FINANCIAL REVIEW


| | |
|---|---|
| SE | Companies and Markets |
| HD | **Concern as Qld LNG export projects eye local gas supplies** |
| BY | Angela Macdonald-Smith |
| WC | 527 words |
| PD | 6 February 2014 |
| SN | The Australian Financial Review |
| SC | AFNR |
| ED | First |
| PG | 23 |
| LA | English |
| CY | Copyright 2014. Fairfax Media Management Pty Limited. |


**LP**

BG Group has revealed it expects to rely on third parties for up to a fifth of the gas initially needed for its $US20.4 **billion** ($22.5 **billion**) LNG export project in Queensland, highlighting the extent to which the project will draw on supplies that would otherwise be available for local use.

Chief executive Chris Finlayson told investors in a Tuesday briefing in London that in 2014-16, gas bought externally would make up "some 10 per cent to 20 per cent of supply to the plant."

**TD**

He said once the two-train project had ramped up fully, the share of third-party gas would fall to about 5 per cent.

BG's comments are set to revive concerns about Queensland LNG ventures' need to dip into supplies that were expected to be on offer for industrial users. That demand is pushing prices up well beyond the $3.50-$4 a gigajoule level typical of recent years.

The first train at BG's Queensland Curtis LNG project is due to start exports in the December quarter. **China**'s CNOOC owns half of the first train.

Santos's GLNG project under construction in Queensland is also set to rely heavily on third-party supplies, at least in the initial years. The third project, Origin **Energy**'s Australia Pacific LNG venture, is not expected to be so affected.

BG's QGC business in Queensland has already sealed deals with AGL **Energy** and with the APLNG venture for gas. It is not clear whether it requires additional supplies.

Mr Finalyson said BG was pursuing other exploration plays to increase gas available for QCLNG, including shale gas in the Cooper Basin and other gas in the Bowen and Surat Basins.'Debottlenecking'

But he played down the likelihood of any early move to expand QCLNG, pointing instead to opportunities to "debottleneck" the project, which would involve bolt-on investments to modestly lift capacity, rather than an adding a third processing unit.

"At the moment, I would not anticipate us taking a decision on that in the near future," he said. "Our focus is on delivering what we have."

"Quite clearly the most capital-efficient thing that we can do is to carry through that debottlenecking, fill those trains and make sure that they're kept full for longer," Mr Finlayson said.

Mr Finlayson, who took over as CEO at the British **company** a year ago, confirmed BG is considering the **sale** of gas pipelines and water treatment facilities at QCLNG to free up capital.

"We will make disposal at the optimum time to capture the best value," he said.

Commonwealth Bank of Australia analyst Luke Smith estimates the likely **sale** price for the 540-kilometre QCLNG pipeline at $US2 **billion** to $US3 **billion**.

APA Group, Duet Group and AMP Capital are among those that have voiced interest in pipelines that the Queensland LNG ventures may sell.READ NEXT: BP's Dudley **firm** on asset **sale** program LNG hits a cost wall Martin Ferguson joins global board of BG Group Woodside, BG **lead** interest in Myanmar

| | |
|---|---|
| **CO** | brgas : BG Group PLC |
| **IN** | i1 : Energy \| i13 : Crude Oil/Natural Gas \| i1300014 : Natural Gas Extraction \| iextra : Natural Gas/Oil Extraction |
| **NS** | ccat : Corporate/Industrial News |
| **RE** | austr : Australia \| queensl : Queensland \| apacz : Asia Pacific \| ausnz : Australia/Oceania |
| **PUB** | Fairfax Media Management Pty Limited |
| **AN** | Document AFNR000020140205ea260003f |