

# gas week brief

EWN Publishing

## POLICY OUTLOOK

**Aus oil trade deficit looms:** Using Geoscience Australia projections and assuming oil prices of US\$50 a barrel, Australia will have a trade deficit in oil, condensate and other refinery feedstocks of as much as \$12-\$18 billion by 2015. Add to this a growing net import bill for refined products, and the deficit for oil, condensate and refined products is projected to increase to \$27 billion a year by 2015 — around twice the 2005-06 deficit of \$12.8 billion. *Reference: "Energy State of the Nation", presentation by Belinda Robinson, Chief Executive APPEA, Sydney 7 March 2007. Contact: appea@appea.com.au*

**AGL gas expectations:** AGL chief executive Paul Anthony believes that while the exact of carbon constraints to be imposed on Australia was not known, it was highly likely that coal-fired power

stations would face restrictions that would grow tougher and tougher as the decade proceeded, according to Robert Gottlieb in *The Australian* (28/4/2007, p.40). At the moment there is insufficient eastern Australian natural gas to meet the expected longer-term demand in the four major capitals - Sydney, Melbourne, Brisbane and Adelaide but substantial coal gas reserves were being discovered and Anthony estimated the combination of natural gas and coal gas will be able to supply eastern Australian capitals for the next 15 years, "with 15 to 20 years before the country needs to consider the next source of gas, it could be East Timor or possibly Papua New Guinea," he said.

## NT fuel price to 4 May

	ULP			PULP			DIESEL			LPG		
	High	Low	Mean	High	Low	Mean	High	Low	Mean	High	Low	Mean
Darwin/ Palmerston	138.9	131.7	135.8	143.9	137.7	141.7	135.9	125.7	130.1	87.9	69.9	74.5
Alice Springs	141.9	136.9	140.0	145.0	142.9	144.8	141.9	129.9	138.2	85.0	71.9	78.9
Katherine	140.9	125.7	129.9	147.9	131.5	136.6	130.5	126.7	128.7	76.9	75.5	75.1
Nhulunbuy	-	-	157.4	-	-	163.0	-	-	153.4	-	-	-
Tennant Creek	-	-	-	-	-	-	-	-	-	-	-	-

## Australia wholesale prices

### AVERAGE TERMINAL GATE PRICES (TGP<sub>s</sub>) ACROSS AUSTRALIAN STATES/TERRITORIES

Week ended 04 May 2007

#### UNLEADED PETROL (cents per litre \$A)

	Monday 30 April 2007	Tuesday 1 May 2007	Wednesday 2 May 2007	Thursday 3 May 2007	Friday 4 May 2007
Sydney	122.8	123.5	123.9	124.1	125.1
Melbourne	121.7	122.5	122.9	123.1	124.1
Brisbane	122.5	123.5	123.9	124.1	125.2
Adelaide	122.9	123.8	124.1	124.4	125.3
Perth	123.4	124.3	124.6	124.6	125.8
Darwin	127.2	128.1	128.6	128.8	129.7
Hobart	123.2	124.3	124.7	124.9	126.0

#### DIESEL (cents per litre \$A)

	Monday 30 April 2007	Tuesday 1 May 2007	Wednesday 2 May 2007	Thursday 3 May 2007	Friday 4 May 2007
Sydney	120.5	121.0	121.3	121.4	122.0
Melbourne	118.8	119.3	119.5	119.7	120.2
Brisbane	120.1	120.6	120.9	121.1	121.6
Adelaide	120.3	120.8	121.1	121.2	121.7
Perth	120.4	120.8	121.0	121.0	121.6
Darwin	124.2	124.7	125.0	125.1	125.6
Hobart	123.4	123.9	124.2	124.4	124.9

## TAKEOVERS

**ARC snaffles Mitsui assets:** According to Jamie Freed in *The Sydney Morning Herald* (26/04/07, p.23), Perth company ARC Energy has emerged as the winning bidder for the Australian oil and gas assets sold off by Japan's Mitsui and the deal with Mitsui will transform ARC - a company with a \$303 million market value before the purchase - into a midsize Australian oil and gas player. ARC would pay \$US14.03 per boe of

reserves, which is less than the \$US17.95 per boe global average acquisition price since January 2006 and ARC Energy said it would pay \$US315 million (\$381 million) for non-operating stakes in three producing fields off Western Australia and Victoria. The move would more than double ARC's 2008 financial year production to 4.2 million barrels of oil equivalent (boe) and increase its reserves by 336 per cent to 29.1 million boe.

