

Oil and Gas News Briefs

Compiled by Larry Persily

June 8, 2015

<http://uk.reuters.com/article/2015/06/03/peru-shell-lng-idUKL5N0YO2TF20150603>

(Reuters; June 3) - PeruPetro is in dispute with Anglo-Dutch oil firm Shell over royalties related to the export of seven Peruvian liquefied natural gas (LNG) cargoes last year, the regulator said, adding it hoped to reach a deal soon or would resort to arbitration.

Supplies from Peru's 4.45 million tonne per annum LNG export plant are handled by Shell, which acquired the asset from Spain's Repsol in 2014.

Under the terms of its contract, Shell must pay the Peruvian government a royalty based on the final destination price of where it sells the LNG, PeruPetro's promotion and communications manager Oscar Miro Quesada told Reuters in an interview.

But Shell in 2014 exported seven cargoes to Mexico, paying Peru a royalty based on the U.S. gas futures benchmark, one of the lowest prices in the world. It then re-sold the LNG to be exported to Asia, pocketing a much bigger sum and not sharing the proceeds with Peru, Miro Quesada said.

"In 2010 there were 10 cargoes that Repsol sold and did not share the full royalties. Shell did something similar last year. Right now Shell and PeruPetro are talking to solve this," Miro Quesada said.

Miro Quesada could not give an indication of how much it wants Shell to pay Peru, but said the talks with Shell were progressing and it was hopeful a deal could be reached soon. If not, PeruPetro will resort to arbitration courts, he said.

Shell did not immediately respond to requests for comment.

Peru recently settled a similar long-standing dispute over inadequate royalty payments related to 10 LNG cargoes exported in 2010-2011.

The World Bank's International Center for Settlement of Investment Disputes ruled last week against PlusPetrol, operator of a Peruvian gas field that supplies the LNG plant.

The ruling was a victory for PeruPetro, which is set to collect compensation for the lost royalties.