

Australia's Oil Search banks on 2020 sign-off for major expansion



MELBOURNE (Reuters) – Australia's Oil Search is confident its partners ExxonMobil Corp and Total SA will be ready to sign off on two big projects in 2020 that together will double liquefied natural gas (LNG) exports from Papua New Guinea.

Oil Search had first hoped the projects to fuel an expansion of Exxon Mobil's PNG LNG plant would be approved in 2019, but talks with the government took longer than expected after an earthquake hit the country a year ago.

"It was a very tough year in Papua New Guinea for a range of reasons and it started with the earthquake," Oil Search Chief Executive Peter Botten said.

The quake killed more than 100 people in the rugged highlands region of one of the world's poorest countries, destroyed homes, roads and runways and knocked out gas and oil facilities.

It also stoked long-running antagonism against the PNG LNG project, as the country's take from the development has been

much lower than anticipated and the government has been slow to pay out royalties to local communities.

Some people even blamed oil and gas operations for triggering the quake.

“In that context, we were doing a lot of negotiations on major projects and those sensitivities, I think, have been really well addressed,” Botten told Reuters after the company reported its annual results.

Total is set to sign an agreement with the government by early April on its Papua LNG project, and Exxon Mobil is expected to follow soon after on terms for an expansion of its PNG LNG plant and development of a new gas field, P’nyang, Botten said.

Total’s Elk and Antelope fields, new gas from PNG LNG fields and P’nyang are set to feed gas into three new processing units at PNG LNG, roughly doubling its output to 16 million tonnes a year, at a cost of around \$13 billion, according to analysts.

“I’m very confident that a 2020 final investment decision is very achievable,” Botten said.

Oil Search, which has a 29 percent stake in the PNG LNG project, posted a 13 percent rise in annual profit, boosted by higher prices for its LNG and oil, which offset a loss of output after the earthquake.

Net profit for the year ended Dec. 31 rose to \$341.2 million from \$302.1 million a year earlier, but fell short of analysts’ forecasts around \$360.83 million, according to Refinitiv data.

Oil Search raised its full year dividend to 10.5 cents from 9.5 cents in 2017.

Oil Search’s shares fell 1.5 percent in a slightly firmer broader market.

Production is expected to return to pre-quake levels in 2019 and unit production costs are forecast to fall 15-20 percent on the back of higher production, it said.