



Arrow powers up its earnings

■ ENERGY Clancy Yeates

COAL seam gas company Arrow Energy cashed in on strong gas demand by buying into gas-fired electricity generation last year, and it plans to use the same tactics in the liquefied natural gas (LNG) sector.

Arrow more than doubled after-tax profits to \$37.2 million in the 2007-08 year after an acquisition in Queensland's gas-fired electricity market, yesterday's earnings figures showed.

And after announcing a \$776 million alliance with Royal

Dutch Shell in June, Arrow's next priority is to supply gas to Queensland's first LNG plant.

Arrow's pretax margin on gas supply jumped from \$1.03 a gigajoule to \$4.33 a gigajoule, driven by rising gas prices and its shift into gas-fired electricity.

A joint buy-out with AGL Energy of the gas pipeline business Enertrade, for which Arrow paid \$139 million, gave it a stake in all production phases from gas extraction to electricity supply.

Arrow's chief executive, Nick Davies, said the move into electricity generation had diversified the company's energy portfolio,

alongside the Shell deal. "Possibly there will be more opportunities [in power supply]. But, clearly, the way the world stands at the moment the best [returns] look to be from LNG," he said.

As corporate interest continues to build in converting Queensland's coal seam gas to exportable LNG, Mr Davies said further mergers involving his company were not a priority.

"We've got all our land and gas, but the others have not. They've organised the downstream projects, and now they're trying to aggregate enough gas to be able to do these projects."