SE Features

HD **Browse LNG Loses Only Customer**

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Australia's revamped Browse floating LNG (FLNG) project has been left with no contracted buyers after Japan Australia LNG, otherwise known as Mimi Browse, a 50-50 joint venture between Japanese trading houses Mitsubishi and Mitsui, terminated a sales and **purchase** agreement for around 1.5 **million** tons per year of LNG from the development.

Mimi's pullout is not seen as a major setback, however, with Browse FLNG not expected to be sanctioned before mid-2015 and the first vessel unlikely to come on stream before 2018 at the earliest. "It is marginally disappointing ... but not worrying," Melbourne-based RBC Capital Markets analyst Andrew Williams told LNGI sister publication International **Oil** Daily. "The joint-venture will stagger the floaters so they will only have to put away relatively small volumes, maybe 20%-30% [as term volumes]. Maybe the first vessel needs to be underpinned but after that they can get much more flexibility. There will be enough spot demand."

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Mimi signed the sales and **purchase** agreement with Woodside, which operates Browse FLNG with a 31.3% interest, in April 2012, acquiring a 14.7% **stake** in the project for US$2 **billion** at the same time (LNGI May2'12). Back then, Browse LNG was still envisaged as a conventional onshore liquefaction plant and the deal was for long-term sales at a price "in line with traditional Asian pricing for conventional LNG projects," Woodside had said.

But on Thursday, the Perth-based **firm** revealed the Mimi sales and **purchase** agreement had been conditional upon a final investment decision (FID) being taken on Browse by Dec. 31, 2013 -- a clause that had not been disclosed last year. This condition not having been satisfied, Mimi gave Woodside notice of its termination of the agreement on Thursday.

Since Mimi bought into Browse, the project has not only failed to reach FID but has also been transformed from a 12 **million** ton/yr onshore plant into a floating concept featuring up to three FLNG vessels.

With FLNG an untested technology, Mimi may have been unwilling to keep its **purchase** commitments and even more reluctant to pay conventional LNG prices for FLNG, which -- if successful -- is expected to cost significantly less than the Australian onshore option would have. Buyers may also expect a discount on FLNG due to the risks associated with using the new concept.

But Mimi, as a stakeholder, is committed to Browse and could well ultimately decide to lift its LNG **equity** volumes and more, Williams noted.

It is not the first time Browse has won and lost an Asian customer. Both PetroChina and **Chinese** Petroleum Corp. (Taiwan) signed key term agreements in 2007 to lift 2 **million**-3 **million** tons/yr from Browse LNG for 15-20 years, likely at parity to **oil** prices. But these deals were allowed to lapse without being firmed up as LNG prices fell and the project failed to make progress (LNGI Jun.25'12).

That is not to say Browse is unattractive to Asian LNG buyers. Like Mimi, PetroChina bought **equity** in the project in December 2012, acquiring BHP Billiton's upstream interests for $1.63 **billion** (LNGI Dec.13'12). Although it did not sign a new key term agreement or sales and **purchase** agreement when doing so, the **company** is expected to take its **equity** LNG back to **China**.

The existing shareholders in Browse -- Woodside, Royal Dutch Shell, whose FLNG technology will be used, BP, Mimi and PetroChina -- appear more aligned than ever before and agreed in September to adopt floating LNG, with front-end engineering and design (Feed) work expected to start in mid-2014 (LNGI Sep.3'13).

An agreement for Woodside and Mimi to jointly market co-mingled LNG volumes in Asia, primarily to Japanese customers, remains in place.

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CO mimi : Japan Australia LNG (MIMI) Pty Ltd | mtsubc : Mitsubishi Corp | mtsui : Mitsui & Co Ltd

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