China's Sinopec signs huge Australia gas deal

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* Deal estimated to be worth $85 bln over 20 yrs

* Sinopec buys 15 pct stake in project for $1.5 bln

* Sinopec agreed to buy up 4.3 mln tonnes/year (Adds analyst, executive quotes)

By Rebekah Kebede

PERTH, April 21 (Reuters) - Oil giant Sinopec on Thursday signed China's second-largest gas purchase agreement, worth around $85 billion over 20 years by one estimate, in a deal that also gives it 15 percent of an Australian gas-export project.

Sinopec will pay $1.5 billion for the stake in the Australia Pacific liquefied natural gas (LNG) project, completing a preliminary deal agreed in February with project developers ConocoPhillips and Australia's Origin Energy.

ConocoPhillips and Origin announced the deal at a joint news conference overseen by Australian Resources Minister Martin Ferguson.

"Australia very shortly become the second-largest exporter of LNG in the world and we have effectively now got a very important new industry in Queensland," Ferguson said, referring to the northern state where the project is to be built.

Australia has around $200 billion in LNG projects on the drawing board. Much of their exports are destined for China, which is looking to lock in supplies to feed its rapid growth and cut its reliance on polluting coal energy.

Australia Pacific LNG will have initial capacity of 4.5 million tonnes per annum (mtpa) of LNG, eventually ramping up to 18 mtpa, and is expected to come online at the end of 2015.

Sinopec's deal to take at least 4.3 million mtpa could be worth around $85 billion if pricing is similar to that of recent coal-seam gas supply deals done by Australian gas firm Santos, said CLSA analyst Mark Samter.
The price of $1.5 billion for the 15 percent stake is also well above similar deals made recently--
state-run Korea Gas Corp (KOGAS) paid just over $600 million in cash to buy a 15 percent stake
from Australian energy firm Santos and Malaysia's Petronas.

"That price reflects their view of the value of the project...APLNG is dramatically stronger I think
than other projects, and that's what reflects in that price," Grant King, Origin's managing director
said.

"It's a full price... they've extracted a decent amount of value for the equity," CLSA's Samter said.

The project holdings of Conoco and Origin are now 42.5 percent each following Sinopec's equity
investment, and the joint venture partners are still aiming to make a final investment decision by
mid-2011.

Origin Energy shares were placed on a trading halt on Thursday. Sinopec shares were up 0.9
percent in Hong Kong.

CHINESE DEMAND RAMPS UP

China aims to boost gas consumption to 10 percent of its total energy use by 2020 as it tries to
reduce greenhouse gas emissions by cutting the use of dirtier burning coal. It has spent tens of
billions of dollars buying into energy resources from Africa to Latin America.

Energy consultancy Wood Mackenzie has forecast China's LNG imports to rise five-fold to 46
million tonnes by 2020.

"This will help Sinopec diversify its natural gas supply and meet the rapidly increasing demand of
customers in China. Sinopec continues looking for more cooperation opportunities in Australia,"
Zhang Yaochang, Vice President of Sinopec Group, said.

Sinopec's deal will be second only to China's first LNG import deal sealed in 2002 when China
National Offshore Oil Corp (CNOOC) secured 3.7 mtpa of gas from Australia's Northwest Shelf
project for 25 years.

CNOOC, parent of CNOOC Ltd, is the leading Chinese LNG developer with three receiving
terminals in operation and another two under construction. PetroChina's two terminals were
scheduled to begin operations from April.

The deal will also be Sinopec's first venture into foreign unconventional gas assets and moves
Australia Pacific LNG one step closer to meeting its target of making a final investment decision
this year.
Sinopec is building its first terminal in eastern Shandong, which will be fed from ExxonMobil's Papua New Guinea LNG project. The latest deal will enable Sinopec to accelerate work at the proposed 17 billion yuan ($2.61 billion) terminal in the southern coastal city of Beihai in the Guangxi region, which is expected to open in 2014.

The Beihai terminal will have an initial capacity of 3 million tonnes per year, expandable to 5 mtpa by around 2015 when Australia Pacific LNG comes online. ($1 = 6.526 yuan)  (Editing by Mark Bendeich and Muralikumar Anantharaman)