

Friday, 7 September 2007

**CHINA is back in the liquefied natural gas market. Woodside Energy has signed a key terms agreement with Chinese major PetroChina for the potential sale of 2 to 3 million tonnes per annum (MMtpa) of LNG over 15-20 years from the proposed Browse development.**

Australian Resources Minister Ian Macfarlane hailed the deal, which could be worth up to \$45 billion, as being Australia's largest single export agreement, saying it gave Woodside's proposed Browse LNG project a major boost.

This preliminary agreement between Woodside and PetroChina sets the key commercial parameters normally included in a sale and purchase agreement, including LNG price, Woodside said yesterday morning.

"The parties will negotiate in good faith to conclude an LNG supply agreement based on the key terms agreement," the company said.

"Supply is targeted to commence during the period 2013 to 2015. The agreement is subject to conditions including a final investment decision on the Browse project and relevant government approvals."

Woodside, the Browse LNG operator, said other Browse joint venturers had not been party to the agreement, but the opportunity had been provided for commingled sales.

The proposed Browse project is being developed by Woodside and its joint venture partners, BHP Billiton, BP, Chevron and Shell.

It will source natural gas from the Calliance, Torosa and Brecknock fields off the Kimberley coast, which contain about 20 trillion cubic feet of gas.

Macfarlane said the potential export benefits to Australia were "massive".

"When completed, the project will add up to 15MMtpa of LNG per year to our already growing export capacity," he said.

PetroChina is one of China's leading energy companies, responsible for nearly 70% of China's domestic gas production and marketing.

Woodside chief executive Don Voelte said this agreement with such a significant foundation customer provided increased certainty to enable Woodside to move the Browse development forward.

This is the second agreement PetroChina has struck regarding Australian LNG this week. Earlier in the week it agreed to buy 1MMtpa of LNG from Shell over a 20-year term with the gas to be primarily sourced from Western Australia's Gorgon project.

These deals are highly significant because over the past five years China has held off from making LNG deals due to rising LNG prices, which it insisted were unreasonably high.

If China has accepted market realities and re-entered the LNG market, this could give a huge boost to the Australian LNG sector.

"The deals we've seen this week reinforce the high level of international confidence in the Australian LNG industry," Macfarlane said.

"We are well on track to become one of the world's top three LNG exporters and the future looks very bright indeed."

But it now remains to be seen whether Woodside and the Gorgon partners can meet the delivery windows set by their agreements.

Woodside chief financial officer Mark Chatterji said Woodside and its Browse partners were aware of how tight the 2013-2015 timeframe was.

"The Browse joint venture partners are studying a number of options and aim to determine the optimal development concept in 2008," he said.

"Woodside demonstrated with Pluto that marketing, engineering and approvals can successfully progress in parallel. Its development will be challenging, but we will be working hard to achieve that timeframe."

Woodside has said that Browse LNG could be developed via a pipeline to the Burrup Peninsula and additional trains co-located with Pluto.

