

Chevron to develop gas projects in Asia

Chevron plans to develop two multibillion dollar gas projects in Asia, amid forecasts of surging gas demand and rising prices.

The second-largest U.S. oil and gas company said it approved the \$3 billion Platong Gas 2 project in Thailand and also planned to develop a new liquefied natural gas project using gas from its Wheatstone field off northwest Australia.

Chevron said the Platong gas project was expected to increase the company's processing capacity in the Gulf of Thailand by 420 million cubic feet, or 11.9 million cubic meters, a day.

The company also reaffirmed its commitment to develop the massive Gorgon LNG project off northwest Australia

"The Asia Pacific region is projected to become the largest consumer of oil and gas," Jim Blackwell, president of Chevron Asia Pacific Exploration and Production, said in a statement. "If the twentieth century was the age of oil, then the twenty-first century is poised to become the age of natural gas."

The International Energy Agency forecasts LNG demand to more than double from 2007 to 400 million tonnes a year by 2015, underpinned by Asian economic growth and demand for clean burning fuels. Liquefied natural gas has also gained popularity because it can be transported from remote places without building vast networks of pipelines.

Chevron said the Wheatstone facility would have initial capacity of at least one 5 million-tonne-per-year LNG production train with possible expansion.

Roy Krzywosinski, managing director of Chevron Australia, told Reuters that there could be initial engineering and design decisions in about a year, when it would firm up likely costs and a location.

Analysts comparing it to the 4.3 million tonnes a year Pluto LNG project by Woodside Petroleum estimate Wheatstone LNG could cost more than \$11 billion.

Western Australia, rich in natural gas, is home to several major liquefied natural gas developments.

Operating projects include Woodside's 12 million tonnes per year North West Shelf venture and ConocoPhillips Darwin LNG plant. There are five other planned liquefied natural gas projects in the pipeline, including Wheatstone.

"There may be a number of proposed LNG projects off northwest Australia at the moment, but the demand for LNG is so robust that it's unlikely that there will be a situation of oversupply," said Andrew Blakely, a resource analyst at Macquarie Group in Sydney.

Chevron said the initial phase will tap an estimated 4.5 trillion cubic feet of natural gas resources within its two permits including Wheatstone. The facility will also provide commercial domestic gas to the local market.

Krzywosinski said that the joint venture partners for Gorgon, which include Royal Dutch Shell and Exxon Mobil, remain committed to commercializing Gorgon.

"Wheatstone will not change our sense of urgency in moving the Gorgon project forward. Our intention is to move both projects forward without delay," Krzywosinski said.

But analysts said Chevron's decision raises question marks over the future of the Gorgon project, which some have estimated would cost as much as \$20 billion.

"Gorgon is going to be in a tough situation considering it has very high levels of carbon dioxide. Apart from that, we also have three large joint venturers involved with different aims and goals," said an analyst in Sydney who did not want to be identified because he is not authorized to speak with the media.

Chevron, which wants to increase Gorgon's planned production to 15 million tonnes a year from 10 million tonnes, said it was still seeking environmental approvals for the expansion.

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