Supply concerns thwart Cacouna LNG plans

SHAWN MCCARTHY

From Thursday's Globe and Mail

March 26, 2008 at 7:19 PM EDT

OTTAWA — — The partners in the planned $1-billion liquefied natural gas terminal in Gros-Cacouna, Que., are applying the brakes at the project, citing a lack of secure gas supply to feed the plant.

The setback for **Petro-Canada** **[PCA-T]**and its partner, **TransCanada Corp.** **[TRP-T]** , both of Calgary, underscores a key challenge for companies that plan to import LNG, and then regasify it and ship it to market; There is far more demand for the gas than there is supply.

After a supply deal with Russia's OAO Gazprom fell through last month, the partners in Cacouna withdrew a request to Brossard, Que.-based **Trans Quebec & Maritimes Pipeline Inc.** to build a $760-million pipeline connecting the LNG plant with the main transmission system, TQM said yesterday.

Petrocan spokesman Andrew Pelletier said the decision to delay the pipeline does not mean the project is dead. "We are still working on the terminal as a partner with TransCanada, but the issue right now is all about supply. What we've done is simply drawn back on some of our activities until we can assure supply for that terminal."

He said the partners will continue to work on engineering and environmental work but did not want to commit to the pipeline company. "Once we know we have supply, we can gear everything up again."

Petrocan had been counting on a proposed LNG plant in Russia, where it was negotiating a partnership with Gazprom. Last month, Gazprom killed the Baltic LNG project, and said it would deliver the gas to Europe via pipeline. Petrocan has said it is now looking for alternative supplies.

Analysts say the Cacouna project is not the only one being planned in North America without assured LNG access.

"The critical issue is access to long-term, stable supplies," said analyst Ira Joseph at PIRA Energy consultants in New York. "There are not enough suppliers for all the regasification terminals [being planned] around the world." He said most suppliers are targeting the rapidly growing Asian market, where the price for imported natural gas is about 50 per cent higher than in North America.

Two other LNG projects in Eastern Canada include partners with better access to international LNG supplies than either Petrocan or TransCanada. **Irving Oil Ltd.** of Saint John, N.B., is building the $1-billion Canaport project with Spain's Repsol YPF SA, which has its own sources of LNG in Trinidad and Tobago and access to supplies from Algeria.

A second Quebec-based project, Rabaska, is a partnership of Montreal's **Gaz Métro LP,** Calgary-based **Enbridge Inc.** and state-owned Gaz de France SA. The latter has an agreement to take over energy company, GDF Suez, which has access to LNG supplies in Algeria, Egypt and Norway, said Global Insight Inc. analyst Jim Osten.

He said the major LNG suppliers are unwilling to commit to long-term contracts. The Persian Gulf state of Qatar is completing a massive LNG facility in partnership with Irving, Tex.-based **Exxon Mobil Corp** **[XOM-N].**, but Mr. Osten said Qatar wants to be able to divert supplies to the most lucrative markets on short notice.