

HD **Energy** Sector Update: May 2014 edition

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Recently completed deals

Magellan PetroleumPalm ValleyDingo projectsCentral Petroleum LimitedOn 15 April 2014, received the final A\$5 **million** payment for the **sale** of its onshore Australian assets (including the and) to ASX-listed exploration and production **company** . In total, Magellan has received A\$20 **million** in cash from Central Petroleum, and 39.5 **million** newly issued shares in Central Petroleum stock, giving Magellan an approximate 11% ownership interest. Magellan is now Central Petroleum's largest shareholder.

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Recent announcements

BaytexASX-listed Aurora **Oil** & GasBaytex **Energy** AustraliaForeign Investment Review BoardIn the February 2014 edition of the Australian **Energy** Sector Update we reported on 's proposed **acquisition** of . The deal would see Baytex's wholly owned subsidiary, , **purchase** all the shares in Aurora for a cash consideration of A\$4.10 per share pursuant to a proposed scheme of arrangement (Scheme). On 11 April 2014, Aurora announced that Baytex received written notification from the (FIRB) confirming that FIRB has no objection to the deal, satisfying one of the conditions precedent to implementation of the Scheme. On 14 April 2014, Aurora also announced that the Federal Court of Australia has approved the dispatch of the Scheme booklet and has ordered that a meeting of Aurora shareholders be convened to consider and vote on Baytex's proposed **acquisition**.

Energy Developments LimitedEnvirogenTahmoor CollieryTeralba CollieryGlennies CreekCoal MineOak Creek **Coal** MineGlencore XstrataValeAnglo AmericanBHP Illawarra CoalOn 11 April 2014, ASX-listed integrated **energy company** announced its entry into a conditional **sale** and **purchase** agreement to acquire , the Australian waste **coal** mine gas (WCMG) power generation business. Envirogen owns and operates three WCMG power stations in New South Wales at the , and , and one in Queensland at the . With a combined capacity of 43 MW, these power stations provide methane abatement and clean **energy** solutions for miners and and will add to **Energy** Development's existing portfolio of over 200 MW of WCMG power generation assets and existing partnerships with leading **coal** producers and .

Landbridge GroupWestSide CorporationInfrastructure Capital GroupIn the April 2014 edition of the Australian **Energy** Sector Update we reported on 's conditional notice of intention to make a conditional off-market takeover bid (Conditional Offer) for Brisbane-based **coal** seam gas producer, , for A\$0.36 per share. In a letter to shareholders dated 16 April 2014, WestSide said that the Conditional Offer price of A\$0.36 per share was "manifestly inadequate". On 24 April 2014, Landbridge increased its interest in WestSide from 8.7% to 19.99% in what an article in The Australian called a "lighting raid" of the WestSide register in which Landbridge reportedly secured the 11.3% **stake** of , formerly WestSide's second largest shareholder. The "raid" was accompanied by Landbridge's announcement that it has withdrawn its intention to proceed with the A\$0.36 bid and is replacing it with a new conditional off-market takeover bid for A\$0.40 per WestSide share, which values the **company** at over A\$178 **million**.

GLNG ProjectOn 6 May 2014, WestSide's board, in a letter to shareholders, recommended that shareholders do not accept Landbridge's conditional offer for A\$0.40 per WestSide share. WestSide's letter said Landbridge's offer does not represent fair value for the **company** as, amongst other things, it fails to adequately recognise the full value of the **company**'s recently announced binding 20 year gas **sale** agreement to sell gas to the .

Bass Strait **Oil Company** LtdVic/P41Vic/P68GMP Securities AustraliaASX-listed petroleum explorer announced on 10 April 2014 that it has commenced a formal divestment process for its offshore Gippsland Basin portfolio comprising 64.565% owned and 100% owned located off the south east coast of Victoria. Chief Executive Steven Noske said that the **company** "intends to use any proceeds from the potential divestment of its Gippsland Basin acreage to continue to invest in new opportunities in the **oil** and gas sector and will remain focused on **oil** and gas exploration and development activities moving forward." Bass Strait has engaged to assist with the divestment process and execution of its forward strategy.

