

HD Sinopec, Petronas in Talks on LNG Project
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China Petroleum & Chemical Corp. is in talks with Malaysia's Petrolia Nasional Bhd. to buy up to 15% of a liquefied-natural-gas project on Canada's western coast, people familiar with the matter said Wednesday.

The Pacific Northwest LNG project is an export terminal planned for an undeveloped island in northern British Columbia, which was acquired by Petronas in 2012 as part of its 5.5 **billion** Canadian dollar (US\$4.9 **billion**) **purchase** of Canada's Progress **Energy** Resources Corp. The terminal could begin operating as soon as 2018 and will have the capacity to export 12 **million** metric tons of LNG a year.

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Petronas has been selling stakes in Pacific Northwest LNG's reserves and output to raise funds for its development, which could cost as much as C\$11 **billion**. The **company** has sold 10% stakes to Japan Petroleum Exploration Co. and Indian **Oil** Corp. and will supply them each with 1.2 **million** metric tons of LNG annually from the project. Petronas also has sold a 3% **stake** to Brunei National Petroleum Co. in exchange for 3% of Pacific Northwest LNG's annual output.

Petronas has said it would announce the **sale** of another 15% **stake** to an Asian buyer by the end of this month but hasn't disclosed the **company**. The value of the **stake** couldn't be determined.

The talks between Petronas and the **Chinese company**, or Sinopec, come as **China** looks to double the share of natural gas in its **energy** mix to 10% by 2020. The negotiations were first reported by Reuters news service. Although **China** has plans to use unconventional fuels such as shale gas, large-scale production is at least a decade away, creating opportunities for importers of LNG-- a chilled form of natural gas that can be shipped.

China has yet to begin importing LNG from Canada, but **Chinese energy** companies are planning to diversify their LNG supplies, which for now come from only a handful of countries, such as Qatar, Australia, Malaysia and Indonesia.

The Canadian subsidiary of **China's** primary offshore **energy** producer, Cnooc Ltd., last year was awarded rights to proceed with a terminal to export LNG from Canada's Pacific coast. PetroChina Co., **China's** largest **energy** producer, is part of a consortium led by Royal Dutch Shell PLC to develop another Canadian LNG project.

Canada is trying to transform its underdeveloped northern Pacific coast into a hub for LNG by using a glut of natural gas. The Canadian government also has been trying to shift gas exports away from the saturated U.S. market and into LNG-hungry Asian markets.

If a deal between Sinopec and Petronas is reached, it would be the **Chinese company's** first entry into a Canadian LNG project. Sinopec in bought ConocoPhillips's **stake** in Syncrude Canada Ltd., a large **oil-sands** producer in northern Alberta, for US\$4.65 **billion**.

Chester Dawson contributed to this article.

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CO cpetc : China Petroleum and Chemical Corp (Sinopec Corp) | ioc : Indian Oil Corporation Ltd | jpe : Japan Petroleum Exploration Co Ltd | proexn : Progress Energy Canada Ltd. | ptrnas : Petroliaam Nasional Berhad | chpc : China Petrochemical Corp | jogmnc : Japan Oil, Gas and Metals National Corp | sprlcp : Quattro Exploration & Production Ltd.

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