

HD BG Group sells Australian LNG pipeline to APA Group for \$5 bn

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BG Group Plc, UK's third-largest listed oil and gas company after Shell and BP, has offloaded its Australian subsidiary Queensland Curtis Liquefied Natural Gas (QCLNG) Pipeline Pty Ltd to APN Group, Australia's largest gas infrastructure company, for \$5 billion (A\$6 billion) to reduce the company's debt and fund its growth plans.

The subsidiary owns a 543-km large-diameter underground pipeline network linking the group's Surat gas fields in southern Queensland to a two-train 8.5 mtpa LNG export facility at Gladstone near Curtis Island on Australia's east coast.

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The pipeline is a key component of the \$20-billion QCLNG project, which is focused on the development of the world's first infrastructure to convert coal seam gas to LNG.

In a statement, BG said that the sale is consistent with the company's strategy of actively managing its global asset portfolio by divesting non-core assets.

Andrew Gould, interim executive chairman of BG Group, commented, "The sale of the QCLNG pipeline is in line with our strategy to focus on BG Group's core areas of oil and gas exploration and production and LNG."

"The timing reflects QCLNG's advanced stage of development; we are now on the verge of delivering the world's first large-scale project using natural gas from coal seams as a feedstock for LNG," Gould said.

The sale is conditional on the start of commercial LNG deliveries from the QCLNG export facility at Gladstone and on partner consent. BG's partners in the project include China National Offshore Oil Corp and Tokyo Gas.

BG expects to make a profit of \$2.7 billion through the sale, although it will be partly offset by impairment charges to the tune of \$2 billion on account of the company's remaining QCLNG assets.

The transaction is expected to close in the first half of 2015.

The Group plans to use the sale proceeds to reduce its debt burden and to fund future exploration investment.

Reading, UK-based BG Group is a world leader in natural gas, with activities spread over 24 countries across the globe. In 2013, BG reported total revenue of \$19.1 billion. Its Q3 earning fell 29 per cent to \$729 million and the company had a debt of \$11.1 billion as at the end of the quarter.

Sydney-based APA, Australia's largest natural gas infrastructure business, owns and operates \$12 billion of assets, providing about half of the country's gas usage through its pipelines running across every state.

APA also operates Allgas and Envestra gas distribution network, which together have approximately 25,000 km of gas mains and about 1.2 million consumers. In addition, the company owns other infrastructure assets such as gas storage facilities and wind farm.

APA **Group** managing director Mick McCormack: "The **acquisition** of the QCLNG pipeline further enhances APA's position as Australia's largest owner of gas transmission pipelines and builds on APA's strategy of expanding its revenue base and east coast grid."

APA intends to fund the deal by raising A\$1.84 **billion** through a fully underwritten pro-rata accelerated entitlement and the balance through a \$4.1 **billion** bridge loan facility.

For the first full year of operation, ending 30 June 2016, APA expects the acquired pipeline will add additionally \$383 **million** to its earnings before interest, tax, depreciation and amortisation.

**CO** austpi : APA Group | brgas : BG Group PLC

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