ECONOMICS AND INDUSTRY
STANDING COMMITTEE

INQUIRY INTO DOMESTIC GAS PRICES

TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
WEDNESDAY, 10 NOVEMBER 2010

SESSION TWO

Members

Dr M.D. Nahan (Chairman)
Mr W.J. Johnston (Deputy Chairman)
Mr M.P. Murray
Mrs L.M. Harvey
Mr J.E. McGrath

Hearing commenced at 10.30 am

SORENSEN, MR CHRIS
Marketing Manager, Gorgon Domgas Marketing, examined:

The CHAIRMAN: Thank you for your appearance before the committee today. The committee is a proceeding of the Parliament and warrants the same respect that proceedings in the house itself demand. Even though you are not required to give evidence on oath, any deliberate misleading of the committee may be regarded as a contempt of Parliament. In the lead-up to today's hearing you have indicated to the secretary that you will request restrictions to some of the questions that may be posed. In accordance with this request we will close the latter part of the hearings to the public to discuss those questions. Have you completed the "Details of Witness" form?

Mr Sorensen: Yes.

The CHAIRMAN: Do you understand the notes at the bottom of the form?

Mr Sorensen: Yes.

The CHAIRMAN: Did you receive and read the information for witnesses briefing sheet regarding giving evidence before parliamentary committees?

Mr Sorensen: Yes.

The CHAIRMAN: Do you have any questions about giving evidence before a parliamentary committee?

Mr Sorensen: No.

The CHAIRMAN: The committee has received your submission. Thank you for your contribution. Do you wish to propose any amendments to your submission?

Mr Sorensen: No.

The CHAIRMAN: Before we ask questions, would you like to make an opening statement?

Mr Sorensen: Yes, I do have an opening statement. I am the sales rep for the Gorgon domgas sellers. This is a group consisting of the project's six joint venturers, which is Chevron, ExxonMobil, Shell, Osaka Gas, Tokyo Gas and Chubu Electric. If the committee is not familiar with Osaka Gas, Tokyo Gas and Chubu Electric, they are LNG buyers that have taken a minority interest in the project. Although I represent the sellers today, I am unable to speak on behalf of any individual company or participant in the project. Nonetheless, I am looking forward to representing the sellers before the committee to discuss the sellers' submission in more detail. The sellers are very supportive of the committee's efforts, as we feel an inquiry of this nature will help the Western Australian Parliament and the Western Australian gas consumers to better understand the dynamics of the Western Australian domgas market.

I would like to provide some background on the Gorgon project. The project involves the development of a number of gas fields located between 130 and 200 kilometres off the north west coast of the state. These fields have an estimated total recoverable reserve in excess of 40 trillion cubic feet of natural gas.

The CHAIRMAN: Excuse me, could you translate that into a measurement other than cubic feet?

Mr Sorensen: It would be 40 000 petajoules, in round numbers. The Gorgon project involves the development of both onshore and offshore infrastructure to recover and transport the gas from the fields to Barrow Island for processing into liquefied natural gas—LNG—for export, and also domgas of pipeline quality for delivery to customers in Western Australia. The Gorgon project joint venture participants entered into an agreement with the state of Western Australia under which they have agreed, among other things, to an obligation to reserve a certain amount of natural gas, develop a domgas plant capable of delivering up to 300 terajoules a day and undertake the marketing of that domgas.

In addition to bringing a major new gas source to the state, the Gorgon project is delivering substantial economic and employment benefits to Western Australia. As you are aware from our submission, the sellers are actively involved in the process of placing the first tranche of 150 terajoules of domgas into the Western Australian market. Accordingly, we know that the committee recognises the commercial sensitivities around these efforts. Additionally, it is appropriate to acknowledge the ring-fencing regime established under the Australian Competition and Consumer Commission's—the ACCC's—joint marketing authorisation. This ring-fencing regime ensures that marketing information is not shared at all between domgas rival projects, to ensure open competition between those projects. I can assure you that the sellers take this obligation seriously and compliance is determined by annual reviews by an independent auditor.

