CNOOC signs Australian CSG energy accord

By Zhang Qi (China Daily)
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BEIJING - China National Offshore Oil Corp (CNOOC), the country's largest offshore oil and gas producer, signed a deal on Wednesday with Australia's Exoma Energy Ltd for a 50 percent direct investment in a coal seam gas project (CSG) in Queensland.

It's the Chinese company's first move into overseas onshore unconventional gas exploration. CNOOC's Galilee Gas Company unit will invest A$50 million ($49 million) to acquire a 50 percent direct investment in Exoma's five exploration blocks in Queensland's Galilee Basin. Exoma has also given CNOOC the option of purchasing its shares, according to the Chinese company's statement.

The deal is still awaiting approval from both the Chinese and Australian governments.

"CNOOC attaches great importance to areas with significant CSG reserves such as Queensland. This project is CNOOC's first relatively large-scale exploration of overseas onshore unconventional gas, and will contribute to our liquefied natural gas (LNG) supply," said Fu Chengyu, president of CNOOC.

The deal follows CNOOC's acquisition in March of up to 3.6 million tons of LNG annually for the next 20 years from Queensland from BG Group.

Chinese oil companies have been making efforts to partner with foreign gas explorers, including Royal Dutch Shell PLC and Chevron Corp, to tap unconventional gas resources to help reduce the nation's reliance on oil and coal.

"With CNOOC's involvement, Exoma will now accelerate its exploration program for its Galilee Basin permits, with additional potential for conventional petroleum resources," said Brian Barker, chairman of Exoma.

Adi Karev, global leader for oil and gas at Deloitte Touche Tohmatsu, said the strong financial power of giant Chinese players in the gas industry means they cannot lose in the international bidding process.

"They will continue to be successful in spreading their reach to the places where other countries cannot go," Karev said.
According to Deloitte, Asia has become a hotbed of oil and gas activity. Asian oil companies have become increasingly active in pursuing upstream acquisitions.

In particular, China's domestic unconventional gas production is set to skyrocket. China's GDP growth, when combined with the country's determination to diversify its fuel supplies and to create a low-emissions environment, bodes particularly well for the future of liquefied natural gas markets.

Unconventional gas has dramatically transformed the energy landscape in Australia, and now it's China's turn. The government is offering incentives to explore for unconventional energy sources, and it is optimistic that new upstream technology can be deployed in the near future.

_Du Juan contributed to this story._