

31 October 2010

BG Group sanctions Queensland Curtis LNG project

BG Group today announced that it has taken the Final Investment Decision approving implementation of the first phase of the Queensland Curtis Liquefied Natural Gas project (“QCLNG”) following receipt of Australian Federal and State Government environmental approvals. The first phase of QCLNG encompasses the development of a two-train liquefaction plant on Curtis Island near Gladstone in Queensland together with the associated upstream and pipeline facilities. BG Group will progress development and construction of QCLNG with immediate effect.

QCLNG will be operated by BG Group’s Australian subsidiary, QGC Pty Limited (“QGC”). The first phase of the liquefaction plant will consist of two LNG trains with a combined capacity of 8.5 million tonnes per annum (mtpa). Over the next four years (2011-2014), BG Group plans to invest approximately US\$15 billion in developing the liquefaction plant and related wells, field facilities and pipelines. There is also significant potential to expand QCLNG, with the construction of a third LNG train already covered by existing State and Federal approvals.

First LNG exports are planned to commence from 2014, underpinned by agreements in Chile, China, Japan and Singapore for the purchase of up to 9.5 mtpa of LNG. Total gross discovered coal seam gas reserves and resources presently amount to an estimated 17.3 trillion cubic feet (tcf) – equivalent to more than 2.9 billion barrels of oil equivalent – with 2P (proved plus probable) reserves now estimated at 7 tcf.

BG Group Chief Executive Frank Chapman said: “In early 2008, we announced our first investment in Australia. Today, less than three years later, we are announcing our decision to develop the world’s first LNG plant to be supplied by coal seam gas and the foundation project at the centre of a major new Australian export industry.”

“I believe the speed of our transition from country entry through major resource maturation to project sanction reinforces BG Group’s reputation for advancing innovative and complex gas chain projects within challenging timeframes, as previously demonstrated in Trinidad and Tobago and in Egypt. This rapid progress is also testament to our strategic global marketing capabilities: QCLNG is anchored in customer agreements across the world’s largest LNG markets for the sale of up to 9.5 million tonnes of LNG per annum.”

“Today’s decision represents the realisation of a pivotal strategic objective for BG Group – to further the globalisation of our LNG business by establishing a new and material source of equity LNG in the Asia-Pacific arena. Today’s sanction is also a significant milestone on the road to delivery of the Group’s growth agenda over the decade ahead.”

QGC Managing Director Catherine Tanna said: “Our decision to proceed follows nearly three years of rigorous regulatory and public review and discussions with more than 4 000 individuals, landholders, indigenous groups, conservationists, industry associations, regional councils and government agencies. Their contributions have played a key role in shaping regulations intended to ensure that this project is good for the environment, good for people, and good for Australia.”

BG Group's decision to sanction the development of the first phase of QCLNG completes the final condition required for implementation of the Group's agreements with the China National Offshore Oil Corporation ("CNOOC"), signed in March 2010*. Under those agreements, CNOOC will:

- purchase 3.6 mtpa of LNG for a period of 20 years from the start-up of QCLNG;
- purchase 5% of BG Group's interests in certain tenements in the Walloons Fairway of the Surat Basin;
- jointly participate with BG Group in a consortium to construct two LNG ships in China that would be owned by the consortium; and
- become a 10% equity investor in the first LNG train in the initial phase of the liquefaction plant.

Separately, the decision to sanction the project satisfies one of the conditions precedent associated with the proposed agreements with Tokyo Gas Co. Ltd ("Tokyo Gas"), announced in March 2010**, under which Tokyo Gas will:

- purchase 1.2 mtpa of LNG for 20 years from 2015;
- purchase 1.25% of BG Group's interests in certain tenements in the Walloons Fairway of the Surat Basin; and
- become a 2.5% equity investor in the second LNG train of the liquefaction plant.

Final notices to proceed will be issued to the main contractors appointed for the development of the first phase of QCLNG. Those contractors include:

- Bechtel Oil and Gas, Inc., for the engineering, procurement and construction of the liquefaction plant;
- WorleyParsons, for gas field facilities and infrastructure development; and
- MCJV (a joint venture between McConnell Dowell Constructors (Aust.) Pty Ltd and Consolidated Contractors Company), for the transmission pipeline network.

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Notes to Editors:

* CNOOC announcement:

<http://www.bg-group.com/MediaCentre/Press/Pages/24Mar2010a.aspx>

** Tokyo Gas announcement:

<http://www.bg-group.com/MediaCentre/Press/Pages/31March2010.aspx>

BG Group

BG Group plc (LSE: BG.L) is a world leader in natural gas, with a strategy focused on connecting competitively priced resources to specific, high-value markets. Active in more than 25 countries on five continents, BG Group has a broad portfolio of exploration and production, Liquefied Natural Gas (LNG), transmission and distribution and power generation business interests. It combines a deep understanding of gas markets with a proven track record in finding and commercialising reserves. For further information visit www.bg-group.com

QGC

QGC Pty Limited (ACN: 089 642 553) is a leading Australian coal seam gas explorer and producer focused on supplying gas to domestic and international markets. QGC is establishing one of Australia's largest capital infrastructure projects to turn Queensland's world-class coal seam gas reserves into liquefied natural gas. Queensland Curtis LNG, a priority project for QGC, involves expanding exploration and development in southern and central Queensland and transporting gas through a 540km underground pipeline network to Curtis Island near Gladstone where it will be liquefied. For further information visit www.qgc.com.au

Coal seam gas

Natural gas in coals (coal seam gas) occurs when the coal is formed deep underground by a process of heating and compressing plant matter. The gas is trapped in coal seams (typically 300-600 metres underground) by water pressure. The coal seam gas is extracted via wells which are drilled down through the coal seams. The water is pumped out, and the natural gas is released from the coal. The gas is then processed to remove water and piped to a compression plant for injection into gas transmission pipelines.

Picture Desks:

For images of BG Group visit: www.vismedia.co.uk (requires additional registration)

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There are matters set out within this announcement that are forward-looking statements. Such statements are only predictions, and actual events or results may differ materially. For a discussion of important factors which could cause actual results to differ from these forward-looking statements, refer to BG Group's Annual Report and Accounts for the year ended 31 December 2009. BG Group does not undertake any obligation to update publicly, or revise, forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.