

# Demand forecast fires LNG enthusiasm Santos cashes out stake in Evans Shoal gas project

Tony Grant-Taylor

WHILE it's generally conceded the global market for LNG has softened in the past 12 months, Rick Wilkinson, who is leading Santos's push to be first or second cab off the rank with a liquefied natural gas plant in Gladstone, believes the Asian market "will be short in 2014-15".

That gives Santos "a high degree of confidence" in its plan to have its first train, as LNG processing units are called, in production by then, Mr Wilkinson says.

He believes his company and its LNG partner, Malaysia's Petronas, are at least as well placed as the other contenders - BG Group, Shell-PetroChina and Origin-ConocoPhillips - to capitalise on that short market position.



**CONFIDENT:** Rick Wilkinson says Santos is well placed.

Like BG Group, Santos is looking to make a final investment decision as soon as possible, and certainly by late in the year.

But its next major milestone is getting its environmental impact statement approved by the state and federal govern-

ments. "We were first in with our EIS," Mr Wilkinson says, "and first in with our supplementary statement.

"And we are working with the governments on finalising that and on policy issues.

"The next step will be ordering early long lead-time items."

This is an area where BG, which recently ordered 550km of gas pipeline for its project from Baosteel in China, appears to have stolen a march.

Mr Wilkinson maintains it is probably too late for the LNG protagonists to combine their efforts.

"As time goes on it becomes harder to flex your project," he says.

There's talk about cooperation at a lesser level, however, on things such as a joint crossing of The Narrows between Gladstone and Curtis Island, in its harbour, where the four protagonists all have development sites.

There will also probably be room to share pipeline rights of way - with the State Government having set aside a corridor for gas transport from close to Gladstone.

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SANTOS is to sell its interest in the Evans Shoal gas field in the Bonaparte Basin to Magellan Petroleum Australia for up to \$200 million, as it clears out lesser assets to concentrate on its liquefied natural gas interests.

Magellan will pay Santos \$100 million cash for its 40 per cent working interest in the field, an additional \$50 million on any final investment decision to develop Evans Shoal, and a further \$50 million on first gas production from the area.

In the scheme of things, the sale will provide only a marginal boost to Santos's funding capability, as it readies to develop its planned Gladstone LNG project in Queensland,

takes part in the Exxon Mobil-led Papua New Guinea LNG project, and looks at a floating LNG plant in the Bonaparte in alliance with GDF Suez.

While providing only a drop in its funding bucket, the Evans Shoal sale is consistent with Santos's program of cashing out of non-core assets to concentrate on its bigger LNG plans.

Santos raised about \$3 billion from a share issue and raised \$360 million when it brought GDF Suez in to further the floating LNG plant plan.

But some analysts still believe its balance sheet will struggle to fund its share of its three planned LNG terminals, at Gladstone, in PNG and offshore with GDF Suez.