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SHELL-GAS

SHELL GAS AND MITSUBISHI CORP DISCUSSING WITH PETRONAS ON EQUITY INTEREST

By: Yong Soo Heong and Siti Hawa Othman

BINTULU, April 21 (Bernama) -- Shell Gas B.V. and Mitsubishi Corporation, which were previously shareholders of Malaysia LNG (MLNG1), are discussing with Petronas to continue the equity interest in the liquefied natural gas producing company, Petronas president and chief executive officer Tan Sri Mohd Hassan Marican said.

Both companies were shareholders of MLNG1 at 15 percent each since March 1978 but their equity agreement had lapsed in Feb 8 this year.

Both Shell and Mitsubishi are shareholders in MNLG2 while Shell also has a 15 percent stake in MLNG3.

"They have expressed interest and we are discussing," Mohd Hassan told journalists at a briefing on the Petronas integrated LNG Complex at Tanjung Kidurong, here.

The latest plant, MLNG3 will be opened by Prime Minister Datuk Seri Dr Mahathir Mohamad on May 8.

With the coming onstream of MLNG3, the complex will be the world's single largest LNG producing facility.

The total production is at 23 million tonnes per annum and its biggest buyer were Japan, Korea and Taiwan.

MLNG1 is 95 percent owned by Petronas and 5.0 percent by the Sarawak State Government.

On another note, Mohd Hassan said Petronas would have to remain competitive as the LNG business gets tougher and competition becomes stiffer with new producers and factors coming into play.

"We will have to find new ways to compete," he said.

He said competition was growing very quickly as new producers came into the picture to take advantage of low production cost besides the emergence of new markets, such as India and China.

For example, he said Australia had become a new competitor when it recently signed the first LNG contract with China, setting a new benchmark in its pricing (due to its low pricing).

At the same time, Mohd Hassan said West Asian countries were now realising the potential of their gas reserves.

"Being onshore, which is cheaper, they can compete in North Asian market due to their low cost feed," he said.

Besides this, the emergence of spot LNG trading, which currently accounted for 10 percent of the global LNG business and tipped to expand gradually to 30 percent would be an added competition in the long term.

Nevertheless, Petronas being a global player with world class capabilities, is well positioned to take up future challenges, he said.

He said demand for LNG was increasing in North Asia while Europe, which had its own pipeline network, would become a new area for LNG growth.

Malaysia is the world's third largest LNG producer after Indonesia and Algeria and its largest buyers were Japan, South Korea and Taiwan.

Japan consumed 55 million tonnes of LNG per annum and Malaysia LNG accounted for 25 percent of its market, 49 percent of Taiwan's and 21 percent of South Korea's market.

"If we are to compete in the global arena, we have to pit our head together in a win-win-position.

"If we want to remain competitive, we must find new markets," he said.

He said the coming onstream of new players, calls for Petronas to be more flexible.

He said there was a lot of flexibility required and requested by customers in new contracts and because of the long relationship, both buyers and sellers had to accommodate each other.

Malaysia, Brunei and Indonesia are talking to each other to address this new challenges. -- BERNAMA

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