

Carnarvon Petroleum Ltd

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Australian energy outlook holding steady amid falling oil price and coronavirus outbreak

Leading independent energy researcher EnergyQuest has reported that the Covid-19 outbreak is now having major local and global impacts on energy sector.

In its Energy Quarterly: March 2020 report, it's clear the outbreak has had an immediate impact on oil prices and spot LNG prices with Brent crude starting January at US\$67.05/barrel before falling steadily to US\$32.13/barrel on 9 March.

There has been a dramatic fall in North Asia LNG spot prices with the Platts Japan Korea Marker (JKM) spot price dropping below US\$3.00/million British thermal units and spot prices in general have fallen as high inventories, warm winter weather, increased supply and the virus all take their toll.

Added to this, the Organization of the Petroleum Exporting Countries (OPEC) member Saudi Arabia has slashed prices with the aim of ramping up production - resulting in a sharp fall in the oil price and fears of an all-out price war that could send ripple effects through energy producers and global economies.

Australian exports strong

The report suggests that the virus is adding to the woes of LNG - which is already suffering from the ramp-up in global supply.

The fall in the oil price will affect prices realised under oil-linked LNG contracts but this will probably not become apparent until the second quarter due to lags in contract prices.

There is also potential for delays in LNG cargoes, but tracking data suggests that Australian exports to China have been largely unaffected so far.

On the bright side, Australia's LNG exports reached a record 77.3 million tonnes in 2019, driven by a surge in development drilling from mid-2018 which propelled coal seam gas production 7.2% higher to a record 1,486.0 petajoules in 2019.

In Queensland alone LNG projects shipped a record 22.4 million tonnes in 2019.

Record petroleum and gas production

Australia reached record petroleum production in 2019, up 14.1% year on year to 1,071 million barrels of oil equivalent.

This was mainly due to the start-up of Ichthys and Prelude in late 2018 which generated a major boost to national petroleum production in 2019 (although Prelude has yet to achieve stable production).

The start-up of Greater Enfield and a surge in production from Van Gogh/Coniston also lifted national oil production to

Price: 0.25

Market Cap: \$391.22 m

1 Year Share Price Graph



Share Information

Code: CVN

Listing: ASX

52 week	High	Low
	0.39	0.11

Sector: Oil & Gas

Website: www.carnarvon.com.au

Company Synopsis:

Carnarvon Petroleum Ltd (ASX:CVN) has set its sights on unlocking the largest oil field in WA's North West Shelf.

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47.6 million barrels of oil-equivalent in 2019.

Western Australian domestic gas production also increased to a record 415.8 petajoules in 2019, up 6.4% with LNG projects (North West Shelf, Gorgon, Wheatstone and Pluto) supplying 223.7 petajoules or 9.3% of LNG production.

In 2019 East coast gas production reached a record 1,914.2 petajoules, up 5.5% year on year and was up 28.7 petajoules to 482.1 petajoules due to higher coal seam gas (CSG) production.

Business as usual

While the full impacts of the virus on 2020 production are not yet known, business is continuing as usual.

Carnarvon Petroleum Limited (ASX:CVN) is progressing towards the front-end engineering design (FEED) phase at Dorado as the project progresses towards development planning before a Final Investment Decision.

Along with joint venture partner Santos Ltd (ASX:STO), the company is also actively seeking further reserves and, as part of the exploration plans for the Phoenix project planned drilling campaign in 2021.

Buru Energy Limited (ASX:BRU) lifted a record 78,000 barrels from the Ungani Oilfield joint venture in January and expects the next oil lifting from the Wyndham tank in the coming weeks.

A farmout process of the company's extensive exploration portfolio is also scheduled to commence in March.

In Queensland and the Northern Territory, High Peak Royalties Ltd (ASX:HPR) has seen a positive impact from the increased gas prices in Eastern Australia - reflected in the royalties received on the Peat Gas Field in Queensland for the December quarter of \$33,000.

HPR expects this trend to continue with Origin Energy Ltd (ASX:ORG) announcing that the Peat Gas field may have a significant increase in production in 2020 from extended horizontal wells and test results from the deep South Burunga-2 well.

Domestic and global outlook

On the one hand, while LNG exports have increased and conditions for gas buyers have eased, the supply of domestic gas has increased, and prices have fallen.

Added to these issues are the destabilising economic impacts of the coronavirus and the tumbling oil price sparking fear of a price war.

The virus is also affecting travel with both Woodside and Santos commenting on the impact of travel restrictions on the progress of their projects and outbreak fears have also hammered the share prices of energy companies with sell-off reaching the point where equity analysts are now recommending buying.

EnergyQuest stressed that no one knows if the virus will be contained or become a true pandemic but it is likely to hang over the energy sector for most of the year.

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