FINANCIAL REVIEW

Companies and Markets

Origin Energy boosted by higher gas prices

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573 words
1 May 2018
The Australian Financial Review
AFNR
First
32
English

Higher prices for both domestic gas and export LNG have boosted Origin Energy's performance at its gas business in the March quarter, resulting in what chief executive Frank Calabria described as "strong momentum" for the new Australia Pacific LNG project in Queensland.

While sales of conventional oil and gas sank with the divestment of the Lattice Energy business, revenues from APLNG were up 27 per cent from a year earlier, at $491.1 million.

Revenues were still 4 per cent softer than in the December quarter, however, and RBC Capital Markets analyst Ben Wilson described the quarter as a "small miss" on APLNG production and sales.

Still, for the first nine months of 2017-18, sales from APLNG, which reached full production last year after shipping its first cargo in early 2016, were up 48 per cent at $1.48 billion.

Maintenance work carried out in March on the second LNG train at the $25 billion APLNG project in Gladstone meant more gas was sold into the domestic market. APLNG still shipped 30 LNG cargoes in the quarter.

Thanks to rising oil prices, the average price Origin got for LNG rose 13 per cent in the March quarter from the December period to $US8.10 per million British thermal units, with the further gains in crude prices pointing to likely stronger prices this quarter.

Spot demand for LNG is also being supported by strong growth in imports by China, where APLNG is a direct beneficiary given its biggest customer is state-owned Sinopec.

Average domestic gas prices also rose strongly for Origin in the March quarter, up 9 per cent from the previous quarter to $4.50 a gigajoule.

The increase in Origin's domestic gas prices from the year-earlier quarter was even larger, at 25 per cent, despite government and regulators saying the east coast gas price is softening. But the average prices for Origin remain well below the sales prices of $8-$10 a gigajoule cited last week by the national competition watchdog because of the impact of cheap legacy sales contracts by the retailer.

The rise in the average price is thought to have resulted from the increased sales by APLNG into the domestic market as a result of the maintenance shutdown of part of the LNG plant, which meant more gas was sold at the higher, market price.

APLNG chief executive Warwick King noted in April that the venture, which includes ConocoPhillips and Sinopec, is on track to supply about 30 per cent of east coast demand for gas this year.

Mr King said APLNG has sought expressions of interest from gas users about potential domestic sales for 2019 and beyond.

Origin also reported it received $136 million in the March quarter as APLNG returned funds to shareholders, confirming figures given by Conoco to its US investors last week.

Revenues from Lattice, which Origin sold to Beach Energy for $1.585 billion, dropped by more than 60 per cent to $70.7 million. Mr Calabria said the sale helped Origin to "deliver on our commitment to simplify our operations and reduce debt".

APLNG production this quarter is to be impacted by a 16-day shutdown at the first train for maintenance work.

Origin's shares rose 1.4 per cent to $9.75, close to a two-and-a-half year high they reached in January.

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