shipped from Curtis Island, home to a national park, just north of Gladstone.

The gas contract comes after the board of another major Queensland gas player, Arrow Energy, agreed this week to

## INSIDE

Jobs in the pipeline »P2

Where the gas is and what it means for Queensland »P2

Economic bonanza »P2

Investment explosion »P36

(Continued P2)

# More jobs in the pipeline

Paul Syvret

CURRENT ACCOUNT

## Massive bonanza for state economy

John McCarthy

QUEENSLAND'S trade workers will be beating a path to Gladstone with the prospect of up to 8500 jobs on offer in the construction of the \$10 billion liquefied natural gas project at Curtis Island.

The development will include a 450km pipeline from the Surat Basin to Gladstone and, according to Queensland Council of Unions secretary Ron Monaghan, "that will need a lot of boilermakers".

Industry experts claim the project may not be getting workers but meeting their pay demands with expectations of up to \$150,000 a year on similar projects.

"That's not realistic but people are hearing those sorts of figures and that's what they're asking," said Brad Stein, an oil and gas employment expert at Crest Personnel.

But the project will also be competing for workers with the coalmining industry which is already heading back towards a boom and there was a prospect of a bidding war for highly qualified tradesmen and engineers.

Queensland Gas Company also expects it will have to import workers from overseas to meet demand but anticipates the bulk will come from Queensland and other states.

The company has listed the major occupations it will need as management and administration, engineers, civil trades, ironworkers, piping trades, mechanics, electricians, and instrumentation trades.

Subcontractors will also be needed in building and site preparation, painting, fireproofing, insulation and jetty construction at the site on Curtis Island, just offshore of Gladstone.

Gladstone mayor George Creed said the city was on its way back to being a boom town

### A rich future

#### What is coal seam gas?

High-purity methane gas trapped in fissures underground in coal areas. Once extracted it can be cleaned and compressed to make liquefied natural gas (LNG)

#### Where is it found in Queensland?

CSG is found in all the coal-producing areas. Initial interest is focused on the Bowen and Surat basins

#### How much have we got?

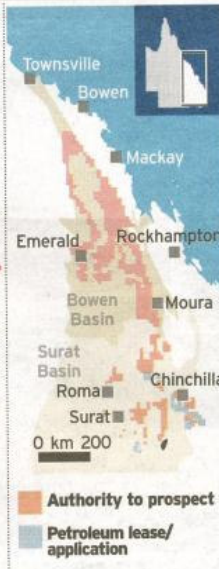
Estimates of 17,000 petajoules - enough to power the state for 40 years

#### What is it worth?

8500 jobs, royalties of \$800 million a year and another \$3 billion added to the value of Queensland's economy

#### The players

- BG Group
- Santos and Petronas
- Shell
- Origin Energy and ConocoPhillips



after hundreds of jobs were lost last year from local industries.

But he warned the city could not cope with the huge demands on basic infrastructure without state and federal help and feared there might be significant pressure on the city's ability to house the influx of workers.

Queensland Gas Company anticipates the project will need about 1000 workers when in operation, but during construction it will average about 5000 workers with a peak of 8500.

Premier Anna Bligh said the employment would add to her target of creating 100,000 jobs in this term of government.

Mr Monaghan said the announcement was a huge boost for Queensland's economy and a major boost to apprentices.

But he added that it raised even more concerns about privatisation because the project would feed at least \$200 million a year into the Government's coffers.

LNG deal » P36

## LNG deal to have state cooking with gas

### » From P1

The controversial site requires final state and federal environmental approvals, expected to be completed by the middle of this year.

The gas contract comes after the board of another major Queensland gas player, Arrow Energy, agreed this week to

accept a \$3.44 billion takeover offer from PetroChina-Royal Dutch Shell.

The emergence of the booming industry - which the Government believes could create up to 18,000 jobs, could not have come at a better time for Ms Bligh.

The Premier's administration

has been savaged by an economic crisis, with massive falls in revenue.

A \$15 billion plan to sell state assets and refocus Queensland's finances has proved massively unpopular and has been the cause of major divisions throughout the Labor Party.

THE British Gas deal with China signals one of the greatest seismic shifts in the Queensland economy since the development of our export coal fields in the 1970s.

