

## **Mitsubishi Buys LNG From World's First Floating Plant**

By Dinakar Sethuraman

Aug. 12 (Bloomberg) -- Mitsubishi Corp., Japan's largest trading company, agreed to buy liquefied natural gas from the world's first floating plant that Flex LNG Ltd. is developing in Nigeria to meet rising demand for cleaner-burning fuels.

The Tokyo-based company will purchase as much as 1.5 million metric tons a year from the Progress LNG project for 15 years starting 2011, Philip Fjeld, chief executive officer of Flex LNG, a Norwegian developer of floating LNG terminals, said in an interview. Kawasaki Kisen Kaisha Ltd., Japan's third- biggest shipping line, is Flex's largest shareholder.

"Mitsubishi will buy the entire production from Progress LNG," Fjeld, 33, said by telephone from London. "We are in talks with buyers for LNG from our other projects."

Mitsubishi is counting on the commercially untested technology to gain access to supplies of LNG as demand from power plants in China, India and Japan sent prices surging to a record \$20 per million British thermal units. LNG consumption is rising 10 percent a year and floating facilities may cost one- third of an onshore plant and take less than half the time to build, Citigroup Inc. said in April.

Shunsuke Nanami, Mitsubishi's spokesman in Tokyo, said the company has signed an agreement on the purchase and is in talks on details of the contract.

### Floating Plants

Mitsubishi and Peak Petroleum Industries Nigeria Ltd. are also shareholders in the Progress venture, Fjeld said, without giving details on the stakes.

Flex LNG shares in Oslo have climbed 38 percent this year, compared with the 16 percent decline in the benchmark OBX Index. Mitsubishi shares have fallen 0.3 percent in Tokyo compared with a 13 percent drop in the benchmark Nikkei 225 Stock Average.

Royal Dutch Shell Plc and Inpex Holdings Inc. are also planning to build floating plants to process gas from areas off the coasts of Australia and Indonesia. Shell invited bids in June to build a 3.5 million-ton-a-year tanker, about twice the size of Flex's units.

Flex has placed orders for four floating carriers, each with a capacity of 1.7 million tons a year, from Samsung Heavy Industries Co. The first unit should be available by

the third quarter of 2011 and the fourth by 2013, Fjeld said. Each carrier may cost as much as \$1.2 billion, based on per unit costs for Flex's floaters.

#### Lower Costs

A floating LNG unit costs about \$450 to \$700 per ton of liquefaction capacity, excluding field items and financing costs, compared with \$1,300 to \$1,500 for onshore projects, Fjeld said. The floaters typically target gas fields with reserves of between 300 billion cubic feet and 1.5 trillion cubic feet.

Flex plans to locate a unit in Papua New Guinea and is in talks with coal seam-based LNG producers in Australia to use tankers to process the initial gas extracted from coal beds, Fjeld said.

“We are developing close to 20 projects,” Fjeld said. “The advantage with floating plants is that we can move these units to different projects.”

Kawasaki Kisen Kaisha owns 15 percent of Flex, Fjeld said. The company has raised almost \$600 million from hedge funds and mutual funds to order the tankers.

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