In the sellers' submissions to the commission in June, the sellers noted that the most significant drivers for wholesale domgas market prices in Western Australia are the levels of supply and demand and the costs involved in that supply. Concept Economics, in its 2008 report, which can be found on the ACCC's website, noted that Western Australia has historically been oversupplied. This excess supply was sold at low prices and has acted as a disincentive to develop new gas fields. In last few years, this oversupply has been fully contracted and, as a result, wholesale domgas prices have increased above historical levels. This increase in domgas prices has provided market signals to suppliers. Forecasts today are for at least five domgas projects to be operating by 2015, including Gorgon's domgas plant, all providing significant supply to Western Australia. The timing of this new lumpy supply requires alignment with the timing of the lumpy demand. In this alignment of supply, demand, transportation and start dates, a complex contract negotiation is required, which, by its nature, involves long-term contracts.

The sellers' submission also notes that the costs involved in supply are a factor in domgas prices. Sellers know, from their experience, that exploration and development costs, infrastructure costs, environmental compliance costs and production costs for gas fields located further offshore have increased dramatically and remain quite high. Suppliers of domgas necessarily have to consider these supply costs and take a long-term view of market prices, as they will vary due to changes in the supply and demand fundamentals. The sellers consider that an increased intervention aimed at reserving more gas for Western Australia's domgas market is unwarranted. Intervention of this nature risks dampening investment in Western Australia's gas projects, ultimately leading to less gas being available to Western Australian consumers and industry, with subsequent flow-on effects for domgas prices.

The sellers consider that efforts to reduce the price of domgas in Western Australia should be focused on increasing supply by way of the development of market features and signals that facilitate gas supply. This would include initiatives to increase access to flexible gas transportation and investments in increased storage capacity. The sellers also support the development of the gas bulletin board and gas statement of opportunities for Western Australia, as recommended by the Gas Supply and Emergency Management Committee report to government in September 2009.

In summary, the sellers note that wholesale domgas prices in Western Australia reflect the operation of supply and demand in this market. The effective and efficient operation of the Western Australian gas market should be encouraged. Thank you.

The CHAIRMAN: Thank you very much. We have a few questions. As you well know, the major impetus for this inquiry is the concern among gas users at least that there is a growing shortage of gas in the medium to long term in the domestic market and that prices are rising to levels that would exceed the netback LNG price. That is the informational context of this inquiry. Can you comment on those?

Mr Sorensen: As I mentioned in my opening statement, prices have increased because of the tightening of the supply and demand balance. This has provided market signals. We have seen recent projects coming online, including Apache's Reindeer project, BHP's recently sanctioned Macedon project and our Gorgon project et cetera. In our mind, the market is working properly. Signals are being sent to suppliers and they are responding.

The CHAIRMAN: In your submission, you say there are six significant joint venture projects to supply domgas, and you mentioned three. What are the other three?

Mr Sorensen: We are saying that there are six in total. That includes the existing North West Shelf project, the two joint venture projects on Varanus Island, the Gorgon project, BHP's Macedon project and also Apache's Reindeer project.

The CHAIRMAN: You are of the view—just to summarise it—that you think the prices have gone up and that that has elicited a supplier response and that the supplier response would moderate future increases?

Mr Sorensen: As our commodity markets work and as prices go up, that affects the amount of demand and you get more supply. Perhaps you will get into an oversupply market and prices will drop. You will have those types of market dynamics here in Western Australia, like any other commodity market.

The CHAIRMAN: Have the general terms of the contracts changed? We have been told that a contract ain't a contract; it depends on the conditions of it. It is not just the price; there are other aspects to it. Western Australia has experienced, historically—not from you—take-or-pay contracts with very flexible arrangements in some of those contracts, particularly in terms of long-term contracts. Do you see changes in the deterioration of the terms of contracts to purchase gas—that is, less flexibility and shorter terms?

Mr Sorensen: As a representative of Gorgon domgas contracts, I do not have any familiarity with any other contracts out there. I can only say that we have offered to the market flexibility in our contracts in the amount of daily swing, take-or-pay quantities and the term of contracts et cetera. I cannot speak to whether that is a change to the market of where the expectations have been.

[10.45 am]

The CHAIRMAN: You have an agreement to provide 300 terajoules of gas to the domestic market, and you are now marketing the first tranche of that at 150. When do you expect to bring that to the market?

