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SAKHALIN ENERGY, JAPAN'S HIROSHIMA GAS SIGN 20-YEAR LNG DEAL

YUZHNO-SAKHALINSK, April 20 (Prime-Tass) — Sakhalin Energy, the operator of the Sakhalin-2 oil and gas project near Russia's Sakhalin Island, and Japanese gas utility Hiroshima Gas have signed a 20-year agreement under which Sakhalin Energy is to supply annually 210,000 tons of liquefied natural gas (LNG) to Japan's prefecture of Hiroshima, the Sakhalin Region government's press service said Thursday, ITAR-TASS reported.

The company plans to supply LNG from a plant that is currently being constructed in the village of Prigorodnoye on the southern part of Sakhalin Island.

The deal between Sakhalin Energy and Hiroshima Gas envisages using small ships for LNG transportation. Hiroshima Gas plans to use its own ships, with a dead weight of 20,000 cubic meters, for transporting gas to Japan.

Currently, Sakhalin Energy has already signed long-term gas supply deals with Japan's Tokyo Electric Power, Tokyo Gas, and Toho Gas, as well as with South Korea's Kogas.

LNG and oil exports from the Sakhalin-2 area are expected to start in 2008.

Royal Dutch/Shell Group's subsidiary Shell Sakhalin Holdings BV owns 55% in Sakhalin Energy, while Mitsui Sakhalin Holdings, a subsidiary of Japan's Mitsui, has a 25% stake and Diamond Gas Sakhalin, a subsidiary of Japan's Mitsubishi, holds 20%.

Sakhalin-2's deposits have hydrocarbon reserves of 575 million tonnes in oil equivalent, or 9% of total reserves on the Sakhalin shelf.