

BUSINESS COMPANIES ENERGY

## Japan's Inpex delays production at \$54 billion Australian gas project

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Japan's Inpex Corp has delayed gas production from its giant Ichthys field off the coast of Australia just weeks after giving assurances that output would start imminently.

Inpex's new chief executive Takayuki Ueda told Reuters the company was yet to start churning out gas from the \$US40 billion (\$54 billion) project, located some 220 kilometres offshore Western Australia and 820 kilometres southwest of Darwin. He didn't give a timetable for when that would happen.



Inpex Corporation's LNG plant in northern Australia SERGE PRAKHOV

The latest delays are little surprise to the market with Inpex having a history of pushing back its project timelines.

Ichthys was originally due to start production at the end of 2016 but this initial start-up date was pushed back to mid-2017, and then shifted to March 2018 due to delays in the installation of Ichthys' offshore facilities.

It then pushed back its timeline once more to May due to poor weather and cyclones, before shifting them to late September.

The delays have ballooned the costs of the project from its initial value of around \$US34 billion.

Wood Mackenzie's Asia Pacific director of gas and LNG research, Nick Browne said the latest series of

delays were always on the cards.

"A lot of people felt that the initial timeline set in May for the first LNG shipped by September was too aggressive," Mr Browne told Fairfax Media.

"We see a fourth quarter start as more realistic. They have set a September 30 deadline for shipping but we see this slipping into the fourth quarter but at the same time, it still feels like they are now moving into the final stages."

Mr Browne noted the fact Inpex's new CEO Mr Ueda declined to set a new production date, saying he may be looking to change the historic perception of the company as overpromising and under-delivering.

Japan's biggest oil and gas producer had said on June 1 that commissioning of all onshore and offshore facilities at the much-delayed project was complete and that gas would start flowing within a week or two.

"There are various minor issues to address in the final safety checks ... but there are no major problems with the facilities," Mr Ueda, 61, said on Tuesday in his first interview with overseas media since taking the helm at Inpex last month.

The liquefied natural gas (LNG) project, already hit by multiple delays, is a major test for Inpex as it marks the first time it has operated a major energy development on its own.

"We can start production in the not too distant future," Ueda said, without giving details. He added that the company is keeping its target to ship its first LNG cargo by the end of September.

**Inpex Australia** did not confirm the delay but a company spokeswoman said "there is always the possibility of the project's schedule fluctuating to a certain extent".

"The project is scheduled to commence production of gas from the wellhead upon conducting final safety verifications, and will thereafter proceed with the shipment of cargoes towards the end of the first half of the current fiscal year," she told Fairfax Media.

"Specific timings for the first LNG cargo and other first shipments will be determined, based on the sequence of production start-up activities going forward."

At full operation, Ichthys is expected to produce 8.9 million tonnes of LNG a year, along with about 1.7 million tonnes of liquefied petroleum gas and around 100,000 barrels per day of condensate, an ultra-light form of crude oil.

Ichthys' gas pipeline – at 890 kilometres in length – is the longest in the southern hemisphere.

It is a joint venture between Inpex, as the operator, Total, CPC Corporation Taiwan, and the Australian subsidiaries of Tokyo Gas, Osaka Gas, Kansai Electric Power, JERA and Toho Gas.

## With Reuters



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