



Shell, PetroChina plan to expand Surat gas project

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Body

Shell and PetroChina will expand the huge Surat coal seam **gas** project in Queensland, a decision that will be met with dismay from environmental activists but which should provide supply for an increasingly stretched market.

Gas from the project extension will supply both domestic and export customers through the Queensland Curtis LNG plant near Gladstone.

The project, the second phase of the Arrow Energy joint venture, is expected to supply 130 million cubic feet a day of **gas** at peak production, enough to power almost 1 million homes.

The first phase of the project, some 90 billion cubic feet a year, began in 2020 and is now in production. It is expected to cost about \$2 billion. **Shell** did not give an estimated cost for the second phase, but it is also expected to reach into the billions of dollars.

The decision to proceed with the second phase of the Arrow project follows increasingly urgent warnings from the Australian Energy Market Operator about the need for investment in new **gas** supply to head off shortages expected later this decade on peak-demand winter days.

"Embarking on Phase 2 of the Surat **Gas** Project with Arrow is part of our commitment to bring more **gas** to market," said Zoe Yujnovich, director of integrated **gas** and upstream for **Shell**.

"This investment will enable us to sustain and grow this important, secure energy source that offers a lower-emissions alternative."

Still, the drilling of the up to 450 new wells involved will only maintain existing supplies rather than increase production and does not address shortfalls that are looming because of declines in supplies in the southern states, said Rick Wilkinson, chief executive of consultancy EnergyQuest.

"This makes no change at all to the supply-demand balance and the requirement for new **gas** to come on for the east coast of Australia," he said.

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Mr Wilkinson said that for the full development of the project, thousands of wells needed to be drilled, "so this is one step of many that are required for capital to be allocated to the project to maintain flat production".

Arrow, jointly owned by **Shell** and its Chinese state-owned partner, holds the largest reserve of undeveloped **gas** on the east coast, where elevated contract prices and a limited choice of supply have been sources of constant complaint among manufacturers.

Shell Australia chairwoman Cecile Wake said the project would support up to 400 jobs and create opportunities for contractors and local suppliers.

"At its core, this project promotes stronger regional communities, and it also has wider benefits for Australian manufacturing and industry more broadly," said Ms Wake.

Shell said the project was underpinned by a 27-year sales deal between Arrow and QGC, a division of the London-based **oil** and **gas** giant. In investor briefings last year, the company flagged that it would secure additional **gas** for its LNG facilities in Queensland "to increase value for shareholders". The second phase of the project will require the construction of 27 kilometres of pipelines, as well as other infrastructure upgrades.

It is opposed by farming families and landholders in the Darling Downs, who said they were worried about the risk of damage to water and land. The project is also opposed by environmental groups, concerned about increased emissions from fossil **fuel** production.

The go-ahead comes despite years of annual losses by Arrow. The company had originally intended to develop four LNG export projects in Queensland but abandoned those plans after the first three plants were built.

Shell later took over BG Group in one of the biggest takeovers in the **oil** sector, giving it ownership of one of those three plants, Queensland Curtis LNG.

It opted to use **gas** from the Arrow project to instead supply that plant, a major facility near Gladstone, Queensland that was completed in 2014.

Arrow chief executive Zhengxin Peng said production from this second phase was expected to start in 2026. Construction will begin later this year. Surat is expected to comprise up to 2500 **gas** wells and produce 4000 petajoules of **gas** in total.

"At a time when more **gas** is needed for homes, businesses and industries, the SGP North development will solidify Arrow's position as a major producer of natural **gas** on the east coast," Mr Peng said in a statement.

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