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ENERGY

PTTEP mulls Australian, Canadian resource sales 61212433

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PTT Exploration and Production Plc (PTTEP), the SET-listed upstream oil and gas company, is considering selling its petroleum resource assets in Australia and Canada after classifying them as a non-core segment.

Chief executive Somporn Vongvuthipornchai said the move is in line with the board of PTT, the parent group, deciding that those assets lack an appropriate return on investment, including Montara in Australia and Mariana Oil Sands in Canada.

The two petroleum resources were delayed several times because of higher production and development cost and the fluctuation in global oil prices during 2014-17.

"Other firms will manage the production costs better than PTTEP, so we'll review what we can do with these assets," Mr Somporn said.

He said PTTEP will invest in other assets like the offshore Rovuma Area 1 in Mozambique and the Hassi Bir Rekaiz Project in Algeria.

Final investment decisions on the projects in Mozambique and Algeria are expected to be made soon.

Mr Somporn said PTT is still required to buy liquefied natural gas (LNG) from Rovuma, though Thai policymakers ordered the suspension of such purchases.

PTTEP is soon expected to close one M&A deal for assets in Asean and the Middle East. Mergers and acquisitions are viewed as one means to ramp up expansion as new resources take years

to develop.

PTTEP estimates total sales volume in 2018 of 300 kilobarrels per day (KBD), excluding its new asset acquisitions.

The company said it recently completed the acquisition of a 22.22% stake in the Bongkot field from Shell. That deal is worth US\$750 million (23.5 billion baht).

The share purchase agreement was processed in March.

An additional petroleum concession has already been signed by all parties, which has resulted in PTTEP's stake in the Bongkot field rising to 66.7%. The remaining stake is owned by France's Total.

After the completion of this transaction, PTTEP's sales volume will increase by another 35 KBD. The deal is viewed as an important step for PTTEP to continue its operations in the Bongkot field.

Erawan and Bongkot are in the process of being auctioned by the Mineral Fuels Department. The winning bidders will be announced in December.

In a related development, PTTEP reported that Mozambique LNG1 Co, partly owned by PTTEP, signed an agreement with Tokyo Gas Co and Centrica LNG Co for the long-term supply of liquefied natural gas (LNG).

The co-purchasing offtake agreement calls for delivering ex-ship supply of 2.6 million tonnes a year. Mozambique LNG1 is also partly owned by the partners of the Mozambique Rovuma Offshore Area.

This agreement takes full advantage of Mozambique's location, which enables LNG supply to both the European and Asia-Pacific markets, Mr Somporn said.

Mr Somporn will retire on Sept 30.

PTTEP recently announced that Phongsthorn Thavisin would replace him from Oct 1 onward.

Mr Phongsthorn is president of exploration and production and acting executive vice-president for the business transformation and organisation group.

Several stock analysts have also revised up PTTEP's share price by 14-17%, in line with fast-rising global oil prices from an average of US\$61 a barrel in the first quarter.

Oil prices further rose to \$67 a barrel in June and closed above \$70 last week in the Dubai market.

Upward revisions by analysts for shares of PTTEP, including Aira Securities, ASL Securities and Philippe Thailand Securities, range from 132-139 and 142-159 baht per share.