

Source :

The Nation

61178859

Date : - 2 JUN 2018

Page : 28

No :

Petronas buys into C\$40 bn project

MALAYSIAN ENERGY GIANT BAGS 25% STAKE IN CANADIAN LNG PROJECT, MARKING ABOUT-TURN FROM 2017 EXIT

THE STAR
ASIA NEWS NETWORK
PETALING JAYA 23

MALAYSIA'S Petroliam Nasional (Petronas) is set to become the second-largest partner in a massive liquefied natural gas (LNG) project in British Columbia province after striking a deal to buy 25 per cent of LNG Canada.

The deal for the LNG Canada project, which reportedly will cost up to C\$40 billion for the construction of an export terminal and related infrastructure, marks an about turn for the national oil and gas company.

In July 2017, it scrapped plans to invest in the C\$36 billion Pacific NorthWest LNG gas pipeline project in British Columbia, due to prolonged depressed prices and unfavourable market conditions for the energy industry then.

Petronas' announcement yesterday that its wholly owned entity, the North Montney LNG Ltd Partnership (NMLLP), had entered into a sales and purchase agreement for an equi-

ty position in the LNG Canada project, in Kitimat, came amid improving energy prices and an increasingly healthier market outlook for the oil and gas sector.

"It is anticipated that the transaction will achieve completion in the next few months," Petronas said in a statement. The LNG Canada project, which reportedly costs of up to C\$40 billion for the construction of an export terminal and related infrastructure, is led by Royal Dutch Shell plc (Shell) as the largest partner.

Petronas said that upon completion of the deal, it would be the second-largest partner in LNG Canada project with a 25 per cent stake through NMLLP after Shell.

Shell, through its subsidiary Shell Canada Energy, would have a 40 per cent stake in the project.

Other stakeholders - PetroChina Canada Ltd; Diamond LNG Canada Ltd, a subsidiary of Mitsubishi Corp; and Kogas Canada LNG Ltd would each have a 15 per cent stake in the project. Petronas president and group chief executive officer Tan Sri Wan

Zulkiflee Wan Ariffin said the group, in seeking to build a long-term presence in Canada, would continue to explore other opportunities in the country.

"Petronas is in Canada for the long term and we are exploring a number of opportunities that will allow us to increase our production and accelerate the monetisation of our world-class resources in North Montney. LNG is just one of those opportunities," he said.

On Petronas' proposed investment in the LNG Canada project, Wan Zulkiflee said: "As one of the world's largest LNG producers, Petronas looks forward to adding value to this venture through our long-term expertise and experience across the LNG value chain.

"We are committed to deliver LNG and natural gas, the cleanest fossil fuel in the world, to the growing global energy market."

Petronas pointed out that the proposed LNG Canada project would include the design, construction and operation of a gas liquefaction plant

and facilities for the storage and export of LNG, including marine facilities.

The plant would initially consist of two world-scale LNG processing units referred to as "trains", with an option to expand the project in the future to four trains. Petronas said having an equity position in the project would enhance its business intent to develop its world-class natural gas resources in the North Montney, northeastern British Columbia, through its wholly owned subsidiary, Progress Energy Canada Ltd.

A report by Bloomberg noted that after Petronas cancelled its plan to invest in the Pacific NorthWest LNG project last July, the group was left without a plan to export gas produced by Progress Energy Canada unit to Asia as originally intended. Buying into the LNG Canada project would therefore help revive that prospect.

Canada is Petronas' second-largest resource holder after Malaysia, with vast unconventional gas and oil resources in the North Montney.

Petronas and its North Montney joint-venture partners are one of the

largest natural gas resource owners in Canada with over 52 trillion cu ft of reserves and contingent resources,

According to Bloomberg, LNG Canada plans to build an export facility at Kitimat near Prince Rupert - North America's closest port to Asia - that could eventually reach 26 million tonnes a year in capacity.

The newswire noted that Petronas' involvement would help bring financing and gas supplies to LNG Canada, as the group nears a final investment decision, expected this year.

Quoting National Bank of Canada analyst Greg Colman, Bloomberg said Petronas' Progress unit could contribute an additional 560 million cubic feet a day of production to the project. This would ensure that the project would have all the gas it needs to meet its initial export target.

Shell and its partners have twice delayed a final investment decision on the LNG Canada project amid a global supply glut. But in recent months, Shell has indicated the window for competitive projects may be reopening.