

Karoon Gas takes on German partner for Brazilian oil push



Germany's DEA may buy half of Karoon Gas' Echidna oil project in Brazil.

The Australian Financial Review -by [Angela Macdonald-Smith](#)

Karoon Gas has significantly boosted its capacity to buy and fund offshore oil projects in Brazil by forming an alliance with deep-pocketed German player DEA Deutsche Erdoel.

The partnership with the private equity-backed producer is expected to rejuvenate the Australian junior's ambitions to buy two oil ventures off Brazil's national company Petrobras after its original agreement became mired in a legal wrangle and funding issues.

It may also lead to a joint bid for new acreage to be released by Brazil's oil and gas regulator, with Karoon pointing to positive regulatory amendments that improve the attractiveness of the looming bid rounds.

DEA, owned by L1 Energy, which is chaired by the former BP chief executive Lord Browne, is as part of the deal taking an exclusive option to buy up to 50 per cent in Karoon's five Santos Basin offshore permits, including its Echidna and Kangaroo oil discoveries.

Karoon last month went ahead with initial engineering design work for the 75 million-barrel Echidna project, advising it would take on a partner to reduce its 100 per cent interest before taking the final decision to build in the June quarter of 2018

The announcement of the link-up with DEA has encouraged the market, with RBC Capital Markets analyst Ben Wilson describing the German outfit as "a good fit for Karoon as it looks to move ahead with Echidna and pursues Brazilian acquisitions".

Shares in Karoon climbed 5.5 per cent to \$1.35.

[Woodside Petroleum had been considering joining Karoon](#) in the acquisition from Petrobras of stakes in the Bauna and Tartaruga Verde projects – a deal expected to be worth more than \$1 billion – but walked away, court documents revealed in March. Karoon managing director Robert Hosking said the agreement with DEA was "significant in the context of realising Karoon's strategic ambitions to acquire meaningful oil production in Brazil".

"Having such a high-quality, well-capitalised partner in our corner will significantly assist the company to achieve this goal," he said.

Mr Hosking said he wasn't able to speak in detail about potential moves by Karoon and DEA but said the German company's experience in tough operating environments and funding capacity would help Karoon.

"We need a big brother," he said.

L1 Energy, which is controlled by Russian billionaire Mikhail Fridman, bought DEA from German energy market RWE AG in March 2015 for \$US5.5 billion in its first acquisition. [Lord Browne, the executive chairman](#), has spelt out a strategy to build a global energy group focusing initially on five core countries in Europe and North Africa, and with two "incubator" new geographies, including Brazil.

The company's heavyweight advisory board includes another former BP chief executive, Tony Hayward, as well as former BHP Billiton chief executive Chip Goodyear and former BG Group chairman Andrew Gould.

Mr Hosking highlighted the operational expertise of DEA and its significant production and earnings and "ambitious" growth strategy, which in all made them "a very good strategic fit for Karoon".

The Echidna project is expected to have peak production of 28,000 barrels of oil a day, using a leased offshore production vessel.