

Taiwan considers LNG project investment

Florence Chong | *March 01, 2008*

TAIWAN will invest in a liquefied natural gas project in Australia if an opportunity arises, the chairman of one of Taiwan's largest companies says.

CPC Corporation's Pan Wenent, in Sydney yesterday, signed a "key terms" agreement with Woodside to buy 2 to 3 million tonnes of LNG a year over the next 15 to 20 years from the planned Browse project off Western Australia.

The agreement could generate \$35-45 billion of revenues, making it the "largest-ever single trade deal" in Australia's history, Trade Minister Simon Crean said.

Dr Pan said CPC looked to Australia for reliable long-term supply of LNG to meet demand, growing at 7 per cent a year: "This contract guarantees a stable and secure supply of LNG."

It is Taiwan's first gas contract with Australia.

Dr Pan said CPC would also be interested in investing in both upstream and downstream activities in Australia. But he would not be drawn about the amount CPC could invest, saying those decisions would be made when a project became available.

The Taiwanese company, which currently imports gas from Qatar, has a 5 per cent stake in an upstream gas operation there.

Taiwan spends \$US3-3.5 billion on gas imports each year.

Dr Pan said about 8.3 million tonnes of LNG per year came from Indonesia, Malaysia and Qatar.

It also buys about 2 million tonnes on the spot market. Gas is used to generate around 20 per cent of Taiwan's power supply.

Woodside managing director and chief executive officer Don Voelte said the CPC deal provided a foundation contract for the Browse project.

It is Woodside's second main contract after signing one with China's PetroChina last September. Mr Voelte said the final pricing was to be worked out, adding LNG was an "extremely competitive commodity".

CPC and Woodside expect to conclude a sale and purchase agreement, including the LNG price, in the next two years.

The Browse project, to develop fields discovered in 1971, is forecast to produce up to 15 million tonnes of LNG a year starting from 2013-15.

Mr Voelte said Woodside, with 60 per cent of its gas reserves in Australia, had a ready market in the economic centres to the country's north.

"Logistically, we are better located than the Middle East or South America," he said.

Mr Crean said demand for LNG imports from the major markets of north Asia was expected to increase from more than 90 million tonnes in 2006 to 140 million tonnes by 2020.

He said Australia's annual LNG production capacity was on track to expand to more than 60 million tonnes a year by 2015.