

UPDATE #6

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PORT KEMBLA GAS TERMINAL

The proposed \$250 million Port Kembla Gas Terminal has achieved several significant milestones recently in terms of planning approval and ownership changes.



AIE PORT KEMBLA GAS TERMINAL

OWNER: Australian Industrial Energy (AIE) - owned by Squadron Energy.

DESCRIPTION: LNG import terminal with a Floating Storage and Regasification Unit (FSRU) and dedicated connection to Eastern Gas Pipeline lateral.

STATUS: Project announced in June 2018. Planning approval in April 2019, modification approval in Sept 2020. Final Investment Decision by end of 2020.

TYPE: Import terminal featuring FSRU.

CAPACITY: Supply up to 130 petajoules of natural gas annually which represents 75 percent of the existing NSW demand.

INVESTMENT: \$250 million estimate.

LOCATION: Port Kembla, Wollongong LGA

CONTACT: Kylie Hargreaves | 0438 451 652
kylie.hargreaves@ausindenergy.com

Image: Proposed Port Kembla Gas Terminal site with permanently moored FSRU with LNG carrier alongside to deliver its cargo

The planning approval in September was a modification to increase the terminal's capacity;

<https://www.planningportal.nsw.gov.au/major-projects/project/39716>

The change in ownership announced in late October now means Squadron Energy has 100 percent control of the terminal development which may assist in the project being given a final investment decision green light:

Japanese exit sets up Twiggy to fast-track NSW LNG imports

Oct 20, 2020 – 12.27pm, [Angela Macdonald-Smith](#), Senior resources writer

Andrew Forrest's Squadron Energy has lost its heavyweight Japanese partners in [the proposed Port Kembla LNG import project in NSW](#) but their exit may fast-track the \$250 million venture given the mining billionaire's expected appetite to proceed alone. Squadron has bought the 19.9 per cent stake held in the project owner Australian Industrial Energy by JERA, the world's largest LNG buyer.

It has also acquired the 30.1 per cent stake held in AIE by trader Marubeni. The proposed Port Kembla LNG import terminal has struggled to lock in customers. The deals – understood to be struck at close to cost – leave Squadron with 100 per cent of the planned terminal, which has been struggling to persuade customers to commit to long-term gas purchase contracts to underpin the investment. But observers said that may actually accelerate the timing of the project, which could rapidly proceed to financial close if Squadron is willing to take on the cost and risk alone. AIE is targeting a final investment decision in the next few months in order to come into operation in late 2022.

"The market will now be watching to see if Andrew Forrest's Squadron Energy will be willing to put their money on the table and develop the terminal at a higher risk profile without contracts in place to guarantee a return, before a proposed terminal in Victoria threatens to overtake AIE's lead," said Credit Suisse energy analyst Saul Kavonic

A spokeswoman for JERA, a combination between Tokyo Electric Power and Chubu Electric Power, acknowledged that the group "proceeds cautiously" before committing to final capital investment.

"Although the Port Kembla project presented an exciting opportunity, we felt more time than was available was necessary for us to invest, and we remain open to future targeted involvement with AIE," she said.

"JERA's exit from the project will allow AIE to focus on accelerating development of the Port Kembla Gas Terminal."

Squadron chairman Michael Masterman said that JERA and Marubeni have been "excellent" partners but also emphasised that AIE wants to fast-track development of the project. Several other LNG import terminals are proposed around the south-east, including AGL Energy's Crib Point and Viva Energy's Geelong project, with the aim of providing an alternative source of gas to head off potential shortage in the south-east as early as winter 2023.

Regards

Nigel McKinnon

Deputy Director, Illawarra-Shoalhaven

Regional Development Branch | Department of Regional NSW

M 0418 259 055 | **E** nigel.mckinnon@regional.nsw.gov.au

Level 1, Block F, 84 Crown St, Wollongong NSW 2500

nsw.gov.au/regionalnsw



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