

SE Business
 HD **CASH NOW FLOWING**
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GLOBAL gas giant BG **Group** has pocketed the first real benefits from the **coal** seam gas boom in Queensland with a \$US2 **billion** profit from the **sale** of the QCLNG pipeline from the Surat Basin to Gladstone's Curtis **Island**.

The 543km pipeline services the QCLNG project was bought by APA **Group**, which surprised many in the market who thought sovereign wealth funds and **Chinese** investors would be keen bidders.

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The \$US5 **billion** price was also well above initial estimates of \$US3 **billion** to \$US4 **billion** and is likely to stir the rival APLNG and GLNG projects to consider similar deals, according to analysts.

The deal is a winner for APA. Not only does it get the benefit from take-or-pay contracts but it expects pre-tax earnings from the pipeline to be about \$US390 **million** a year. It will also benefit from expected synergies with its other Queensland assets such as the Moomba-to-Brisbane pipeline. It has also signalled a \$1.839 **billion**, one-for-three renounceable rights offer to fund part of the deal. BG said the pipeline had a current book value of \$US1.6 **billion** but that would be partly offset by a post-tax impairment of BG **Group**'s remaining QCLNG assets, expected to be around \$US2 **billion**.

The **sale** is conditional on the start of **commercial** LNG deliveries from the QCLNG export facility at Gladstone and on partner consent. BG and its partners have **firm** capacity rights in the pipeline for 20 years, with options to extend, and first shipments are expected later this month.

BG executive chairman Andrew Gould said the **company** was happy with the deal. "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," Mr Gould said.

Morningstar's Adrian Atkins said APA's lower costs made the deal attractive to them as did the **company**'s other Queensland assets.

The Santos GLNG venture said it had no intention of selling its pipeline and Origin **Energy**-backed APLNG said it was examining the QCLNG deal but had made no decision to proceed with such a **sale**.

THAT STACKS UP \$US5b Price APA will pay BG for the QCLNG pipeline \$US2b Expected profit BG makes on the deal \$US390m Pre-tax earnings APA expecting from pipeline in first year 543km Length of pipeline connecting Surat Basin to Curtis Island 46,200 Number of 12 metre long pipes used in the project

CO austpi : APA Group | brgas : BG Group PLC

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