**Exploration costly so buy out:** The name of the game in the world of resource

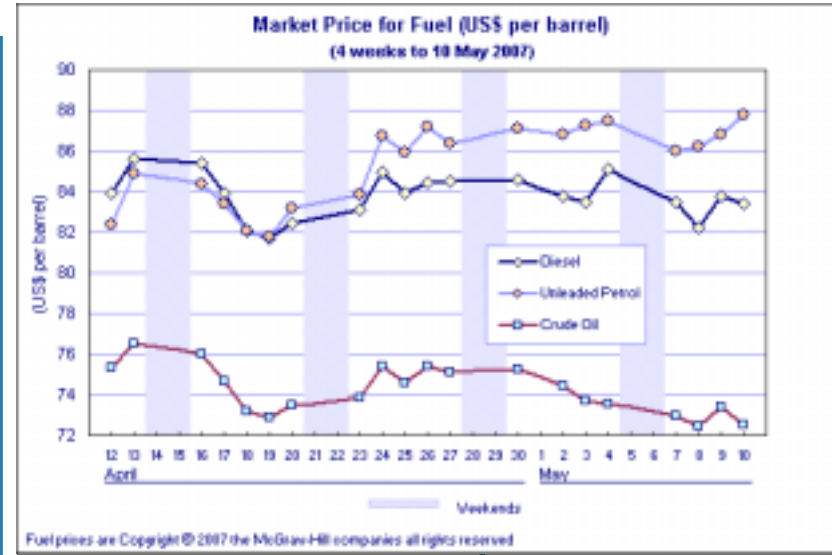
exploration is to find acreage, and that has become increasingly difficult, as the best acreage has been taken and much of what remains is high-risk and geographically remote, reported *The Australian* (30/4/2007, p. 34). Exploration was becoming increasingly expensive due to a blowout in costs from skills shortages, high commodity prices and time lags, and it was now cheaper for the global corporate world to buy than build. Put simply, existing operating assets would now appear comparatively cheaper than the new assets on a risk-adjusted basis. This reinforced the old adage: get big or get out.

**SANTOS**

**SA OKs Santos review:** SA Premier Mike Rann on 1 May announced a review of a 28 year-old law limiting

individual shareholder ownership in Santos to 15 percent. The decision to review the cap came at the request of Santos. "The cap was introduced in 1979 - nearly 30 years ago - and was designed to prevent Alan Bond from taking the company over, with accompanying concerns at the time about ensuring continuity of gas supply. The cap was introduced in 1979 by the Corcoran Labor Government to protect a strategic asset of our State" Rann said. "Santos has written to me concerned that the cap restricts the company's growth. "Cabinet on 30 April agreed to conduct a review of the cap. When it was introduced, the Cooper Basin was our sole gas source. Today, i.e., 1 May 2007, South Australia is the centre of a national gas hub, taking supply from Queensland, and from Victoria through the SEAG pipeline". *Reference: Review of Santos Shareholding Cap.*

**AIP Prices**



<http://www.premier.sa.gov.au>

**Gas projects boost Santos:** On 24 April, Santos announced a 5 per cent increase in first quarter production to 14.5 million barrels of oil equivalent, reflecting the start-up of a number of new projects during the past year. This record first quarter production was achieved due to new production from the Bayu-Undan LNG, Maleo gas and Casino gas projects, although this was partially offset by the impact of cyclones on Western Australian oil production during the quarter. Sales revenue of \$580.9 million was 7 per cent lower than the previous corresponding period due to lower realised liquids prices driven by lower oil prices and the strengthening A\$/US\$ exchange rate. Santos gas sales up 70.5pc on Q1: In the Otway Basin/

Gippsland Basin, aggregate Santos sales gas production of 7.5 PJ was 70.5 per cent higher than Q1 2006, reflecting the full period contribution from the Casino field (start-up Q1 2006, production of 5.4 PJ during Q1 2007). In the Carnarvon Basin, sales gas production from the John Brookes field of 7.6 PJ was 1.3 per cent above Q1 2006, reflecting an increase in customer demand. Combined net oil production from Santos Carnarvon Basin oil assets (including Stag, Mutineer- Exeter, Legendre, Barrow Island and Thevenard Island) of 1.9 mmbbl was 18 per cent lower than Q4 2006, reflecting natural field decline combined with the impact of tropical cyclones George, Jacob and Kara. <http://www.santos.com>



