

Inpex May Use Floating Plant for Indonesia's Masela LNG Project

By Bambang Dwi Djanuarto and Dinakar Sethuraman

May 29 (Bloomberg) -- Inpex Holdings Inc., Japan's biggest oil explorer, plans to build a floating liquefied natural gas plant at a \$5 billion project in Indonesia to contain costs.

The technology, which is yet to be deployed commercially, will be used to process gas from the proposed Masela LNG project in the Timor Sea, Hirohisa Ota, general manager of Inpex, said in an interview in Jakarta yesterday. A floating plant may cost a third of an onshore unit and take less than half the time to build, Citigroup Inc. said in a report on April 15.

"Our preference is to build a floating LNG plant in Masela Block with a capacity of 5 million metric tons a year," Ota said at an energy conference. "We submitted a development plan in Masela Block two days ago."

Rising natural gas prices and advances in technology are making offshore plants increasingly viable to develop gas fields that otherwise would be uneconomic, Citigroup said. Royal Dutch Shell Plc, the biggest non-government producer of LNG, is one of five companies seeking to develop floating units, Citigroup said.

Inpex may spend more than \$5 billion on the Masela LNG project, up from the \$4.3 billion estimated earlier, because of rising steel and raw material prices, Ota said. The plant may start production by 2016.

The company may secure the approval of the Indonesian government to develop the Timor Sea field in November after which it will start initial engineering work, said Noritoshi Ino, an exploration manager at Inpex. The field may produce as much as 800 million cubic feet a day of gas to supply the floating plant.

Floating Options

The Masela project may seek partners once the government approves the development plan, Ota said.

Shell, SBM Offshore NV, BW Offshore Ltd., Flex LNG Ltd. and Hoegh LNG are all developing floating LNG. Shell will invite bids by June to supply the biggest floating LNG production ship with an annual capacity of 3.5 million metric tons, the company said in March.

The reserves at Masela may be "almost as high" as those at the BP Plc-led Tangguh LNG project, Ota said. Tangguh in Papua province has 14.4 trillion cubic feet of proven reserves, according to BP.

Inpex, which won the right to drill in Masela in 1998, may have to allocate as much as half of the output from the field to the domestic market, Energy Minister Purnomo Yusgiantoro said in Jakarta on March 25. The amount to be sold domestically is being discussed, Ino said.

LNG is natural gas that has been chilled to liquid form, reducing it to one-sixth-hundredth of its original volume, for transportation by ship to destinations not connected by pipeline. On arrival, it's turned back into gas for distribution to power plants and other buyers.

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