Like it or not, we are now one of the world's great energy exporters, and BG's deal with China National Offshore Oil Corporation is the single biggest trade deal Australia has ever signed.

Yesterday's deal underlines the fact that this is the real thing, not pipedreams. BG is just one of a number of major players in the coal seam gas sector looking to establish giant multibillion-dollar LNG export plants in Queensland.

These are not carpetbaggers. These are the heavyweights in world energy markets like ConocoPhillips - which has a joint venture with Australia's Origin Energy - Shell and PetroChina, and Santos (which has partnered with Malaysia's Petronas).

There are the obvious jobs, and enough billions when it comes to investment and export numbers to make your head spin, but it is more than that.

The BG deal, and similarly gargantuan contracts signed by West Australian LNG participants, demonstrate that the market for cleaner energy in huge quantities is really there, and growing.

The royalties will be considerable, as will the payroll tax revenue, the GST take and all the rest of it.

You can't spend at least \$50 billion (and that's if only a couple of the serious projects get up as planned) without a damn good knock-on effect when it comes to money circulating through the economy.

Money doesn't disappear when it's spent, it keeps on giving as the next person buys something or pays a bill and someone else benefits. That's the multiplier effect at work.

So if the world economy doesn't decide to fall in a screaming heap again, coal seam LNG has the potential to help underwrite decades of economic growth and prosperity in Queensland.

## Time will tell on vote of confidence

**Tony Grant-Taylor**

**COMMENT**

WHEN Shell and PetroChina announced their agreed bid for Arrow Energy on Monday, some of the three other pretenders to huge liquefied natural gas plants on Curtis Island in Gladstone Harbour might have gritted their teeth.

Not so Rick Wilkinson, who is leading Santos' LNG push.

Most analysts have portrayed the rush by four major players to build LNG plants on Curtis Island off Gladstone as a race.

But Wilkinson, and Shell chairman Russell Caplan earlier in the week, told The Courier-Mail the Gladstone proponents were not so much in a race with each other as a contest to convince potential buyers they had viable projects.

If they could do that, there was probably room for them all, in time at least, as gas demand in Asia, a bit dented by the global financial crisis, would grow strongly in the longer term.

Only time will tell if they are right – and the four plants get up – let alone expand to the 50 million-tonne-a-year production rate envisaged if they go to their proposed third and fourth stages.

It is said around the fringe that even Premier Anna Bligh was heard to whisper not so long ago that she thought two or maybe three Curtis Island plants would be all that got up, at least on the timelines Santos, Shell, BG and Origin Energy and their various partners had proposed.

In essence, they are all proposing to produce first gas by 2015.

Wilkinson also welcomed the Shell and PetroChina bid for Arrow, simply for the extra credibility it brought to the industry. He said Shell was "never going to sit in the second row" and that the bid was another important vote of confidence in coal seam gas-to-LNG.

BG's big contract with CNOOC fits into the same category.

Federal Resources Minister Martin Ferguson said yesterday. "This deal makes Australia the world leader in the coal seam gas-based LNG industry, and it brings us one important step closer to opening up a new LNG province on Australia's east coast."

It was an "unprecedented vote of confidence" in the industry, he said.

And it's a remarkable deal for an industry that hardly existed 15 years ago, despite some offshore groups pouring dollars into exploration in the 1970s and 1980s.

It was only late last century that the industry revived to the stage where today it accounts for a majority of the gas available in eastern Australia, and that's even allowing for the reserves that remain in the Cooper Basin in Bass Strait.

## 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 – should probably be taken with a pinch of salt.

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 spend perhaps \$30 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.

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

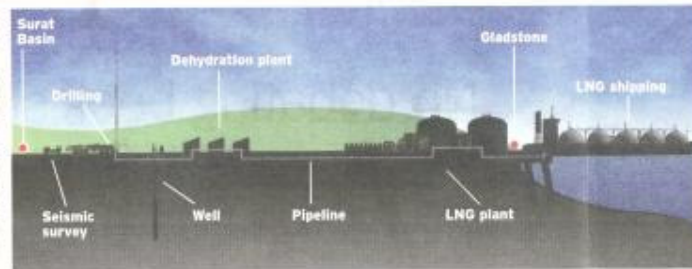


CNOOC is a highly accomplished company and we look forward to working together as we bring this new ground-breaking LNG project to fruition

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.



### 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 Old 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.