
Papua LNG JV signs MoU with PNG Government

16 November 2018

Oil Search is pleased to announce that the Papua LNG joint venture participants have entered into a Memorandum of Understanding (MoU) with the Independent State of Papua New Guinea for the development of the Papua LNG Project. This agreement marks a significant step forward for the Project and forms the basis for a Gas Agreement that equitably and appropriately allocates Project benefits and returns among stakeholders.

The agreement follows the Papua LNG and PNG LNG joint venture parties reaching broad alignment in early 2018 on the preferred downstream concept for the next phase of LNG development in PNG. This comprises the construction of three 2.7 MTPA LNG trains, producing approximately 8 MTPA, all located on the existing PNG LNG Project plant site. Two trains will be supplied with gas from the Elk-Antelope fields, while one train is underpinned by gas from the existing PNG LNG fields and the P'nyang field. Together, Elk-Antelope and P'nyang contain more than 11 tcf of undeveloped 2C gas resource.

The Papua LNG MoU provides the framework for key terms and conditions to be included within the Gas Agreement, including tax rates and Domestic Market Obligation, as well as a timeline for the finalisation of negotiations, with a Gas Agreement expected to be signed no later than 31 March 2019.

Commenting on the MoU, Oil Search's Managing Director, Peter Botten, said:

"This MoU marks a significant milestone for the Papua LNG Project. It paves the way for the completion of a comprehensive Gas Agreement which, together with key commercial agreements, will allow the commencement of the Front-End Engineering and Design (FEED) phase of the Project.

Material progress has been made on the commercial agreements that support the integration of the Papua LNG and P'nyang developments with the PNG LNG Project, including those related to site and facility access.

Pre-FEED downstream studies on the three-train development concept are well underway. The scope of this engineering work includes design, process and layout optimisation of the expansion concept from the gas inlet to the LNG loading arm. Work taking place includes the brownfield tie-ins, compressor driver selection, LNG loading and shipping, condensate treatment, storage and loading and execution planning. We expect this will underpin entry into FEED.

Discussions between the State Negotiating Team and the P'nyang (PRL 3) joint venture are well advanced. With an integrated FEED entry decision required to advance the three-train expansion at the PNG LNG site, completion of the Gas Agreement between the State and the PRL 3 joint venture is expected to occur in a similar timeframe to the Papua LNG Project.

Importantly, all parties, including the State, are aligned on the need to ensure that new LNG developments in PNG remain competitive with other new LNG projects worldwide and are committed to being early movers in supplying LNG into next decade's fast-growing market.”

PETER BOTTEN, CBE

Managing Director

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