

SE Business
HD **Santos growth pipeline 'strong'**
BY PAUL GARVEY
WC 914 words
PD 5 June 2014
SN The Australian
SC AUSTLN
ED Australian
PG 19
LA English
CY © 2014 News Limited. All rights reserved.
LP

SANTOS has learnt some lessons observing rival Woodside Petroleum 's challenges in recent years and will continue to roll out new developments beyond its current crop of transformational LNG projects, chief executive David Knox says.

In an exclusive interview with The Australian, Mr Knox also said he remained extremely confident in the outlook for LNG demand, despite mounting concerns that Russian gas, North American LNG and increasingly cheap **coal** could swamp the Asian **energy** markets critical to the **company**'s growth.

TD

Santos recently celebrated the first shipment of gas from the \$US19 **billion** (\$20.5bn) Papua New Guinea LNG project, where it is a partner alongside ExxonMobil and **Oil** Search, while its \$US18.5bn Gladstone LNG joint venture in Queensland is well into construction and on track for first production next year.

Those two projects stand to double Santos's revenues by 2016. Since delivering a similar step-change in earnings since commissioning its Pluto LNG plant in early 2012, Woodside has dramatically ramped up its dividends but has struggled to identify near-term development options.

Mr Knox said he had been watching Woodside closely as he considered the **company**'s next moves beyond PNG LNG and GLNG.

"Clearly we're in a very different situation (to Woodside) in that we do have a store cupboard available to us that we can unlock," he said, referring to Santos's portfolio of potential development assets.

He said it was clear that the market wanted both increased dividends and continued production growth.

"For the next 12 months we're focused on Gladstone LNG and making sure we get that up and running and do it well, but we're in a very different place to Woodside and I think the board is confident we can reward shareholders who come with us while balancing that with a reasonable level of growth," Mr Knox said.

"It's not dividends at all cost, it's about a balance between dividends and growth." Since commissioning its Pluto LNG project in early 2012, Woodside has increased its dividends but struggled to convince the market that it has viable near-term growth options.

It shelved plans for a major new LNG plant at James Price Point and recently walked away from a deal to buy a **stake** in the huge Leviathan gas discovery off Israel. Its shares have underperformed many of its growth-oriented Australian peers for much of the past few years despite its healthy cashflow.

Santos's next leg of growth could come from northern Australia, where the **company** is drilling in the Browse and Bonaparte Basins for gas that could go towards an expansion of the existing Darwin LNG project.

Santos holds an interest in the ConocoPhillips -operated Darwin LNG plant. Fellow **oil** and gas player Origin **Energy** this week announced an \$800 **million** deal to acquire a **stake** in the Poseidon gasfields in the Browse Basin, adjacent to Santos's own Crown discovery.

While Santos's position in the Browse has gone largely unnoticed by the market to date, Mr Knox said the Origin deal reflected the potential of the region and its likely development path.

"We have a very strong and significant position in the Browse, and the Origin deal shines a light on that," he said.

"I'm very encouraged that it shows there's real enthusiasm to potentially bring (the gas) onshore." Mr Knox's commitment to continued growth comes despite rising concerns about the outlook for LNG demand in Asia.

Last week's major deal to pipe Russian gas into **China** has been described by some **energy** experts as a possible threat to the competitiveness of Australian LNG.

And North America's rising gas production has long been seen as capable of supporting a new source of cheaper LNG supply into Asia.

But Mr Knox, who will expand on his supply and strategy outlook in an address to the Brisbane **Mining** Club today, said his long-term bullish stance on LNG had not wavered.

"This (Russia-**China**) pipeline deal did not come out of the blue. Continued on Page 20 Continued from Page 19 "It's been known about for years, and years, it's been well factored into the market," Mr Knox said.

"It is an important deal, but it's not a deal that changes the market situation and it's not a deal that changes our strategy in any way." He said claims that increasingly low **coal** prices would drive a resurgence in **coal** consumption across Asia underestimated the determination of major Asian countries to bring their pollution problems under control.

Also, the turmoil in Ukraine and Russia's use of pipeline gas as a strategic tool in that crisis had reinforced the reliability of Australian LNG suppliers.

"LNG demand has been stronger than I expected, not weaker, and I really can't see that stopping as we go forward," he said. He also expected construction costs to go down.

One of Santos's potential growth options, the Narrabri **coal**-seam gas project in NSW, is bogged down in regulatory hurdles amid community concerns about CSG.

Still, Mr Knox said Santos remained committed to the project. "It's also a project that's very important to NSW," he said. "We firmly believe they will need more gas supply in 2017 onwards and we believe the Narrabri project can supply that gas. But we can only do so in a regulatory regime that is supportive."

CO	wodpet : Woodside Petroleum Ltd sants : Santos Ltd
IN	i1 : Energy i13 : Crude Oil/Natural Gas i1300003 : Crude Petroleum Extraction iextra : Natural Gas/Oil Extraction
NS	niex : Interviews with Corporate Executives nitv : Interviews ncat : Content Types nfact : Factiva Filters nfcpx : C&E Executive News Filter
RE	austr : Australia apacz : Asia Pacific ausnz : Australia/Oceania
PUB	News Ltd.
AN	Document AUSTLN0020140604ea6500029