Market rumours and opportunities

Woodside PetroleumLeviathan gas projectBrowse floating LNG projectOil SearchFurther to the March and April editions of the Australian **Energy** Sector Update, on 22 April 2014 an unsourced report in The Australian Financial Review speculated that may look for alternative international expansion opportunities as its US\$2.71 **billion acquisition** of a 25% interest in the , located off the west coast of Israel, is still yet to be finalised. Woodside is reportedly believed to be trying to fill a production gap until its commences production. The article suggested that Woodside may therefore seek expansion opportunities closer to Australia, with Papua New Guinea-based a potential target. In spite of these rumours, in his report at Woodside's Annual General Meeting on 30 April 2014, CEO Peter Coleman said "discussions continue with the [Leviathan joint venture] parties and the Israeli Government with a view to resolving the remaining issues and executing definitive agreements".

BG GroupCurtis LNG projectEnbridgeIndustry Funds ManagementQueensland Investment CorporationHastings Funds ManagementBorealisAustralian SuperAllianzCanada Pension PlanGICAPAGroupOn 23 April 2014, another unsourced article in The Australian Financial Review reported that is expected to launch a formal sales process for A\$4 **billion** in pipeline infrastructure related to its later this quarter. Infrastructure assets potentially up for **sale** include a 540 kilometre buried natural gas pipeline which links the gas fields in Queensland's Surat Basin to Gladstone. BG has reportedly held initial meetings with potential buyers in Brisbane. , the Canada-based pipeline group, is thought to be part of a consortium planning to bid for the assets, which includes and . may have partnered with Canada's to form another bidding group. Other parties believed to be interested include , Germany's , , and . is also reportedly expected to compete for the asset. The article considered that while a **sale** is possible this year, it is more likely that a deal would be reached in 2015.

Buru EnergyUngani oilfieldLaurel FormationMitsubishi CorporationApache CorporationGoldwyer ShaleAccording to a recent Mergermarket article, Perth-based **oil** and gas **company** , is seeking a long term partner to undertake a farm-out at its acreage in the under-explored Canning Superbasin, located in the southwest Kimberley region of northern Western Australia. Buru's portfolio includes a conventional **oil** discovery at the and the tight gas resources of the , where a potentially large-scale gas and hydrocarbon liquid resource has been identified. Buru already has a joint venture with Japan's largest trading **company** . Buru's Managing Director, Keiran Wulff, reportedly said the basin is too large to just have two companies operating in the region so the **company** is looking to introduce "strong partners with the right expertise and long term commitment [to the region]." In November 2013, farmed into a number of the Buru/Mitsubishi joint venture exploration permits in the Canning Basin, primarily covering the areas of the joint venture's portfolio.

United PetroleumS-OilSK Group , Affinity **Equity** PartnersFurther to the March and April editions of the Australian **Energy** Sector Update, The Australian Financial Review reported on 16 April 2014 that Australian petrol retailer, , has resumed its **sale** process after discussions with South Korean **energy company** were terminated because of issues concerning the price. The article noted that other potential bidders may include and an unnamed European trading house.

Queensland State Governmentelectricity distribution networksErnst & YoungThe is reportedly contemplating the **sale** of debt in the State's as an alternative to privatisation. According to the Street Talk column in The Australian Financial Review on 23 April 2014, by only selling debt, the Government would be able to uphold its promise not to sell assets without an election mandate while still relieving pressure on the State's balance sheet. The article noted that a deal would be similar to a conventional privatisation, with board seats potentially being offered to debt buyers as a form of control. This report follows The Australian 's prediction the day before that both the Queensland and New South Wales Governments may put infrastructure, including ports, roads and electricity assets, on the market in the next 18 months. According to another report on 18 April 2014 in the same newspaper, the Western Australian Government is also looking into the possible **sale** of some of its port, power, and water assets and has engaged to evaluate the potential divestment.

Regulatory updates

CONSULTATION HAS COMMENCED ON DRAFT LEGISLATIVE AMENDMENTS RELATING TO PROPOSED OVERLAPPING TENURE REFORM IN QUEENSLAND

Queensland Resources CouncilA recent bulletin released by the (QRC) reported that preparation of a new overlapping tenure framework has begun with broad industry consultation this month on draft legislation. The framework is based on a 2012 joint industry initiative titled Maximising Utilisation of Queensland's **Coal** and **Coal** Seam Gas Resources: A New Approach to Overlapping Tenure in Queensland and aims to simplify legislation, clarify the requirements for grant of tenure and provide clearer timeframes to reduce delays caused by overlapping tenure issues. If successful, this legislative reform will provide a direct path to granting tenure for **coal** and petroleum/**coal** seam gas production, which the QRC says will effectively remove the right of veto for the first mover over the area. The new legislation is expected to be introduced by June 2014 as part of the Mineral and **Energy** Resources (Common Provisions) Bill 2014 with implementation by the end of the year.

