

Reuters Summit-update:

Shell plans floating LNG terminal for Sunrise

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- **Shell to quickly duplicate Prelude floating LNG**
- **“Very possible” for third unit in Australia**
- **Shell likely to work in joint ventures for future projects**

By Florence Tan

SINGAPORE, June 13, 2011 (Reuters) - [Royal Dutch Shell](#) (RDSa.L) plans to install a second floating liquefied natural gas (LNG) project at the Greater Sunrise field in the Pacific as it steps up production in the region to feed rising demand, a senior executive said on Monday.

Gas consumption in the world’s fastest-growing major economies China and India is surging as industries and cities expand, prompting exporters from Australia to Russia to Qatar to spend billions of dollars to boost output for a bigger share of the lucrative market.

“As soon as Australia and East Timor reach an agreement, we can move very quickly,” Neil Gilmour, general manager of FLNG at Shell Upstream International, said at the Reuters Global Energy and Climate Summit.

East Timor is locked in a dispute with Australia’s Woodside Petroleum and partners over developing the Greater Sunrise gas field, which straddles Australian and East Timorese waters.

East Timor wants a LNG plant built on its shore, while operator Woodside wants to build a floating LNG plant.

Shell will be able to quickly duplicate floating units to produce the super-chilled gas after announcing its first for the Prelude gas field offshore Australia. The technology allows the company to tap on stranded offshore gas resources to meet surging LNG demand in Asia which could double by 2020.

Gilmour didn’t rule out the possibility of the company building a third such facility in Australia.

“It’s very possible,” he said in an interview at his office.

Other areas where the technology could be used include Indonesia, East Africa, Southern Europe and Brazil, Gilmour said.

“Asia-Pacific is going to be immensely important to us, but we’re going to look at other parts of the world as well,” he said. “A lot of gas was found in East Africa which is new in the last 18 months.”

Natural gas will account for half of Shell’s output this year as it expects strong LNG demand growth in North Asia and niche markets such as Singapore and the Middle East.

QUICKLY DUPLICATE

Big economies like China and India will drive demand growth, Gilmour said.

Shell owns 100 percent of its first floating LNG project, estimated to cost over \$10 billion, at the Prelude gas field in the Browse Basin, about 200 kilometres offshore Australia.

The project, which Shell expects to start around 2017, will be able to make 3.6 million tonnes per year (tpy) of LNG aboard the largest floating object in the world -- longer than four soccer fields and about six times heavier than the largest aircraft carrier. It will also produce 1.3 million tpy of condensate and 400,000 tpy of liquefied petroleum gas (LPG).

The facility is designed to store 220,000 cubic metres of LNG, 90,000 cubic metres of LPG and 126,000 cubic metres of condensate.

The Prelude floating LNG unit will take five years to complete from design to construction and deployment, Gilmour said. That could be shortened by six to 12 months for such projects to be built in future, he added.

Shell is open to partnerships where it can provide the floating LNG technology to companies with gas supply.

“We see that future projects are very unlikely to be 100 percent Shell,” Gilmour said. “It’s very improbable that we’ll have 100 percent gas fields.”

EXTEND LIFESPAN

The Prelude unit could be tied to a cluster of fields at least 100 kilometres away to extend its lifespan, Gilmour said.

“The infrastructure is there to help them monetize it,” Gilmour said. “So I’m very hopeful that the field is out there for 20 odd years and there will be more gas found.”

Shell has tested its floating LNG unit in extreme weather conditions such as a Category 5 hurricane, but the unit can only be used in ice-free water.

“You’re not going to do this in the North Sea where you’ve got massive amount of established pipelines. And actually the distances between the beach and the offshore is relatively modest,” Gilmour said.

(Reporting by Florence Tan Editing by Manash Goswami)