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HEADLINE: South Korea to import gas from Yemen, Malaysia and Russia

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South Korea will buy 20 billion dollars worth of liquefied natural gas (LNG) from Yemen, Malaysia and Russia over 20 years from 2008, officials said Wednesday.

Korea Gas Corp. the world's largest LNG importer, has selected Yemen LNG, Malaysia LNG and Russia's Sakhalin Energy Investment as "preferred sellers," the Ministry of Commerce, Industry and Energy said.

A formal contract would be signed in March or April, replacing an accord with Indonesia's PT Arun NGL that ends in 2007.

South Korea is the second largest LNG market in the world. The three companies will supply up to five million metric tonnes of LNG annually from 2008, the ministry said.

Energy giant Royal Dutch/Shell Group controls 55 percent of Sakhalin Energy and 15 percent of Malaysia LNG. Yemen LNG is 43 percent owned by France's Total SA, 16 percent by South Korean firms and 18 percent by Dallas-based Hunt Oil.

The ministry said Korea Gas would import 1.5 million tonnes each from the Malaysian and Russian gas ventures, and 1.3 million tonnes from Yemen LNG. The remainder is an option for the future.

The price is 35-40 percent cheaper than the country's previous long-term LNG deals and could save South Korea more than 13 billion dollars over the 20 years, the ministry said.

The deal reflects efforts to cut costs and secure a stable long-term supply of gas, it said, adding that Korea Gas was able to cut prices through competition among producers. The three firms were among 12 LNG companies or consortiums from five countries which submitted bids.

"The reduction in import prices reflects the change in international conditions from a sellers' to a buyers' market, with gas producers competing with each other to win deals," Lee Won-Gul, deputy minister for energy and resources policy, told Yonhap news agency.

He said more negotiations would take place on participation in future energy development and the acquisition of equity holdings in the companies.

The ministry said Korea Gas would limit price rises to 29 percent if oil prices double. LNG prices are currently pegged to crude oil.

South Korea plans to arrange further LNG imports totaling three million tonnes annually from 2010. Demand for LNG has increased sharply here under its environment-friendly energy policy.

"Through this contract, South Korea will also strengthen energy cooperation with Russia," the ministry said in a statement. Sakhalin Energy runs Sakhalin II, the world's largest integrated oil and gas project which is scheduled to start LNG deliveries in late 2007.

Peter de Wit, president of Shell Gas and Power Asia Pacific, said the tender reflects an overall increase in global demand for LNG.

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