Department of Natural Resources and MinesAccording to the (DNRM), existing requirements for gaining tenure, including native title obligations, obtaining an Environmental Authority, and reaching access and compensation arrangements with landholders, will not change under the new legislation. DNRM says the new legislation will include arrangements to ensure a smooth transition for existing and future resource authority holders and that special transitional provisions will be put in place for a defined area of the Surat Basin to take into account the importance of the Surat Basin to the State's CSG-to-LNG industry. Under the foreshadowed special transitional arrangements, the notice period for the commencement of **mining** will be extended from 10 to 15 years where a **coal mining** lease overlaps a petroleum lease. These arrangements are proposed to apply to all production leases granted under the new framework up to the end of 2016.

Other news

RISING GAS PRICES IN NEW SOUTH WALES

Independent Pricing and Regulatory TribunalOn 23 April 2014, the released a draft decision allowing for an average increase in regulated gas prices in New South Wales of 17.6% in the 2014-15 financial year. This means that from 1 July 2014, standard annual gas bills may increase by up to A\$225 for households, depending on where they are located and how much gas they use. Tribunal Chairman, Dr Peter Boxall, said the increase is largely due to rising wholesale gas prices and that the draft decisions are based on the Tribunal's assessment of proposals submitted by gas retailers. Dr Boxall noted that most NSW gas consumers are already on market contracts rather than regulated prices and anticipates "further competition among retailers as a result of electricity price deregulation.

BREE PREDICTS AN INCREASE IN RESOURCES AND **ENERGY** COMMODITY EXPORT EARNINGS

Bureau of Resources and **Energy** EconomicsThe (BREE) recently released its Resources and **Energy** Quarterly Report for the March 2014 quarter. Based on an outlook period of 2014-15 to 2018-19, BREE predicts the outlook for the world economy will be "largely positive" and, although slowing, that **China's** medium term economic growth will be over 7% per year.

According to the Report, Australia's revenue from resources and **energy** commodities is projected to increase at an average rate of 8% per year from 2013-14 to approximately A\$284 **billion** in 2018-19. Despite weaker commodity prices, export growth in the short term will be driven by higher volumes in **coal** and **iron ore**. As new LNG production commences, the Report states that LNG will become one of Australia's principal exports. In nominal terms, the Report predicts the value of LNG exports to increase by around 340% over the outlook period as new facilities developed over the past three years commence production. BREE forecasts that Australia will produce approximately 62 **billion** cubic metres of gas in 2013-14, similar to production figures in 2012-13.

Gladstone LNGQueensland Curtis LNGQueenslandGorgonWheatstoneIchthysPreludeThe Report refers to seven LNG projects currently under construction in Australia being the Australia Pacific LNG , and projects in , and the , , and projects off the north west coast of Western Australia. When these projects come online, BREE predicts gas production in Australia will more than double to 151 **billion** cubic metres in 2018-19.

QUEENSLAND DRAFT **WIND** FARM CODE RELEASED FOR PUBLIC COMMENT

Wind Farm Code13 May 2014The Queensland Government released a draft for public consultation on 6 May 2014. Deputy Premier and Minister for State Development, Infrastructure and assessment of **wind** farm development across Queensland and, once finalised, will be integrated into the State Development Assessment Provisions. This means that the responsibility for assessment of all **wind** farm proposals will be transferred from local governments to the State. The draft Code is available for public comment until and can be viewed here . More information about the Code can be found here .

FINAL DATE FOR SUBMISSIONS ON FEDERAL INQUIRY INTO STREAMLINING ENVIRONMENTAL REGULATION AND REDUCING GREEN TAPE EXTENDED

House of Representatives Standing Committee on the Environment On 27 February 2014, the announced an inquiry into streamlining environmental regulation, "green tape" and "one-stop-shops" for environmental assessments and approvals following a referral by the Federal Minister for the Environment, Greg Hunt. The inquiry will have particular regard to jurisdictional arrangements, regulatory requirements, the balance between regulatory burdens and environmental benefits, areas for improved regulatory efficiency and effectiveness, and the potential for deregulation. The closing date for submissions to the Committee was extended from 11 April to 30 April 2014. More information about the inquiry can be found [here](#).

The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

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