

7 March 2011

## **Conclusion of agreements regarding the sale and purchase of liquefied natural gas and the participation in the Queensland Curtis LNG project**

Tokyo Gas Co., Ltd.

Tokyo Gas Co., Ltd. (“Tokyo Gas”, Mr. Tsuyoshi Okamoto, President) and BG Group plc (“BG Group”) signed agreements today regarding the participation in, and purchase of liquefied natural gas (LNG) from, the Queensland Curtis LNG Project (“QCLNG”), which BG Group is promoting in the state of Queensland. Tokyo Gas will become a foundation buyer from QCLNG.

QCLNG involves the development of coal seam gas fields in southern and central Queensland and transportation of the gas through an underground pipeline network to Curtis Island near Gladstone, where it will be liquefied for export. Since signing the Heads of Agreement in March 2010 Tokyo Gas, as a foundation buyer, has been progressing the QCLNG sales agreements with BG Group and reached definitive agreements today, making Tokyo Gas the first Japanese utility to purchase LNG produced from unconventional gas. Tokyo Gas will be supplied with LNG from QCLNG and also from the BG Group’s global LNG portfolio<sup>\*1</sup>, which will bring stable, flexible and competitive supply of LNG to the company.

Coal seam gas (CSG) is one of the unconventional natural gas sources such as shale gas and tight-sand gas. Although it has been difficult to produce gas from unconventional sources, recent technical breakthrough has made drastic increase in such gas production possible. Total resource of CSG, shale, and tight-sand gas is reported to be around 920 trillion cubic meters<sup>\*2</sup> widely distributed around the world. The Reserve/Production ratio of natural gas is around 63 years based on current proved reserve of conventional gas (around 187 trillion cubic meters) and world production rate (around 3 trillion cubic meters)<sup>\*3</sup>. Unconventional gas has huge potential to increase this R/P ratio and contribute to secure stable supply of natural gas.

Tokyo Gas will contribute to launch this CSG-LNG project and increase LNG supply capacity by participating as a foundation buyer and will explore opportunities to receive LNG from various other sources. The company will continue to secure stable supply of LNG with competitive terms and develop its business in the LNG value chain.

\*1 : LNG supply from other sources of LNG which BG Group has access to

\*2 : SPE103356

\*3 : BP Statistical Review of World Energy June 2010

### **Outline of the sale and purchase of LNG**

- (1) Seller: BG Group
- (2) Buyer: Tokyo Gas
- (3) Contract term: 20 years from 2015
- (4) Contract volume: 1.2 million tons/year
- (5) Delivery: Ex-ship

## Outline of the agreement regarding participation in the QCLNG project

- (1) Seller: BG Group
- (2) Buyer: Tokyo Gas QCLNG Pty Ltd (100% subsidiary of Tokyo Gas)
- (3) Upstream equity interest: 1.25% in the reserves and resources of certain BG Group's tenements
- (4) Mid stream equity interest: 2.5% of the second liquefaction train

(Reference information)

### QCLNG

Gas field: CSG tenements centered around the Surat basin in the state of Queensland, Australia

Total gross resources: about 21 trillion cubic feet (Tcf) (about 560 billion cubic meters)

Liquefaction capacity: At least 8.5 million tons/year with two liquefaction trains

Shipping terminal: Curtis Island at Gladstone

### Coal Seam Gas

CSG is absorbed in the cleat of the coal bed. The commercial production of CSG began in the United States in the 1980s and it covers around 10% of the natural gas production in the country. In Australia, CSG consumption began to increase significantly in the 2000s. It is reported that CSG-LNG export from Queensland may exceed 50 million tonnes per annum (mtpa)<sup>\*4</sup> if all the projects currently announced there successfully launch. It is around five times of the amount of LNG received by Tokyo Gas in fiscal year 2009 and accounts for around 75% of Japan's LNG import.

\*4 : Queensland LNG industry (issued by Queensland government in November 2010)

### BG Group plc

Address: 100 Thames Valley Park Drive, Reading, Berkshire, United Kingdom

Chief Executive: Mr. Frank Chapman

BG Group plc (LSE: BGL) is engaged in the exploration, development, production, transmission, distribution and supply of natural gas and oil. BG Group also has a number of power generation interests. It is involved in the LNG development in Egypt, Trinidad and Tobago, and other countries. The company's LNG transaction volume amounts to around 14 million tons per year. BG Group also has a record of supplying LNG to Japan, including spot sales. For further information visit: [www.bg-group.com](http://www.bg-group.com)

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