Mr Sorensen: Let me just give you some background on why we are only doing 150 terajoules a day. In 2007 the project was a two-LNG train project that went to the state and commonwealth to get approval. At that time it was determined that it was not really a viable project. They expanded the project from two LNG trains to three LNG trains and added a domgas plant. As part of that, they did not add any additional fields or additional wells to the project. It is now a viable project, we have sanctioned the project et cetera, but we are asking these fields and these wells to provide more sales without actually having produced any gas out of these wells. So the intention of the project is to not commit all of the LNG or all of the domgas to market at this point until they get some experience of production under their belt. So once we start up—the first wells are targeted to be started up in 2014—we would anticipate within a couple of years after that we will have a good feel for whether these reservoirs are performing as expected. If they are performing as expected, we will be back to the market as quickly as we can to market the remaining gas that is for domgas. On the off-chance that the reservoirs do not perform as expected, we have a backup plan to bring on additional reservoirs, bring on additional wells, more manifolds et cetera to be to be able to fill both our LNG trains and domgas plants to full capacity. Installing that additional equipment will necessarily take several years and it may be as long as six years before we are able to get the additional 150-terajoule tranche in a worst-case situation.

The CHAIRMAN: So the issue with the uncertainty about the reservoirs and your decision to see test wells before you commit to domestic sales, you have also done the same thing with LNG sales?

Mr Sorensen: Yes. Of course, the LNG is marketed separately, but I believe not all of the full capacity of the LNG trains has been fully committed at this point.

The CHAIRMAN: Your reluctance to commit on the domgas, is that mirrored in proportionality to your reluctance to commit on LNG?

Mr Sorensen: I do not know the exact numbers; I cannot help you there, I am sorry.

The CHAIRMAN: One of the concerns that people have is that, particularly with large LNG projects, everyone recognises that the fields would not be developed at all without LNG—there is no question about that, given the scale and cost and whatnot—and because of the strategic importance to get the scale up and get the contracts signed, LNG organisations have a strategic need to give priority to LNG sales as opposed to domestic sales and, therefore, that might lead to firms giving a lack of consideration for domestic sales. In other words, firms will not be indifferent between selling the gas through LNG for a price and getting the same value for domestic sales. Can you comment on that?

Mr Sorensen: The Gorgon project joint venturers are expending some $40 billion on three LNG trains and the domgas plant, pipeline and all the infrastructure et cetera. They are highly motivated to fill those plants up at full capacity as soon as possible to get the return on their investment. We have not seen really that sales of LNG versus domgas are mutually exclusive; we are happy with sales into both markets. We recognise, as you have pointed out, that you cannot sell all your gas into the domgas market but we feel that 300 terajoules in this market is a significant contribution—it is 30 per cent of our supply to date.

The CHAIRMAN: In terms of your domestic gas plant, you are going to build it to aim to get 300 terajoules through it, so you are going to run it at insufficient capacity until you test those reserves. You are building the domgas plant to capacity, you are just not committing to sales until you find out what you reservoirs are.

Mr Sorensen: That is correct, yes.

Mr W.J. JOHNSTON: You work for the joint venture, you are not a Chevron employee, is that the position?

Mr Sorensen: I am a Chevron employee but —

Mr W.J. JOHNSTON: But you are speaking only on behalf of —

Mr Sorensen: Yes, I am—part of my payroll is funded by ExxonMobil and Chevron and Shell and the other joint venturers.

Mr W.J. JOHNSTON: The BP Io field is being processed through the Gorgon project, is that the —

Mr Sorensen: I believe that is correct, yes.

Mr W.J. JOHNSTON: And BP are not part of the joint venture?

Mr Sorensen: That is correct.

Mr W.J. JOHNSTON: And they are not selling any gas domestically?

Mr Sorensen: BP is not part of the state agreement that was entered into with the state and so, yes, they —

Mr W.J. JOHNSTON: So when you say that market signals have led to production, that is not really true is it because the only reason you built your domestic gas facility and intend to put gas through it is because it is part of your state agreement and BP, which does not have a state agreement, are selling none of their gas domestically.

Mr Sorensen: In the case of Gorgon, of course, that state agreement was entered into in 2003 and at that time it was LNG and domgas together; it really was not a decision that we were able to make.

Mr W.J. JOHNSTON: Yes, so indeed the price signal was not relevant to the decision to build the domestic gas plant.

Mr Sorensen: Though the price signal in 2003 versus the price signal today are of course different.

Mr W.J. JOHNSTON: Sure, but the reason you are building the gas plant is because you are obliged to by the —

Mr Sorensen: That is absolutely correct.

Mr W.J. JOHNSTON: So the price is not relevant to that decision.

Mr Sorensen: It was not our decision; it was a state obligation.

