

HD **Oil and gas companies brace for \$10b deal wave**

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Mergers are set to sweep through Australia's **oil** and gas sector with close to \$10 **billion** of assets currently on the market as international players head towards the exit and local operators seek out new partners in an effort to stave off mounting cost pressures. The selling spree has provided a fillip for investment banks and comes as new research shows **China's** demand for liquefied natural gas will rocket over the next decade as its relentless industrialisation continues to strain existing **energy** sources. While **Chinese** appetite will have a significant influence on LNG supply, forecasts from Bernstein Research point to a doubling of natural gas consumption in Asia to 1200 **billion** cubic metres by 2025. In a recent presentation, analyst Neil Beveridge claimed Asia's gas deficit will accelerate .??. and non OECD [Organisation for Economic Co-operation and Development] Asia will switch from being a net exporter of gas to being the world's largest net importer.

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The bullish assessment follows a tough few years for the fast-growing Australian LNG industry as the intensity of development and cost blow-outs forced a slew of high-profile projects to be shelved or abandoned. Apache Corporation, the US **oil** and gas producer, accounts for the bulk of the asset sales with Macquarie Group and Goldman Sachs running a first-past-the-post auction for its \$2.4 **billion stake** in Chevron's Wheatstone LNG project in Western Australia. Much of the interest in the **stake** stems from Asian investors, and Apache remains determined to complete a deal by the end of the year. However, sources said Woodside Petroleum still ranks as a strong contender with Apache hoping to persuade the Perth-based **company** to take its stakes in both Wheatstone and the planned Kitimat LNG project in Canada, also led by Chevron. A brisk pace has been set also for Apache's mooted spin-out vehicle, designed to hold its international assets, as the **company's** board heeds advice from activist hedge fund investor, Jana, and renews its focus on the US market. Smaller projects struggle So far Apache has steered away from appointing investment banks and initiating a formal sales process on the rest of its international portfolio. But well placed sources said investors are already sifting through the assets, valued at between \$2.5 **billion** and \$3 **billion**. Another international player, Thai **oil** and gas giant PTTEP, is trimming its exposure to Australia with JPMorgan appointed to sell its \$2 **billion** Montara gas venture in the Timor Sea and the Cash and Maple gasfields. Origin **Energy** and Santos are understood to have cast an eye over these assets, which have been on the market since March. The slow pace of the negotiations has become a feature of the market with smaller scale deals often failing to close. Santos has had its Mereenie gasfield in central Australia on the market for over a year, with Morgan Stanley drafted in to run the process, according to sources. The Australian **oil** and gas producer is understood to be also testing interest in its **stake** Caldita-Barossa gasfield in the Timor Sea, worth around \$300 **million**. Santos's partner in its Bonaparte project, GDF Suez, previously attempted to sell down its **stake**, without success. The pair have since dropped plans for a floating LNG plant at Bonaparte and are seeking to develop a land-based project. Origin **Energy** also sought a partner for its \$24.7 **billion** Australia Pacific LNG project in Queensland in 2012 before shelving that process and retaining its 37.5 per cent interest.

CO oecode : Organisation for Economic Co-operation and Development

IN i1 : Energy | i13 : Crude Oil/Natural Gas | i1300003 : Crude Petroleum Extraction | iextra : Natural Gas/Oil Extraction

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