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## Qld cheers gas bonanza

**Paul Garvey and Louise Dodson**

A landmark \$80 billion deal with China has all but guaranteed the go-ahead for Queensland's first liquefied natural gas project, and delivered a massive boost to the state's emerging coal-seam gas industry. China National Offshore Oil Corp (CNOOC) has confirmed

its intention to buy 3.6 million tonnes a year of LNG from BG Group's proposed Queensland Curtis LNG project for 20 years, in a deal dubbed Australia's largest company-to-company trade deal.

The commitment from CNOOC — flagged by *The Australian Financial Review* yesterday — is

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the world's first binding sales agreement for LNG produced from coal-seam gas and clears the way for London-based BG to approve the development of Queensland Curtis LNG later this year.

That project, which Deutsche Bank estimates will cost \$20.1 billion to build, is expected to generate up to 8500 jobs during construction.

In addition to agreeing to buy the LNG production, CNOOC has also confirmed it will buy a 10 per cent stake in the first of two LNG trains, or processing lines, planned for the project by reimbursing BG 10 per cent of costs incurred on the project. CNOOC will also buy a 5 per cent equity stake in selected BG coal-seam gas tenements for \$US270 million (\$293.6 million).

BG chief executive Frank Chapman said the agreement was a landmark development between the two companies.

"CNOOC is a highly accomplished company and we look forward to working together as we bring this new ground-breaking LNG project to fruition," Mr Chapman said.

The key remaining hurdle is environmental approvals from the Queensland and federal governments. BG has lodged its supple-

mentary environmental impact statement and is waiting on the final clearance. Rival coal-seam gas player Santos is at the same stage in the approvals process, while Origin Energy yesterday formally lodged the environmental impact statement for its Australia Pacific LNG joint venture with ConocoPhillips.

The CNOOC agreement makes BG the first of the coal-seam-gas-to-LNG proponents to secure a firm, fully termed sales contract. Santos has a binding heads of agreement to sell gas to Malaysia's Petronas, while Origin and ConocoPhillips hope to secure a cus-

### It makes Australia a world leader in the industry.

Resources Minister  
Martin Ferguson

tomers this year. With LNG projects costing up to tens of billions of dollars to develop, firm, long-term contracts are necessary in order to secure financing.

BG's deal comes despite a swing in the LNG market in favour of buyers due to the volume of LNG projects slated for development.

BG's first-stage development will consist of two LNG trains producing a total of 7.4 million tonnes

a year. The remaining LNG volumes will be sent to Singapore (up to 3 million tonnes a year) and Chile (1.7 million tonnes a year).

While BG did not estimate the value of the CNOOC sales agreement, assuming similar terms to last year's binding sales contracts the deal could be worth as much as \$80 billion, depending on oil prices and exchange rates.

The largest previous binding company-to-company LNG sales contract was the 20-year, 2.3 million tonne-a-year contract between PetroChina and ExxonMobil over the Gorgon LNG project in Western Australia.

The biggest LNG deal in terms of tonnage remains the agreement between the North-West Shelf LNG consortium and Chinese buyers for 82.5 million tonnes of LNG delivered over 25 years.

Federal Resources Minister Martin Ferguson, in Beijing to witness the signing ceremony, said the deal was a world first for the emerging coal-seam gas sector and "makes Australia a world leader in the coal-seam gas based LNG industry".

Queensland Premier Anna Bligh said the deal was a historic day for the state's economy and signalled the beginning of a new era in the LNG industry.