

Finance Business Plus

Coal seam gas the future

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477 words

20 November 2007

[The Courier-Mail](#)

1 - First with the news

67

English

QUEENSLAND'S coal seam gas industry continues to grow, increasingly replacing supplies of conventional natural gas.

In the year to the end of September, the industry produced 93 petajoules of gas, up 44 per cent from the year earlier, and met about 70 per cent of Queensland's gas needs.

Reserves reached nearly 6600 PJ (proved and probable), with considerable further potential yet to be tested.

Coal seam gas companies Queensland Gas and Arrow Energy are both capitalised at \$2 billion and Sunshine Gas is nearly \$500 million.

This boom in coal seam gas is attracting a lot of attention.

The seventh annual Coal Seam Gas Conference, organised by the Australian Journal of Mining and which starts today, is expected to attract a record 170 people.

A coal seam gas course this week is a sell-out.

Sydney and Melbourne sharebrokers like JP Morgan and Citigroup are now covering the sector and just last week Credit Suisse initiated coverage on Sunshine Gas.

There are three fundamental reasons why the growth in coal seam gas is likely to continue.

First, the Cooper Basin, which has met much of Queensland's, NSW's and South Australia's gas needs, is now in decline.

Queensland coal seam gas therefore has a ready market, both in Queensland and other states. Epic Energy is working on a new pipeline, underpinned by a contract with AGL, to make it easier to ship the gas to southern markets.

Second, gas demand is growing quickly in Queensland and could double by 2020. This is being stimulated by resources projects, such as expansion of the Rio Tinto Yarwun alumina refinery at Gladstone which has contracted coal seam gas from Origin Energy.

Gas use will also grow due to the Queensland Government's ClimateSmart policy, which promotes clean, gas-fired power generation. Earlier this month the Premier officiated at the ground-breaking ceremony for a major gas-fired power station being built by Origin Energy on the Darling Downs.

Third, there is potential to export CSM in the same way that conventional gas is already exported from WA. Santos and Arrow Energy are both assessing possible Gladstone LNG projects, with strong interest from potential gas buyers in Asia and the US.

All told, coal seam gas is likely to keep breaking records for some time yet.

Dr Graeme **Bethune** is chief executive officer of energy adviser EnergyQuest.

What is coal seam gas?

- * Methane (CH₄) is formed as part of the burial of peat to form coal
- * The methane is held in the coal by burial pressure and water
- * Natural fractures called cleats gives coal a large internal surface area
- * The amount of gas present in a coal seam depends on the depth of the seam

Source: Department of Natural Resources and Mines