

Chevron predicts 'tight' LNG market for 5 years as demand rises

BEIJING. June 29 (Bloomberg):

Chevron Corp., the second-biggest U.S. oil company, said the next five years are likely to be an "historically tight" period for liquefied natural gas, with supplies limited through at least 2011 as demand surges.

Increased global LNG use and the delayed start up of projects are deepening shortages of the fuel, favored as a cleaner-burning alternative to oil and coal, said Steve Del Regno, Chevron's regional manager for gas business in Asia.

Chevron and its partners are developing the US\$10.4 billion Gorgon LNG project offshore of Australia, the costliest project the San Ramon, California-based company has anywhere in the world. Chevron is counting on Gorgon and LNG projects in Angola, Nigeria and Venezuela to quadruple output to 11 million metric tons a year by 2010.

"We wish we had more LNG to sell," Del Regno said in a telephone interview from California on Wednesday. "This happens to be an historically tight period. Most people would agree that in the next five years, it would remain" that way.

China, the world's biggest energy user after the U.S., wants to boost the share of its energy produced from natural gas to 8 percent by 2010 to cut pollution and reduce the country's reliance on coal and crude oil. Rising demand in the Atlantic Basin region, led by the U.S. and Europe, means that market may match the size of the Pacific market by 2015, Leigh Bolton, director of a U.K. consulting firm, said June 22.

"New terminals are coming up in China, Mexico and Taiwan," L.C. Hicks, senior vice president of business development at BP China, said in Shenzhen on Wednesday. "Competition between existing buyers is definitely intensifying. From 2002 to 2004, it was a buyers' market. Today it's a sellers' market."

Royal Dutch Shell Plc's \$20 billion Sakhalin-2 LNG project in eastern Russia, BP Plc's Tangguh venture in Indonesia and the Gorgon project are among planned production in Asia running behind schedule. Costs are rising for equipment, materials and manpower.

"Gorgon has officially told our buyers in Japan that it'll be difficult for us to stay on the 2010 schedule," Del Regno said.

"We're now looking at a mid-2011 start up. All projects are under pressure, under costs and schedule pressure."

Chevron is operator and owns 50 percent of the Gorgon project. Exxon Mobil Corp., the world's biggest oil company, and Shell, Europe's second-largest oil company, each own 25 percent.

Chevron has committed 4.2 million tons a year of its share of the Gorgon project to three buyers in Japan and has yet to identify buyers for the remaining annual 800,000 tons of the fuel, Del Regno said.

Chevron is the third-biggest natural gas producer in the U.S., behind BP, Europe's biggest oil company, and Exxon Mobil, according to the Natural Gas Supply Association in Washington.

LNG is natural gas that has been cooled to shrink it for shipment across oceans on tanker ships. The fuel is warmed when it reaches its destination so it can be pumped into homes and businesses on pipelines.