



Press Release

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Qalhat LNG First Cargo Leaves Oman - World Class Project Completed Ahead of Schedule

Muscat - The Sultanate of Oman, rejoicing in its 35th National Day celebrations, had another momentous occasion to celebrate as the first commercial LNG cargo from QALHAT LNG SAOC (QLNG) left the Qalhat LNG Complex export terminal yesterday.

135,000 cubic metres of LNG is being transported by the Omani LNG carrier "Sohar" to Spain. The Sohar is expected to sail into Huelva Terminal after a journey covering 4621 nautical miles and lasting 14 days.

His Excellency Sheikh AlFadhel Al Harthy, Chairman of Qalhat LNG said on this historic occasion: "We are delighted to announce the first cargo from QLNG. This represents a significant milestone in Oman's Oil and Gas industry. We consider the early delivery of our first shipment ahead of



schedule as a significant achievement for Oman, QLNG and our partners".

In line with His Majesty Sultan Qaboos bin Said's directives to diversify the economy and add more value to existing industrial projects, Qalhat LNG was incorporated in March 2003 as owner of the third LNG train in Oman. The train is located at Qalhat in Sur, SE of the Sultanate, nearly 350 km from the capital city Muscat. Qalhat LNG SAOC is a closed joint-stock company owned by the

Government of the Sultanate of Oman (55.84%), Oman LNG (36.8%) and Union Fenosa Gas (7.36%).

Mr. Harib Al Kitani, CEO of the company proudly elaborated that Qalhat LNG, which is a one train liquefaction facility with 3.7 mtpa production capacity, has notched up several record-breaking achievements on the road to shipping its first cargo of LNG. Qalhat LNG's EPC contractor Chiyoda-Foster Wheeler, achieved the Ready for Start Up (RFSU) milestone on



the 13th, November which was 17 days ahead of the Contract schedule and within the allocated budget. Start up of the LNG train took just 9.1 days from RFSU to produce the first 'drops' of LNG which is regarded as one of the shortest time periods for LNG production after RFSU in history of the LNG industry.

It is a matter of national pride that the Qalhat LNG project, working in close cooperation with the Ministry of Manpower, achieved an Omanisation target of 37%, which is the highest record for any construction project in the Sultanate to date. The majority of Omani employees on this project were recruited from the Sharqiyah region. Qalhat LNG has always through the entire project time and thereafter demonstrated its commitment to national progress and sustainable development.

One of the project's successful milestones has been excellence in Health, Safety and Environment (HSE). A record of

20 million man hours without any lost-time injuries (LTI) was achieved on all Qalhat LNG construction sites. This was a result of world-class quality control and HSE standards that ensured zero-hazards to worker's safety and environmental well-being, explained Mr. Maurice Merzian, Executive Project Manager who has overseen the entire construction phase of the project.

The Qalhat LNG train is located adjacent to the two identical trains of Oman LNG at Qalhat in Sur, and the two companies will share certain common facilities. Oman LNG, on behalf of Qalhat LNG, will operate the new train along with the existing facilities as an integrated plant while optimising operation and efficiency of the complex.

The Qalhat LNG train, worth around \$ 700 million, has a capacity to produce 3.7 mtpa of LNG. Qalhat LNG has a specific EPC cost of only \$ 147 per ton of LNG, amongst the lowest in the world. With the new plant

going on stream, the country's LNG production will increase from the present 6.6 mm tpy to more than 10 mm tpy. Qalhat LNG has signed three long-term sale and purchase agreements (SPAs) for a total contracted volume of approximately 3.3 mtpa. The agreements to supply LNG include a 20-year SPA with Spain's Union Fenosa Gas (1.65 mm tpy), a 17-year SPA with Japan's Osaka Gas (0.85 mm tpy) and a 15-year plus SPA with Mitsubishi Japan (0.8 mm tpy).

Mr. Al Kitani added that Qalhat LNG train has also entered into long term 20 years transportation agreement with a Government owned Oman Shipping Company for chartering two LNG vessels to deliver LNG to Union Fenosa Gas in Spain. Meanwhile, Mitsubishi has chartered another vessel from OSC to lift their share of the volume from Qalhat LNG starting 2006 and Osaka Gas for the same reasons have entered into a separate Joint Venture with Oman to provide a forth vessel to lift their cargoes from 2009. With this development, Qalhat LNG and OSC are working closely together to strengthen the aspiration of the Government of Oman to build a shipping industry.

With the above positive development, Qalhat LNG is well into the way of being another success story in the country's oil and gas business and is already making its name known in the industry. A great achievement and great success for the nation.