

**CLM** Top Stories  
**HD** **Origin Buys Karoon's Australian Gas Assets**  
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SYDNEY-- Origin **Energy** Ltd. will invest up to US\$800 **million** in one of Australia's most promising natural gas frontiers, betting that rising Asian demand for the cleaner-burning fuel will outpace new supply from regions such as North America.

Origin said Monday that it had agreed to buy a 40% **stake** in fields in the Browse Basin from Karoon Gas Australia Ltd., and planned to fund the deal through a 1 **billion** Australian dollar (US\$926 **million**) share **sale**. The fields include Poseidon, a potentially large natural-gas deposit discovered five years ago.

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Located offshore northwestern Australia, Browse Basin is estimated to contain 30 trillion cubic feet of natural gas--more than enough to meet U.S. demand for a year. Origin joins the ranks of Royal Dutch Shell PLC, France's Total SA, Japan's Inpex Corp and Australia's Woodside Petroleum Ltd., all of which have big investments in the basin.

Yet Origin is also stepping in as others are moving out.

Australia is on course to overtake Qatar as the world's biggest supplier of liquefied natural gas, the chilled form of the gas used for shipping, within a few years. Already, seven LNG facilities are under construction in the country.

But rising construction costs in Australia and ample natural gas supplies--and investments in LNG facilities--in other countries such as the U.S. and Russia have prompted some companies to reconsider investments.

Global players including Chevron Corp. and BHP Billiton Ltd. have recently pulled out of Browse Basin, while Shell and partner Woodside last year shelved construction of an onshore LNG plant after deciding production costs were too high. Shell and Woodside are investigating whether to build a floating LNG plant--potentially a cheaper option but one that relies on untested technology.

Labor shortages and a strong Australian dollar have both contributed to the rising cost of gas production. Like many Australian developments, Origin's venture with ConocoPhillips in Queensland state has run several **billion** dollars over budget.

Meanwhile, companies in North America are increasingly looking to export shale gas to Asia. Clouding the outlook further, **China** signed a landmark US\$400 **billion** agreement to buy pipeline gas from Russia in deal that will make it harder for smaller companies like Origin to secure customers in **China**.

Origin Chief Executive Grant King said Monday that a decision to bring the gas to market, either via a new LNG project or by pipeline to an existing terminal, wouldn't be made until 2017 at the earliest. Options include piping the gas to Conoco's existing LNG plant at Darwin, which already has Japanese customers, or developing the resource outright using a floating LNG vessel, he said.

"Various options exist to monetize the gas through LNG export opportunities linked to growing demand in the Asian region," he said in a statement.

Tim Shroeders, a Melbourne-based portfolio manager at Pengana Capital, said Origin would "need a few things to go well in terms of LNG price, demand to be robust in Asia, and new technology like floating LNG to work to make it economically viable."

"If time is on your side and all the ducks line up in a row you could make a bit of money," he said.

Conoco and PetroChina are also shareholders in Poseidon. Mr. King said the **Chinese company's** involvement may help it find buyers in **China**. He added that Origin paid less for its permits when compared with other recent deals stuck in the Browse Basin.

Under the deal, Origin will make an initial payment of US\$600 **million** to Karoon. Further payments will be due as the project reaches certain milestones. According to analysts at Macquarie Group, the upfront payment suggested a price of US\$2.67 per barrel of **oil** equivalent, which is well below the roughly US\$4.35 paid by Japan's Mitsubishi and Mitsui to buy part of Woodside's Browse **stake** in 2012.

Still, Macquarie said the price wasn't bad for the relatively small Karoon, which faced a big gap in its funding capabilities and now wants to focus on **oil** prospects in Brazil.

Shares in Origin dropped 3.6% in Sydney as investors braced for an **equity**-raising that will dilute the value of their existing holdings. Karoon's shares jumped more than 40%.

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