Mr W.J. JOHNSTON: Okay. Will you be putting gas that is currently flared on Barrow Island through the facilities either for export or for domestic use?

Mr Sorensen: I am not familiar enough with the operations on Barrow Island. I was not aware there was any gas flared.

The CHAIRMAN: Yes, there is. You had to move it recently. I am not sure why.

Mr Sorensen: Okay.

The CHAIRMAN: It was a big issue because it was affecting some of the animals in terms of visibility. It was a contentious issue and interesting.

The state, probably before your time, when they entered into the agreement with Gorgon—it was at a smaller scale project in 2003, I think you said—had a requirement that you have a certain capacity. Subsequently, the state had a reservation policy of 15 per cent and it was controversial. Did the reservation policy adversely affect the Gorgon project?

Mr Sorensen: I would guess that it has had no impact on that. The Gorgon project when we committed to the domgas project did not have a good sense of what the market was —

The CHAIRMAN: The domestic market?

Mr Sorensen: The domestic market, yes. There is a lack of transparency; it is not clear how much demand is out there or what price it was. So we initiated an expression of interest process to see what the demand might —

The CHAIRMAN: When was this?

Mr Sorensen: This was in late May of 2009.

The CHAIRMAN: After the project was committed to—got the go-ahead?

Mr Sorensen: Yes, the commitment on the domgas portion of the project was made in late 2008, at this point.

The CHAIRMAN: So the scenario was that under the agreement you were committed to the domgas phase, you then went through a period of expansion of the project and then when your project got the go-ahead from the joint venture partners, you then examined the market, as you just said. Do you think 300 terajoules is a good volume to sell through? Do you think there is strength in the market?

Mr Sorensen: The expression of interest provided us with some clarification on how much demand was there. Part of our issue is that we are not starting up till 2015; some want their gas sooner, some want it later. There were a lot of greenfield projects that were interested in our gas. Some of those have fallen over and some projects have gone into bankruptcy, so it is hard to sense whether we could have necessarily contracted all 300 terajoules. We feel very comfortable at 150 terajoules at this point.

The CHAIRMAN: You plan to make that decision on the remaining 150 in about 2014.

Mr Sorensen: Within a few years after we start up gas, so probably more like 2016 or so.

The CHAIRMAN: And who makes the decision and what is the decision as to whether or not you go ahead with that additional 150?

Mr Sorensen: The Gorgon project participants will look at whether their reserves and reservoirs are performing as expected. If they feel comfortable that we can enter into long-term contracts and be able to fulfil those obligations under the existing contracts and any new contracts, they will make that decision at that point in time.

Mr J.E. McGRATH: Can I ask you to give us some sort of indication of how much of the 150 terajoules might have already been contracted? Have any contracts been signed at this stage? How far down the track are you in contracting out the 150 terajoules that you have decided will be the amount that you would like to put out first of all?

Mr Sorensen: We have been actively negotiating with a group of customers. We are hopeful that by the end of this year we may have a contract or two, but most will probably be in early 2011.

Mr J.E. McGRATH: So you have not signed, you have not —

Mr Sorensen: No, we have not signed a contract.

Mr W.J. JOHNSTON: In your opening remarks you talked about the domgas reservation policy leading to questions about the viability of development fields. Do you know of any companies that have delayed investment decisions because of the domestic gas reservation policy?

Mr Sorensen: I cannot speak for other projects. I just know that as project participants when you are making investment decisions you have to determine your view of the market and what that market looks like in the future.

Mr W.J. JOHNSTON: But you are not aware of any projects that have been delayed because of the 15 per cent reservation policy?

Mr Sorensen: I can only speak for Gorgon.

Mr J.E. McGRATH: On that question, you spoke earlier about the fact that WA has historically been oversupplied and you indicated that the oversupply led to the lower price of gas. Given the reservation policy that is in place, can you ever see a situation occurring again where there will be an oversupply of gas in Western Australia, or do you think that a lot of the big suppliers, such as Gorgon, will be supplying only their 15 per cent and the rest will be going offshore? How do you see this domestic supply and demand market playing out in the future? Will we ever get to that period again where we have that very significant oversupply?

Mr Sorensen: I cannot forecast. I just know that my experience of commodity markets is that they go from oversupply to undersupply and it would not surprise me at all that this market could be oversupplied at some point in the future.

Mr W.J. JOHNSTON: That would mean that if the market was oversupplied we should expect a low gas price?

