



On schedule

TOGY talks to

Seiya ITO
Managing Director
INPEX

More than 10 years since its significant gas discovery at Ichthys, the Japanese exploration and production giant is closing in on a final investment decision for an LNG project expected to deliver first product in 2015. INPEX considers Ichthys a strategic venture for bringing LNG to Japanese consumers and a key component in reaching global production targets of 1 million barrels per day by 2020. ■

THE OIL & GAS YEAR: *You have recently been appointed to managing director. What is your background in oil and gas and how did you come to be involved in the Australian industry?*

SEIYA ITO: I started my career with INPEX after graduating from university and began with the marketing department. My first assignment was to sell our crude oil to refineries, utility companies and trading houses. In the 1980s I moved to Indonesia for about three and a half years and took care of not only crude oil marketing and arrangements for exports of crude oil, but also some part of the LNG projects out there. In 2006, I moved to the Australia division and took care of the Ichthys project. I was reporting to the head of the division at the time but my main assignment was to take care of this project. Today I have a double function as head of the Perth office and head of the Ichthys project for INPEX.

This is very typical in a Japanese career. In this volatile economic situation it is very rare to stay with only one company. But luckily INPEX has been nothing but a success story since I entered the company. When I started my career with INPEX we had only about 50 people and now have a workforce of 1,800.

TOGY: *INPEX arrived in Australia in 1986. Can you describe the evolution of this affiliate?*

SI: In 1986 INPEX joined a small exploration block with BHP Billiton. That exploration was unsuccessful but in 1989 we also acquired a 20 percent stake in a block in the Griffin field. Exploration was successful and it started production with about 80,000 barrels per day. That eventually led us to our major discovery in 1998 at Ichthys, which has most-likely resource estimates of 12.8 trillion cubic feet (362 billion cubic metres) of natural gas and 527 million barrels of condensate. In 2006, we invited Total E&P Australia to join the Ichthys Project. INPEX remains operator with a 76 percent share.

TOGY: *How do you balance your long-term exploration aim with the near-term goal of completing a large-scale venture like Ichthys?*

SI: We always keep a good balance of investments between exploration, development, and production. We already have an adequate number of exploration blocks, an adequate size of development and an adequate amount of production. Today we produce about 400,000 barrels per day of oil equivalent net worldwide. But after starting up Ichthys, Abadi and other projects, our production will show a tremendously large increase. Our target is to have 800,000 to 1 million barrels per day by 2020.

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TOGY: *Are you confident Ichthys could be delivering LNG product by 2015, even though a final investment decision has yet to be made on the project?*

SI: That is a good question and of course we will have a more precise and accurate schedule once all the engineering, procurement and construction contractors are named and the project has taken a final investment decision. There is already a standard duration for LNG developments. Our project services team is always looking at the schedule precisely and looking at the benchmarks of the worldwide large-scale LNG projects. We are confident we can do it by 2015.

TOGY: *Do you have any concerns about the current global LNG investment climate?*

SI: The change in buyers' demand is obvious. We saw a more than 40 percent drop in Japanese utility demand back in December 2008. That inevitably brought down demand for LNG. So you might expect more severe competition among energy suppliers. On the other hand, the global economic slowdown has reduced costs in the pipe market and the cost of steel. What that means for us is that we would be able to manage the appropriate cost for the project. We are encountering a temporary recession with a bottom commodity price, but once our project comes online in 2015, I hope demand will have returned to normal levels.

TOGY: *INPEX brings with it a proven LNG consumer market in Japan. How has the company been able to use its experience to create its position and to gain trust from shareholders?*

SI: It is probably important to emphasise the history of our company and where we have come from since 1966, and our growing relationship with Japanese buyers. It is those relationships that have made us Japan's leading oil and gas explorer. It is those relationships that have built us a great deal of goodwill within the Japanese market. Our partner on Ichthys, Total, already has long-term experience and expertise in the LNG business. These strong relationships are one of the keys to our success.

TOGY: *Will the target market for Ichthys be Japan or is INPEX looking further afield?*

SI: Japan primarily, but it is also important that when we start a project it is not just for the Japanese market. Ichthys stands as an international commercially viable project. Still, the primary target for our cargo is Japan as we have had relationships with Japanese buyers for a long time. Japan has more than 20 receiving terminals and INPEX is constructing one more.

TOGY: *What is the company's long-term outlook on Australia as a strategic resources market for serving consumers in the Asia-Pacific region?*

SI: Australia is one of the greatest places for investment by exploration and production companies. Some issues are still there, but the government is very supportive of the industry. Plus, the planned Ichthys LNG plant in Darwin is very close to the Asian market, which is ideal for LNG development. Australia presents a comparatively low level of risk for investment.

TOGY: *Considering the significant discovery you made in Ichthys, will the focus of your exploration in Australia continue in deepwater offshore basins?*

SI: Every discovery in offshore Australia is important for our future potential. We currently have 10 blocks, out of which we have one new discovery in Mimia, which is located near Ichthys in block WA-344-P. In that block the operator, INPEX, owns 60 percent and Total owns 40 percent.

TOGY: *What is your position on the emissions trading scheme that is being floated by the Australian*



Australia's proximity to the Asian market makes it ideal for the development of LNG

government and how vocal have you been about its purported impacts on your industry?

SI: We agree that the solution to the issue of climate change has to be led by countries such as Japan and Australia, and we do not argue too strongly about the carbon pollution reduction scheme itself. It is an important matter, but LNG is a solution and not the problem itself. LNG is clean energy. I am sure the government can find out the best solution for this scheme without impacting the competitiveness of the Australian LNG business. There is going to be serious competition among LNG producing countries like Qatar, Indonesia, Malaysia, Nigeria and Algeria. All of them have no burden from this issue. Under the proposed legislation, Australian LNG projects will have a burden, so that will reduce competitiveness. Reduction in competitiveness will delay projects and hamper Australia's potential to reach an LNG production of 50 million tonnes per year.

TOGY: *While the Australian government wants to take the initiative on environmental reform, energy companies are poised to make a major surge in LNG production. Are those two goals irreconcilable?*

SI: It is important somebody in this world takes the lead on the issue of climate change. Japan has also taken the lead and I hope the US will join the same routine. We think that producing LNG from this country will certainly help the global climate situation and cleaner LNG is a solution.

TOGY: *What is your plan for INPEX in 2015, once Ichthys and other projects potentially come online?*

SI: The Ichthys project means a lot not just to a Japanese corporation like INPEX, but also to Australia. The project will create many jobs and business opportunities during construction and over the 40-year life of the project. I hope that after first gas in 2015, we will have a more solid base in this country. We consider Ichthys the real start for INPEX in Australia. ■