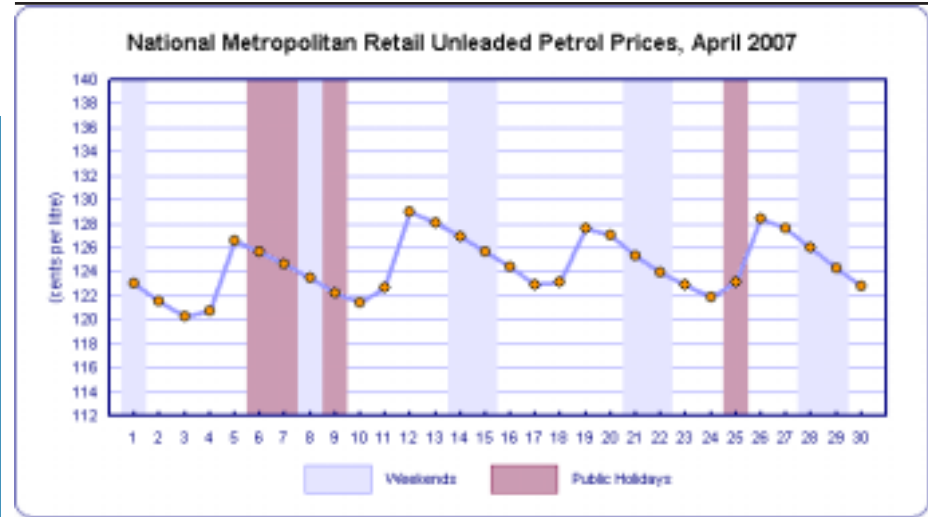
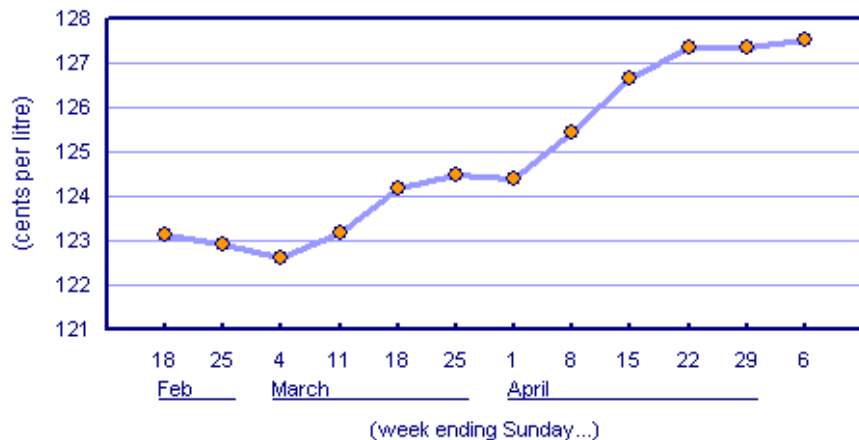
**Declining Cooper Basin gas:** Santos sales gas and ethane production of 22.8 petajoule (PJ) was 8.8 per cent lower than Q1 2006, reflecting the natural field decline of the Cooper Basin, Santos reported to the ASX last last month. Third party gas of 0.5 PJ net to Santos was purchased during Q1 2007, a 3.0 PJ reduction from Q1 2006, as part of the eastern Australian gas portfolio optimisation. Condensate production of 0.36 million barrels (mmbbl) was up 3.9 per cent due to changes in field mix. CALTEX OUTPUT Caltex 1bnLpm this year: Managing director and chief executive Des King told the annual meeting in Sydney that Caltex was aiming to produce 1 billion litres a month in petrol, diesel and jet fuel in 2007, according to Energy Writer Nigel Wilson in *The Australian* (25/4/2007, p. 24). King announced that the Lytton diesel hydrotreater was the largest project in the company's refinery

performance improvement program, and that the 1 billion litres a month target would build on the high utilisation levels at Lytton and at the Kurnell refinery in Sydney.

