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CHINA CONSIDERING 25-YEAR LNG AGREEMENT WITH PETRONAS

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China's top economic planning agency was considering the approval of a 25-year supply agreement for liquefied natural gas (LNG) with Malaysian energy giant Petronas, state press said Thursday.

A framework agreement for Petronas to supply LNG to a Shanghai terminal had been reached but a final deal can only be realized after a price for the gas is agreed upon, the official Xinhua news agency reported.

The National Development and Reform Commission was presently considering approval of the contract but the final price would be a key factor, it said.

The Shanghai terminal, currently under construction, is being built in two phases with the first slated to go into operation in 2008 with capacity to process three million tonnes of LNG annually, the report said.

Phase two of the project will increase capacity to six million tonnes.

The Shenergy Group, a state-owned energy company based in Shanghai, holds a 55-percent stake in the project, while China National Overseas Oil Corp (CNOOC), China's largest offshore oil company, holds the other 45 percent.

An acceptable price range was from five to six dollars per million British thermal units (BTUs) of LNG, the report said, referring to a common energy measurement.

China opened its first LNG terminal in the southern city of Shenzhen last month, with Australia supplying 3.7 million tonnes of LNG annually for 25 years.

China is currently building a third LNG terminal in the southeastern province of Fujian while the central government has given the green light to build up to one plant in each of its 32 provinces and regions.

China has issued plans to double its use of natural gas in the coming years to clean up and diversify its energy mix and try to scale back its dependency on heavily polluting coal.

But the cheap price of coal and rising global energy prices, including LNG, appears to have halted many provinces and regions from going ahead with LNG plans, industrial analysts have said.