Mr Sorensen: That normally happens when you have oversupply—yes.

Mr W.J. JOHNSTON: In fact, if you are looking at it from a domestic customer point of view, creating an oversupply in the market would be a good thing—if you are a customer, not a supplier?

Mr Sorensen: Yes, that is exactly what the market is asking for.

Mr W.J. JOHNSTON: Indeed, in the United States at the moment there is a very low gas price and there is even an argument that the gas price is currently below the production cost for many of the suppliers in that market.

[11.00 am]

Mr Sorensen: The shale gas expansion has been pretty astronomic.

The CHAIRMAN: You have a commitment to build a domestic gas plant that will get 300 terajoules. You are committed to marketing and you are marketing 150 terajoules, but you are going to build the plant to 300.

Mr Sorensen: That is correct.

The CHAIRMAN: You are committed to building that before you commit to the total contract.

Mr Sorensen: That is correct.

The CHAIRMAN: So if you build the capacity you would therefore have an incentive to use that capacity.

Mr Sorensen: Very much so.

The CHAIRMAN: I refer to shale gas in the United States. It has had a significant impact on the price in the US and its purchase of liquefied natural gas from other sources. We understand there has been a sharp reduction in the importation of LNG and the diversion of that LNG to other markets, particularly in Qatar. How do you see the introduction of shale gas in the US shaping up in the world economy, particularly given that the US is the largest producer of the gas in the world, more so than Russia? Will it have a ripple effect in Western Australia?

Mr Sorensen: I do not have a crystal ball to know what the long-term impact will be. Markets always surprise us. Shale gas has been a big surprise to North America. We could be surprised here. I do not know. It may or may not have an impact.

The CHAIRMAN: I refer to the retention lease issue. You have obviously made statements about that. In one of the stages of the project it did not get economic viability and then you expanded the total capacity of the project and finally the existing one is larger than it was; you have added more fields to it. There has been a concern among many of the users that some projects—I am not accusing Gorgon of this—have been warehousing fields to supply future expansion of LNG at the expense of domestic gas. Many of the projects that you mentioned that are bringing domestic gas on are doing so because they have no alternative because of various reasons. I refer to size, location, scale, whatnot. What are the areas that we should look for if we are looking for long-term security of supply for the domestic market? We are looking for the isolated fields that are more suitable to domestic gas as opposed to LNG. One of the concerns is that they will be continually snaffled up by LNG producers and taken off the long-term supply for domestic market and on to LNG. Do you have a position on retention lease policies and standards and on those types of concerns?

Mr Sorensen: I will answer that question from this perspective: In the marketing world our customers have asked us for long-term contracts. They are looking for contracts that will be reliably supplying gas not only at the beginning but at the end of the contract. Retention leases are all about providing gas at the end of the contract. If retention leases are not available, that risks our ability to meet long-term contracts, which is what our customers are looking for.

The CHAIRMAN: What is the duration of the contracts that they are looking for and that you are considering entering into?

Mr Sorensen: Of course, the Gorgon project will be around for 40 or 50 years. W are happy to enter into contracts that will be out there for as long as our customers want.

The CHAIRMAN: Concern has been expressed in the market at least that it is difficult to get long-term contracts. As you know the Western Australian market has been built up on long-term domestic contracts of the North West Shelf joint ventures that have been around for 25 years. The market is used to that. I understand that other markets are more used to shorter-term contracts, but it is a more fluid market with more producers and less risk. But you are open to discuss long-term contracts.

Mr Sorensen: Yes. We have been surprised by the market's appetite for long-term contracts. Obviously short-term contracts provide more liquidity, but they are very much interested in long-term contracts. I would like to think that as a competitor Gorgon has an opportunity to provide long-term contracts because we have large and vast resources. Not all domgas projects can provide those long-term contracts because they may only be single fields.

The CHAIRMAN: Can you confirm as you mentioned in your introduction that you support the various initiatives that have been proposed to improve the transparency of the domestic market? I refer to the gas bulletin board, the short-term trading market in the eastern states and the statement of opportunities.

Mr Sorensen: That is correct.

The CHAIRMAN: One of the problems we have in our market as you well know is that there are few buyers, sellers and transporters; it is a thin and concentrated market. The aim, of course—this happened through serendipity in the eastern states—is to move to a much more driven market where there are many producers, buyers and where gas is transported by alternative routes. That does not exist here. Even with the introduction of Gorgon there will be but six as you said and maybe five major purchasers connected by a thin single regulated pipeline. Can you suggest alternatives that will help us move towards a more competitive market?

