

## **Business**

### **Santos redirects spending to LNG**

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*February 19, 2009*

SANTOS is tightening its belt and concentrating spending on its crown jewels - gas export projects that will supply growing demand for the fuel in a more carbon-conscious world.

Amid deteriorating economic and credit conditions, the oil and gas company said yesterday it would cut capital and exploration spending across various parts of the business by more than \$300 million. It will redirect the bulk of the money into liquefied natural gas plants under development in Gladstone and Papua New Guinea.

The move followed Woodside's decision on Wednesday to cut spending by \$500 million to shore up funding for its \$12 billion Pluto project.

With tighter funding conditions affecting even relatively safe projects, the chief executive of Santos, David Knox, said the cuts to spending were "prudent and necessary". The high priority placed on gas was intended to capitalise on an expected boom in demand for gas in a lower carbon economy, he said.

"Assuming a sufficiently level playing field, natural gas has an enormous role to play in providing Australia with affordable energy security while supporting the economy's transition to a low carbon footprint," Mr Knox said.

Santos is the 60 per cent joint-venture partner in the Gladstone LNG project with Malaysia's Petronas, and has an 18 per cent stake in the PNG project, operated by Oil Search.

Taking into account the additional spending at the two projects, capital expenditure will fall \$100 million.

The company also revealed a 42 per cent jump in 2008 profits to \$572 million, but after the unprecedented slump in oil prices it has written down the value of its assets by \$216.6 million.

After last year's joint-venture deal with Petronas, Santos is betting its long term growth will come from LNG, and aims to ship its first cargo from PNG and Gladstone in 2014.

None of the four projects planned for Gladstone has secured a buyer for its output, but Mr Knox said he hoped to announce a provisional sales agreement later this year.

A shareholder cap on Santos was removed in November, sparking speculation it could be a takeover target. There has been heavy market interest in potential LNG plays, but Santos's other oil and gas assets could be less attractive to a suitor.

Santos shares rose 18c, or 1.3 per cent, to \$14.41 yesterday.