

# Japan deal secures its Shelf supply

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SALES agreements for the delivery of more than 3 million tonnes of liquefied natural gas from the North West Shelf project have been completed this year.

They will add billions of dollars to Australia's export income.

The orders reflect increasing concern about energy security in Japan with companies not wanting to be too reliant on LNG supplies from the Middle East.

Australia is benefiting also from the inability of some Indonesian LNG operations to meet contractual terms with Japanese buyers.

NW Shelf operator Woodside said yesterday that one of the project's foundation customers, Tokyo Gas, had signed a binding heads of agreement for supply of 0.53 million tonnes of LNG a year for eight years beginning in 2009.

Tokyo Gas is Japan's biggest gas utility, serving 44 million people, and is its second-largest LNG consumer. Based on current benchmark prices for natural gas at Henry Hub in the US, the new contract is estimated to be worth more than \$US200 million (\$254 million) a year to the six NW Shelf participants.

North West Shelf Australia LNG president Peter Cleary said Tokyo Gas had been a major customer of the project since deliveries began in 1989 and the new contract was a statement of confidence in safe, secure and reliable supplies of LNG.

The original Tokyo Gas contract with

the Shelf expires in 2009 but in 2003 the company signed its first additional contract.

The original contracts were signed in 1984 — to supply Tokyo Electric, Kansai Electric, Chigoku Electric, Tokyo Gas, Osaka Gas, Toho Gas, Chubu Electric and Kyushu Electric — for initial quantities of 6 million tonnes of LNG a year for 20 years from 1989. They had options for volumes to be extended beyond 2009.

The NW Shelf joint venture is building a \$2.4 billion fifth production train on the Burrup Peninsula which will take annual production capacity to more than 16 million tonnes, making the development one of the world's biggest LNG processing operations outside the Middle East.

It is expected more NW Shelf supply contracts will be announced in the next two months. According to Tokyo reports, the NW Shelf's total exports to Tokyo Gas will drop 16 per cent to about 1.6 million tonnes a year in 2009, from about 1.9 million tonnes now, with the reduction tipped to be picked up by demand from other customers.

During the past two years, as NW Shelf gas markets have been negotiating extensions to original contracts, they have been virtually overwhelmed by interest.

Woodside chief executive Don Voelte has said production from the fifth processing train on the Burrup Peninsula could have been sold many times on interest from Japan, South Korea and China. Apart from NW Shelf gas, Tokyo Gas has initial sales arrangements with the Gorgon project and is a foundation customer for Woodside's projected LNG Pluto development.



**Popular:** Don Voelte says production from the fifth processing train on the Burrup Peninsula could have been sold many times **Picture:** Andy Tyndall