

Taiwan giant locks into gas deal

The Asian powerhouse's demand for Woodside LNG could add up to \$45 billion

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THE scramble for energy security in booming northeast Asian economies has produced a breakthrough deal — a long-term LNG export contract between Woodside and Taiwan's huge CPC Corporation that could add up to \$45 billion.

Woodside yesterday confirmed the arrangement to supply 2 to 3 million tonnes of LNG per year from its proposed Browse Basin development, with shipments beginning as early as 2013 and lasting for 15 to 20 years.

This is the second Browse deal in three months, following a contract on similar terms with mainland Chinese giant PetroChina, signed in September during APEC.

The new deal is the first Australian contract signed with Taiwan after two decades of marketing efforts.

The issue has not been political — LNG is a global commodity — so much as price.

Taiwan has long been targeted by Australia's LNG suppliers but past efforts failed because of the low prices offered by Taipei.

But Taiwanese energy officials have had a change of heart in recent months, concerned their country would miss out on gas supplies as Japan and China bid for LNG at prices substantially higher than what were being negotiated earlier in the decade.

Australia's efforts to supply

LNG to north Asian markets have been blighted by the very low price obtained by the North West Shelf joint venture for the breakthrough 25-year, \$25 billion contracts with Guangdong province signed in 2004.

CPC is the dominant participant in Taiwan's oil and gas industry. Taiwan is the third-largest LNG market in Asia after Japan and South Korea.

State-run CPC claims to be the No 1 enterprise in Taiwan, responsible for the development and supply of petroleum and natural gas, and is the core of Taiwan's petrochemical industry.

Its vision is to become an international conglomerate with diversified operations in the petroleum, petrochemical, and high-tech fields.

The latest deal means that Woodside, either on its own or through the North West Shelf joint venture, has equity in LNG sales arrangements with Japan, China, Korea and Taiwan, which are the most important markets for the fuel.

Woodside chief executive Don Voelte yesterday said the CPC deal opened the way for further talks with the big Taiwanese group "for the potential sale of LNG from Woodside's other proposed Australian LNG developments". This is thought to be a reference to the possibility of CPC becoming a foundation customer for the potential expansion of the Burrup LNG Park which is based on Woodside's \$12 billion

Pluto project.

Woodside is considering five options for developing its Browse Basin gas discoveries, including transporting the gas more than 900km to the Burrup Peninsula.

Woodside is the 50 per cent owner and operator of several Browse permits north of Broome, partnered by BP, Chevron, BHP Billiton and Shell.

The Browse is an essential component of Woodside's plan to become the world's biggest LNG supplier, with the potential to provide up to 15 million tonnes of LNG a year.

Woodside said CPC and it would negotiate in good faith to conclude an LNG supply deal involving several conditions, including a final investment decision on the Browse development and government approvals.

Woodside said its Browse partners were not party to the CPC agreement "to this point" but the key terms arrangement allowed for blended sales.

Mr Voelte said the CPC agreement recognised the quality of Woodside's Australian LNG portfolio and emphasised the its position as an LNG supplier of choice in the Asia-Pacific region.

The latest deal is significant considering that the NW Shelf joint venture is not currently seeking to expand its sales into Taiwan, even though it has resigned all the original Japanese customers for the huge project.

HEATING UP



Date	Buyer	Scale	Price approx
2004	CNOOC	3.5 mtpa for 25 years	\$25bn
Sep 07	PetroChina	1 mtpa for 20 years	\$7bn
Sep 07	PetroChina	3.5 mtpa for 15-20 years	\$45bn
Nov 07	CPC	2-3 mtpa for 15-20 years	\$45bn