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SE Market Wrap - Street Talk

HD PetroChina circles Karoon's \$300m-plus Poseidon stake

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WC 433 words

PD 29 May 2014

SN [The Australian Financial Review](#)

SC AFNR

ED First

PG 26

LA English

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LP Chinese state-owned giant, [PetroChina](#), may extend its grip on one of the largest gas finds off the coast of Western Australia if it forges ahead with a potential acquisition of Karoon Gas's \$300 million plus stake in the Poseidon field.

PetroChina, the listed arm of China National Petroleum Corp, already controls a 20 per cent stake in the discovery, and is understood to be among a number of parties engaged in tentative discussions about a deal.

TD A buyer will be confirmed within weeks with cash-strapped Karoon selling either a majority of its holding, close to 30 per cent, or exiting entirely.

[UBS](#) and [Morgan Stanley](#) have been advising the company and speculation circulated earlier this month about a prospective \$200 million equity raise aimed at shoring up the balance sheet.

However, Poseidon has drawn the interest of a handful of major energy players, including Perth-based Woodside, which is grappling with lacklustre growth in the wake of the abandoned Leviathan investment.

Royal Dutch Shell has also cast an eye over the field, which sits north-east of the Browse gasfields and was discovered by US heavyweight, ConocoPhillips, and Karoon back in 2009.

Shell holds 27 per cent of the Woodside-led Browse joint venture, in which PetroChina is also a participant, although the company recently pledged to be more rigorous on capital spending.

Another contender for Poseidon is the Thai oil and gas giant PTT, which is offloading its \$2 billion Montara gas project and its Cash and Maple gasfields off the coast of Western Australia amid a global trend among large players to pursue higher-growth prospects.

Yet PetroChina appears to have emerged as the strongest bidder.

A deal would likely entail approval from the Foreign Investment Review Board and ConocoPhillips would need to opt not to exercise its pre-emptive rights over the asset.

[PetroChina](#) forked out over \$270 million for one-third of the US major's stake and a play for another 30-odd per cent would take its holding in Poseidon to over 50 per cent.

If the Chinese giant decides to cement its grip, this would underscore the country's energy strategy is to own the source of its mounting oil and gas needs rather than assume an investment role along the lines of the Japanese approach.

The likes of Mitsui seem content to hold minority slices in large-scale assets, enabling them to monitor and oversee progress but absolving them of control.

CO cnpngc : China National Petroleum Corp | karoon : Karoon Gas Australia Ltd | pechin : PetroChina Company Limited

IN i1 : Energy | i13 : Crude Oil/Natural Gas | i16 : Electricity/Gas Utilities | i162 : Gas Utilities | iutil : Utilities

NS ccat : Corporate/Industrial News

RE austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

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AN Document AFNR000020140528ea5f0002e