

25/04/2003

Petronas buys Edison gas assets in Egypt (HL)

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PETROLIAM Nasional Bhd (Petronas) has catapulted to a leading position in the global liquefied natural gas (LNG) industry, with markets in North Asia, Europe and North America.

This follows its acquisition of gas assets in Egypt from Italian energy company Edison for 1.6 billion euros (1 euro = RM4.21).

The main markets of Petronas, the world's largest LNG producer, are currently Japan, South Korea and Taiwan.

Coupled with its already strong position in the North Asia LNG market, the purchase provides Petronas the opportunity to tap the strong southern European and US eastern seaboard markets.

Petronas said in a statement yesterday that the deal with Edison provides the company with a high-quality foundation to further develop its gas business in North Africa and West Asia.

The national oil corporation yesterday signed an agreement for the acquisition of Edison's 50 per cent working interest and joint operation of the West Delta Deep Marine (WDDM) concession located offshore Egypt.

The remaining 50 per cent is owned by the British Gas Group.

Petronas is also buying 35 per cent of Egypt LNG (ELNG), a downstream facility, from Edison. The entire output of ENLG has been contracted to Gaz de France under a 20-year take-or-pay contract

The acquisition positions Petronas as one of the leading investors in the North African gas business and paves its entry into the Atlantic Basin LNG market.

According to Petronas, the upstream assets in the WDDM concession include 13.6 trillion cu ft (tcf) of gas reserves in nine discovered fields, giving Petronas 6.8 tcf of net reserves.

Gas produced from the WDDM concession is being supplied to Egypt's fast-growing domestic market and the ELNG project.

The ELNG project comprises the development and operation of a liquefaction plant and related infrastructure in Idku, about 50km east of Alexandria, Egypt.

Construction of the ELNG project's first train, with a 3.6 million-tonne-per-annum capacity, is under way and the first production is expected in 2006. Initial work on the second train, which will double the output from the ELNG project, has started.

Marketing of Train 2 output has reached an advanced stage, with potential buyers from Europe and the US having expressed strong purchasing interest.

The ELNG plant is designed to accommodate up to six trains, reflecting

the substantial upstream resource and future potential for LNG sales to the Atlantic Basin.

Production from the WDDM concession started recently, initially supplying gas to the Egyptian market which has been expanding at an average of 15 per cent a year over the last five years.

Production will increase to about 1,200 million standard cu ft per day (mmscfd) when the first LNG train starts up in 2006, and will rise to about 1,780 mmscfd as the second train is brought onstream.

Extensive additional exploration potential is recognised in the concession, offering scope to build on the 100 per cent exploration and appraisal success track record from the 16 wells drilled to date.

Petronas said the acquisition of Edison's assets is conditional upon the approval of the Egyptian Government and is expected to close in the second quarter of the year.

The purchase agreement was signed in Cairo yesterday, with Petronas represented by its president and chief executive officer Tan Sri Mohd Hassan Marican. Citigroup acted as financial adviser to the corporation for the transaction, while Lambert Energy was its strategic adviser.

Petronas' North African gas business includes a 16 per cent stake in Egypt's North East Mediterranean Deep Water block (Nemed).

Nemed is located about 100km north-west of WDDM, providing the possibility and opportunity to integrate gas production.

Petronas is also involved in the development of the Ahnet gas project in Algeria in partnership with Gaz de France. Petronas has a 64 per cent interest and Gaz de France the remaining 36 per cent.

Meanwhile, Petronas has developed a dedicated LNG complex in Bintulu, which is set to become the single largest LNG production facility in the world with a combined capacity of 23 million tonnes a year by October 2003.

Of this, Petronas' net production capacity is 16.5 million tonnes, making it the largest LNG producer in the world.

Prime Minister Datuk Seri Dr Mahathir Mohamad is scheduled to officiate at the opening of the LNG complex on May 8.

Through its subsidiary, Malaysia International Shipping Corp Bhd, Petronas is also the world's largest owner and operator of LNG fleet with 15 tankers in operation, giving it the capability and flexibility to provide reliable transportation for LNG.

Six more tankers are under construction, further enhancing Petronas' position.