

Gearing up for coal seam gas bonanza

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SANTOS'S proposed multibillion-dollar liquefied natural gas plant in Gladstone is expected to boost exploration and prices in Queensland's emerging coal seam gas sector.

Market watchers said the development boost would be due partly to the plant providing greater confidence in CSG -- possibly leading to other industrial uses for a resource recovered from coal measures often hundreds of metres underground.

Another factor was the plant sucking up CSG supplies.

But this, in turn, could put upward pressure on prices. Further pressure might come from linking east coast gas supplies to international markets, thanks to the plant's export focus.

The plant is proposing to tap between 170 and 220 petajoules a year from new Santos fields in southern Queensland.

Analysts said total eastern coast gas consumption was now between 650PJ and 660PJ a year.

Graeme Bethune, chief executive officer of advisory firm **EnergyQuest**, said the amount Santos was taking was "quite huge". If Santos was soaking up that much CSG, he said that left room for market expansion.

Paul Balfe, an executive director with consultants ACIL Tasman, said: "It's a big boost to exploration development investment."

Mr Balfe said this could mean a couple of thousand wells would be required. "If you could pull this off, it's just a huge vote of confidence in CSG," he said.

"If you're going to pin a multibillion-dollar project on being able to produce at that level and maintain that production level over a 20 or 30- year project life, then you're saying we can really do CSG on a pretty grand scale . . ."

This implied that if such a large amount of gas can be produced for one major liquid natural gas project (such as Santos's), then more CSG could be unlocked for other purposes such as power generation.

Arrow Energy chief executive officer Nick Davies, whose CSG company is undertaking a \$150 million capital raising, said the Santos move was "all good news". It validated processes despite some doubts about CSG conversion to LNG, he said.

"It (also) takes a huge amount of gas off the market."

Mr Davies said that meant pressure on the supply-demand equation, and thereby prices.

Mr Balfe said some supply might be replaced by higher-cost producers.

"Some would (also) argue that you're establishing a link between the east coast gas supply and international prices, so that we could see the sort of thing happen in eastern Australia like has happened in recent times in WA, where domestic gas prices have skyrocketed on the basis of very tight supply and high international prices and LNG prices," he said.

But he downplayed this happening on the east coast, saying: "Even if (Santos) succeed in building this plant . . . it's not as though that's a routine monetisation path for any eastern Australian domestic gas."

This meant prices might rise but not to the same levels as those for exports, he said.

Mr Bethune said export LNG was about \$6 a gigajoule, while new coal seam gas was \$2.50 to \$3 a gigajoule.

1. Roma: Coal seam gas fields
2. Pipeline: Roma to Gladstone
3. Gladstone: Coal seam gas converted to liquefied natural gas, exported via tankers to potential markets in Japan, South Korea and China