

## Kitimat suppliers consider gas-indexed prices

**Asia-focused Kitimat LNG** in western Canada has received expressions of interest from producers willing to supply feedgas on a non-oil indexed basis, a senior company executive said on Wednesday, at CWC Group's LNG Americas summit in San Antonio.

"A few of the producers that we have been in discussions with have indicated they may consider not only oil-indexed based pricing, but potentially gas-based pricing," said Ilene Schmaltz, Kitimat LNG's vice president for supply and marketing.

As the terminal's economic model is a tolling model, it would be up to buyers and sellers to agree between them the exact terms of their SPAs, she added.

"The liquefaction and pipeline tolls have not yet been finalised as we do not have final costs for the two projects," she said.

Apache Canada is leading the negotiations now as project operator, following its purchase of a 51% stake of Kitimat LNG in

January. Apache also has rights to 51% of the projected 5 million tonnes per annum (mtpa) capacity.

Feedgas could be supplied at a premium to NYMEX Henry Hub or Canada's AECO, with offtakers also paying a plant toll and the regulated pipeline toll, ICIS Heren understands.

### To enrich or not to enrich

The LNG project consortium is to decide on the inclusion of a gas-enrichment facility in the FEED study to meet the requirements of potential Asian buyer(s).

"The Horn river gas is very lean, which is a concern to some Asian buyers who are looking for richer gas, but there is the possibility of spiking the gas at Kitimat end or Asian end," Schmaltz said, "I am told from an engineering point-of-view this is feasible."

Schmaltz added only the smaller Japanese firms had insisted on rich gas, while the larger

ones showed a degree of flexibility on this point. "Most of the other Asian LNG buyers that we have spoken to have not expressed a concern with respect to the relatively lean gas that will move through the LNG terminal," she added.

Apache and Kitimat LNG are due to start a FEED study in Q2 2010, with a target date for conclusion in 2011. Apache and Kitimat LNG will be sharing the FEED costs.

ICIS Heren understands from an engineering source, if the gas-enrichment option is not part of the FEED at the beginning, it may well slow the project down if included at a later stage.

Kitimat LNG project owners have secured memorandums of understanding for 20-year supply contracts with KOGAS (2mtpa) and Gas Natural (1.6mtpa), and are in discussions with other unnamed parties with a view to sign sales and purchase agreements before final investment decisions.

## South Korea's Feb imports rise 21% year on year

**South Korea's February** LNG imports rose 21% year on year to 3.45m tonnes, trade statistics published by the Korea International Trade Association (KITA) showed on Tuesday.

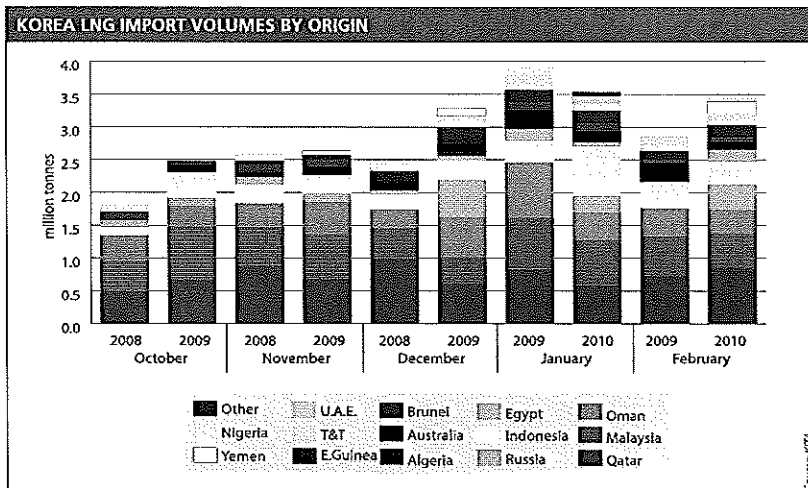
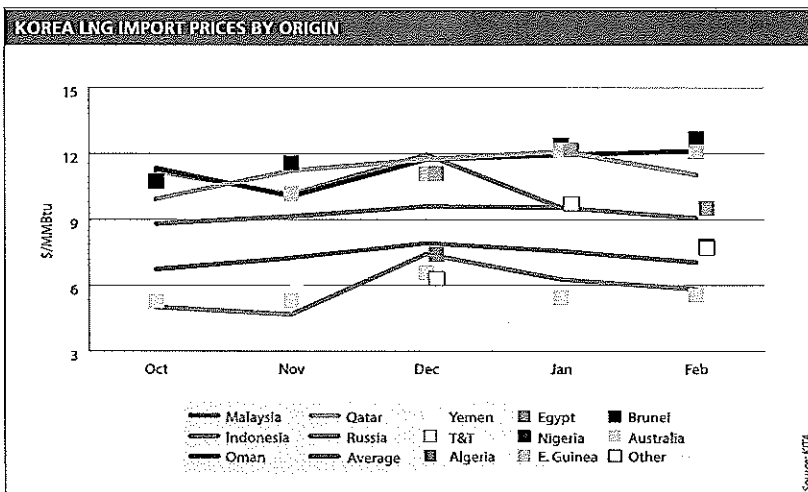
The level of imports was steady on the previous month by volume, while the average import price fell nearly \$0.57/MMBtu to \$8.98/MMBtu.

One driver for the lower prices was the increase in regular volumes from lower-priced contracts with Russia and Yemen. The import price from Yemen fell to its lowest level yet, \$3.82/MMBtu for 191,000 tonnes, also making it South Korea's cheapest source of LNG supply. Russia's Sakhalin plant provided 379,000 tonnes at an average of \$5.83/MMBtu.

As South Korea's import monopoly KOGAS turned to the spot market, 548,000 tonnes of LNG, around 16% of the total, was sourced from the Atlantic basin. Of this, 182,000m tonnes was delivered from Egypt at \$9.51/MMBtu and 167,000 tonnes from Trinidad at an average \$7.71/MMBtu.

A further 199,000 tonnes was secured from BG Group's Equatorial Guinea offtake at \$12.09/MMBtu.

The most expensive LNG was one 60,700-tonne cargo sourced from Brunei at \$12.67/MMBtu. Qatar was the country's biggest supplier by volume, with 850,000 tonnes delivered at \$11.04/MMBtu.



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