Mr Sorensen: My own experience with other commodities is where you ultimately get buyers and sellers agreeing to some kind of price and operational transparency. The first thing we envision with the bulletin board is operational transparency. It would be helpful to understand the daily demand, how much seasonal swing there is, how much production there is every day and how much is consumed every day. That will start to give market signals about how much storage is available and how much pipeline capacity is available. These are tools that market participants need to understand. What happened here in 2008 is that the market was surprised. Quite frankly, there was surprise when the next customer went to get gas and could not find any. There was surprise because no-one understood the operational aspects of the market.

The CHAIRMAN: As a new entry to the market in 2009, it must have been difficult to understand who was who and what transactions were taking place because nothing was published.

Mr Sorensen: That is correct. We had very little understanding of the market and that is why we initiated the expression of interest. We went to the market and said that we had gas to provide. We said you can offer a price, tell us what you are interested in, how much, how long, what price, what swings you need et cetera.

The CHAIRMAN: Do you see the scope for—Alinta provides this to some extent—an aggregator. You are a producer of gas and not a retailer or wholesaler of gas. Do you see the need for another aggregator that buys gas from you or a major producer and then develops the market and sells it? The alternative is that you sign a series of long-term contracts with individual projects.

Mr Sorensen: The long-term contracts are the nature of the investment that you are making and it is also the nature of what the market is asking for. Regardless of long-term contracts, there will always be swings in those contracts and swings in the market. The value of aggregators is to manage those swings between different producers and consumers and to manage the swing by finding someone that can use that gas on a particular day or someone that can produce that gas on a particular day. Having aggregators in the market would definitely help develop the maturity of the market.

The CHAIRMAN: Is there much growth in demand for domestic gas in Western Australia?

Mr Sorensen: That is a difficult question. The market is obviously fairly robust with existing supplies. Of course, that will continue. The real growth out there will be a function of how much new power generation comes on board or how many of the greenfield projects out there come on board, which are all primarily mining or manufacturing-type businesses. We have no idea with 30 greenfields whether one or 10 will come on. It is hard to know. There are so many variables.

The CHAIRMAN: The Department of Mines and Petroleum came up with a forecast. I am sure you have seen it. It shows demand growing at a certain level and then it provides scenarios of various supplier responses. I cannot remember what it factored in for the Gorgon project. The main swing is how much of the North West Shelf domgas is re-entered in the market when the contracts run out in, it says, 2014. Do have any comments about the graph showing a very large inadequacy of supply relative to demand?

Mr Sorensen: We are familiar with the DMP graph. As we mentioned to DMP, any supply and demand forecast without any kind of price assumptions is of little value. If you assume one dollar of gas per gigajoule, your demand will be much, much higher but supply will be a lot less. Likewise, if you get a double digit price of gas, supply will be much higher and demand will be a lot less. This does not have any price assumptions so it does not have much value for policy making.

The CHAIRMAN: It made an assumption about your supply in terms of volume and timing. Were you satisfied with those assumptions?

Mr Sorensen: I think it captured our 150 terajoules first tranche and our secondary tranches.

Mr J.E. McGRATH: You talked about the demand for domestic gas. How are you finding the demand for the LNG that you will produce? Is the world waiting for you to come on board? Do companies want to become customers of Gorgon? Is there a massive growing demand for gas overseas?

Mr Sorensen: Again I can only represent the Gorgon domgas sellers. It is my understanding that the joint venturer have been successful in selling most of their production from Gorgon or contracting their long-term contracts. There was enough demand to fill that need.

Mr W.J. JOHNSTON: Do Gorgon's joint venture partners market their gas individually as LNG?

Mr Sorensen: Yes, they do so separately. Exxon Mobil sells its LNG separately from Shell and Chevron.

Mr J.E. McGRATH: So at this stage they are already fully subscribed.

Mr Sorensen: Nearly. As I mentioned, I do not think they have sold out 100 per cent of the plant capacity for the same concern that these are long-term contracts and all the joint venturers want to make sure that they can deliver the gas at the end of the contract as reliably as at the beginning of the contract.

The CHAIRMAN: In response to your request, I mentioned that we would ask some questions in camera. That is probably where we should go. We will move to the in-camera session.

[The committee took evidence in camera]