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Chevron Plans to Commit to Gorgon LNG Expansion in Late 2013
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By James Paton

April 12 (Bloomberg) -- Chevron Corp. said it has completed more than a fifth of the construction at the \$37 billion Gorgon liquefied natural gas project off northwest Australia and aims to approve an expansion in late 2013.

Chevron, the second-largest U.S. energy company, plans to lodge documents detailing the expected environmental impact of a fourth LNG processing unit, or train, later this year, Colin Beckett, general manager of the Gorgon project, said in an interview. The company and its partners, including Exxon Mobil Corp. and Royal Dutch Shell Plc, plan to produce 15 million metric tons of LNG a year from three units starting in 2014.

"We've started work on expansion, with a small project team already formed here in Perth," said Beckett, who is attending an oil and gas industry conference in the Western Australian city. "Towards the end of 2013 is a reasonable target to aim for. We want to capture the synergies from the first three trains. There's a lot we can leverage off."

Chevron is among energy companies proceeding with Australian LNG ventures to meet a projected increase in Asian demand for cleaner-burning alternatives to coal. The oil producer has called the Gorgon and proposed Wheatstone LNG project in Australia the "centerpieces" of its growth plans.

There may be "a bit of a gap after the fourth train," and before a potential fifth processing unit is approved, he said.

Japanese Customers

The crisis at the Fukushima Dai-Ichi nuclear power plant in Japan is likely to lead to an increased demand for Australian LNG as countries reassess their plans to build more reactors, analysts including John Hirjee of Deutsche Bank AG have said.

"In the short term, there's a need to support our Japanese customers through our existing projects, which we're doing," Beckett said. "LNG will remain very important in the fuel mix, and it's important for us to complete our projects so they can rely on us delivering to them in 2014, 2015 and so forth."

The Hague-based Shell earlier this week agreed to acquire a stake in the Wheatstone project. The European oil company will gain 6.4 percent of the LNG facilities and 8 percent of the fields off northwest Australia that will supply Wheatstone.

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