**US/IRAQ**

**US focus on Iraqi fuel:** In Iraq, significant US combat forces are dedicated to moving fuel and protecting fuel supply lines, according to a CNA Corporation military report. The fuel delivery situation on the ground in Iraq is so limited that that the Army has established a Power Surety Task Force to help commanders of forward operating bases cut the number of fuel convoys by using energy more efficiently. Gen. Richard Zilmer, USMC, commander of the multinational force in the Anbar province of Iraq, requested renewable energy systems in August

**Diesel Fuel Prices**



2006. According to Gen. Zilmer, reducing the military's dependence on fuel for power generation could reduce the number of road-bound convoys and thus reduce personnel loss rates. Continued casualty accumulation potentially jeopardises mission success. *Reference: GEO: Strategic Implications of Climate Change. National Security And The Threat of Climate Change. Contact: Noel L. Gerson, Vice President, Communications and Public Affairs, The CNA Corporation. Phone: (703) 824-2758. Email: gersonn@cna.org http://www.securityandclimate.cna.org/*

**LNG**

**Woodside: no more \$15barrels:** "While we continue to be challenged on the cost front, Woodside expects buoyant revenues from our products to continue for some time," Woodside said in a statement. "In recent years, oil prices

have reached historical highs, driven by declining traditional reserves, production disruptions such as Hurricane Katrina, political instability and terrorism threats. These have occurred against a background of continued global energy demand growth. These factors, we believe, have underpinned a paradigm shift in oil prices. The days of US\$15 a barrel of oil are gone. Future oil prices will be determined by the degree to which supply can expand, the marginal cost of that supply, and OPEC's ability to regulate prices". *Reference: Woodside Petroleum Ltd 36th general meeting, 19 April 2007. Report by managing Director and Chief Executive Officer Don Voelte.*

<http://www.woodside.com.au/NR/rdonlyres/D8FB9B89-0F4F-4AE3-994E-B68A7CD7312A/0/2007AGMaddressbyChairmanandMDCEO.pdf>

**BIOFUELS**

**Diesel from animal fat:** ConocoPhillips and Tyson Foods revealed that they had been collaborating over the past “on ways to leverage Tyson’s advanced knowledge in protein chemistry and production with ConocoPhillips’s processing and marketing expertise”, reported *The Australian* (28/4/2007, p. 12). Tyson, one of the world’s largest meat producers, will make capital improvements this summer in order to begin pre-processing animal fat from some of its North American rendering facilities later in the year. ConocoPhillips, a Houston, Texas-based oil and gas group, will make the

necessary capital expenditures to enable it to produce the fuel at several of its refineries with “the finished product will be renewable diesel fuel mixtures that meet all (US) federal standards for ultralow-sulphur diesel,” the joint statement said, with the project expected to produce as much as 661 million litres per year of renewable diesel.

**QLD**

**CSG to supply half of gas:** Thanks to Queensland’s 13pc gas scheme this year, CSG will supply about half, or about 60 petajoules, of Queensland’s

**WA country prices**

Best Prices available from Sam today Saturday 12 May 2007							
Region	ULP Best (Average)	PULP Best (Average)	LPG Best (Average)	Diesel Best (Average)	LPG Best (Average)	98 RON Best (Average)	B20 diesel Best (Average)
Gascoyne	148.9 (146.3)	146.7 (153.3)		136.0 (141.7)	75.9 (86.4)	152.9 (153.9)	
Goldfields- Esperance	128.9 (138.7)	134.9 (143.0)		127.9 (135.2)	71.9 (78.7)	145.9 (150.1)	125.9 (126.9)
Great Southern	128.9 (135.7)	134.9 (141.8)		127.9 (133.9)	71.5 (72.2)	142.5 (145.4)	126.9 (126.9)
Kimberley	147.0 (149.6)	146.0 (155.1)		140.0 (146.7)	87.9 (93.7)		
Mid-West	134.9 (141.5)	140.9 (147.5)		129.9 (137.5)	63.0 (69.0)	151.8 (153.9)	127.9 (127.9)
Peel	123.5 (128.3)	130.5 (133.2)		126.6 (130.5)	53.9 (58.9)	133.5 (136.9)	124.9 (124.9)
Pilbara	147.0 (151.8)	153.5 (158.6)		141.0 (146.9)	85.0 (90.3)		
South-West	125.9 (135.4)	131.9 (140.8)		127.9 (134.0)	58.8 (65.5)	137.9 (144.8)	125.9 (125.9)
Wheatbelt	128.9 (136.6)	134.9 (141.7)		127.5 (133.5)	59.9 (72.6)	142.9 (146.9)	

**WA city prices**

Best Prices available from Sam today Saturday 12 May 2007				
Product	North of River	South of River	EastHill	Metro Average
ULP	119.9	119.9	119.9	125.7
PULP	125.9	125.9	125.9	131.8
Diesel	123.9	121.5	126.9	129.1
LPG	51.9	53.3	54.9	58.2
98 RON	132.2	132.2	132.9	135.6
B20 diesel	121.9	120.8	123.9	124.1

