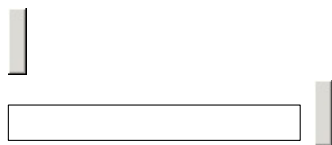


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11 May 2018. Friday

## **ExxonMobil resumes quake-hit PNG LNG production ahead of schedule**

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MELBOURNE (April 13): ExxonMobil Corp has resumed production at the Papua New Guinea liquefied natural gas (LNG) project a fortnight ahead of April 13, 2018 14:46 pm +08schedule after it was shut down in the wake of a deadly earthquake in February, its Australian partners said on Friday.

Production at the PNG LNG project was halted after a 7.5 magnitude earthquake hit Papua New Guinea's energy-rich interior on Feb. 26, causing landslides, damaging buildings and killing 100 people.

Australia's Oil Search Ltd and Santos Ltd said they had been advised that one train at the LNG plant near Port Moresby has re-started operations and the second train is expected to resume as gas production ramps up.

LNG exports, which were expected to resume shortly, will come weeks ahead of schedule and may put pressure on spot LNG prices, traders said. Exxon Mobil Corp had earlier advised that production would restart in May 2018.

"The recommencement of operations at the PNG LNG Project, ahead of ExxonMobil's previously guided eight week timeframe, is a major achievement by the operator," said Oil Search Managing Director Peter Botten.

Exxon Mobil was able to restart production earlier than expected because damage to hundreds of kilometres of pipelines that run through the mountains between gas output facilities and the LNG terminal was much less than initially feared, a source involved with the project told *Reuters*.

Santos is a foundation partner and holds a 13.5% interest in PNG LNG. Oil Search has a 29% stake.

Exxon Mobil declared force majeure on exports from PNG in March and the resulting uncertainty over supply drained liquidity from Asia's spot LNG markets, traders said.

"At the time the project was halted in late February, it was a time in the year when LNG prices were to gradually fall down as demand eases," said one industry source in Tokyo.

"The halt did have some impact in that it took longer for (Asian benchmark) prices to fall, but the impact was rather limited because demand was weak at the time," he said.

Asian spot LNG prices have lost almost 70% from their 2014 peak to around US\$7 per million British thermal units (mmBtu), driven lower by a global supply overhang that developed as new production came online, especially in Australia and the United States.

Worry about the surplus has been tempered somewhat by unexpectedly strong demand out of China, India and Southeast Asia, especially over this past winter.

Before the quake, the PNG LNG project had been producing at around 20% above its rated capacity of 6.9 million tonnes a year.

Another trader said that although the announcement would likely weigh on prices, any fall "will be

limited by summer demand expected soon from Asia."

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