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HD **BG Sells Australia Gas Pipeline Ahead of LNG Start-Up**

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BG has agreed to sell a gas pipeline linking its Australian coalbed methane (CBM) fields to its Queensland Curtis LNG (QCLNG) project for US$5 **billion** to APA Group, Australia's largest gas infrastructure business.

The deal is part of BG's plan to sell noncore assets to shore up a balance sheet overstretched by hefty spending commitments in Brazil and Australia and now threatened by falling **oil** prices. The UK gas major's stock has lost some 30% of its value so far in 2014.

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BG said the **sale** proceeds will be used to reduce debt and fund future growth investment. The transaction is expected to result in a post-tax profit of approximately US$2.7 **billion** as profit on disposal will be partly offset by a post-tax impairment of BG's remaining QCLNG assets, expected to be around US$2 **billion**.

The US$5 **billion sale** of the 543 kilometer pipeline was concluded at a higher-than-expected price. It was rumored earlier the asset would fetch around US$4 **billion**. The deal also signals that QCLNG may soon be ready to export its first LNG cargo, which BG has repeatedly said would happen before end-2014.

"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," said BG's interim Executive Chairman Andrew Gould in a statement.

BG had first hinted in 2012 that it could sell the midstream **company** that holds the pipeline, QCLNG Pipeline, as part of a portfolio rationalization program designed to enhance its focus on core **oil** and gas exploration and LNG businesses. Other recent divestments include the **sale** earlier this year of its 62.78% **stake** in the UK North Sea Central Area Transmission System gas pipeline and associated infrastructure to private **equity** investor Antin Infrastructure Partners for £562 **million** (US$954 **million**) (IOD Jun.18'14). In 2012, it sold its 60.1% **stake** in Brazilian gas distributor Comgas for some US$1.8 **billion** (IOD Oct.4'12).

An industry source **Energy** Intelligence spoke to last month had also linked the imminent pipeline **sale** to the start of LNG exports from the first train of BG's 8.5 **million** ton per year QCLNG plant.

One of the conditions for the **sale** to APA to go through is that the First Commercial Delivery Date (FCDD) for the first train must occur by Apr. 30, 2015. That deadline could be extended to Jun. 30, 2015. The FCDD is believed to refer to the start of QCLNG's term LNG contracts with **China** National Offshore **Oil** Co., expected to start in April 2015, with cargoes sold before seen as commissioning or spot cargoes (IOD Mar.25'10).

If all goes to plan, BG plans to bring the second 4.25 **million** ton/yr train on line by mid-2015, by when the first train should be running at its 4.25 **million** ton/yr capacity. The industry will be keenly watching how smoothly production ramps up and stabilizes amid concerns about CBM output and additional post-start-up costs.

Acknowledging the challenges after a 36% cost blowout in 2012 which has left QCLNG costing US$20.4 **billion**, BG peppered its third-quarter conference call with cautionary statements. Chief Operating Officer Sami Iskander noted that QLCNG is a "complex process and there may be unknown unknowns" and that "these are early days, and the long-term performance of these wells, i.e. their performance over a number of years, is yet to be seen" (IOD May4'12).

The pipeline was constructed between 2011 and 2014 and has a current book value of US$1.6 **billion**. BG and its partners have **firm** capacity rights in the pipeline for 20 years, with options to extend.

Maryelle Demongeot, Singapore

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