**FuelWatch, an initiative of the Western Australian Government, is administered by the Department of Consumer and Employment Protection, and**

**covers most retailers in WA. It provides prices for Unleaded Petrol (ULP), Premium Unleaded Petrol (PULP) Diesel, LPG Autogas, 98 RON and B20 diesel fuel.**

gas, and it is projected that by, 2010 about 70 per cent of the state’s gas market will be supplied from coal seam gas, reported *The Courier Mail* (30/4/2007, p.26). When the 13pc gas scheme was announced in 2000, Queensland’s gas-fired generating capacity was about 900MW. Since then, the 450mW Braemar Power Station, near Dalby, has been commissioned, which brought the state’s gasfired power station capacity to more than 2000MW.

**LNG**

**Woodside: Asia eager for LNG:** LNG buyers in Asia were looking carefully at their options, according to a Woodside statement, as the need for portfolio diversity and supply security mean that Australian projects are the customers’

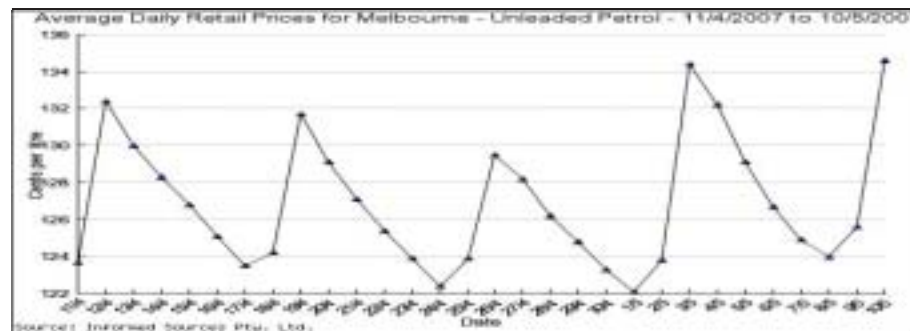
first choice for new supplies. “It is our view that our projects will no longer be held up by the need to capture markets. Woodside’s approach will be to lever our track record and strong relationships with the region’s premium buyers to secure long term sales to underpin our new projects. An appropriate balance of additional short-term and spot sales will be introduced to maximise revenue opportunities”.  
*Reference: Woodside Petroleum Ltd 36th general meeting, 19 April 2007. Report by managing Director and Chief Executive Officer Don Voelte. website: <http://www.woodside.com.au/NR/rdonlyres/D8FB9B89-0F4F-4AE3-994E-B68A7CD7312A/0/2007AGMaddressbyChairmanandMDCEO.pdf>*

**EAST TIMOR**

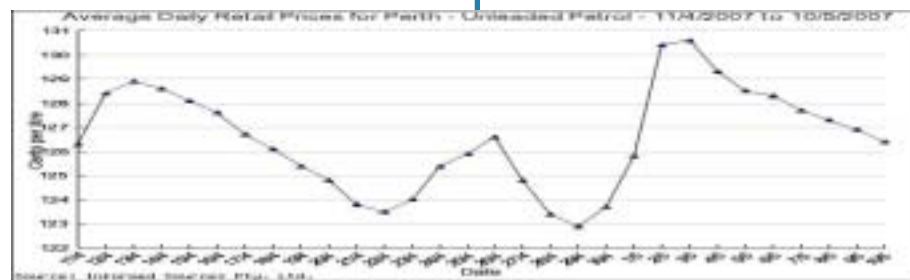
**East Timor petrocash, no land:** Under the Timor Sea treaty, ratified in February, East Timor had agreed to forgo claims to a permanent maritime boundary for 50 years in return for an equal share of revenue from the disputed Greater Sunrise gas field, reported *The Age* (21/4/2007, p. 9). The deal was worth billions to the impoverished nation and is a big improvement on its previous position but the treaty precludes East Timor from pursuing claims against Australia for any other gas and oilfields in the Timor Sea, nor could it take legal action against Australia in any disputes over resources. Andrew Serdy, a former executive officer in sea law in the

Department of Foreign Affairs and Trade and on Australia's negotiating team for a 2003 treaty with East Timor, said the Timor Sea treaty - ratified in February - failed to deal with resources other than petroleum and did not establish a maritime boundary.

**Melbourne unleaded prices, last 30 days**



**Perth unleaded prices, last 30 days**



**Sydney unleaded prices last 30 days**



**Adelaide unleaded prices, last 30 days**

