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China's first coal-to-gas plant seen mid-'06 -Shell

MANILA, Nov 30 (Reuters) - Royal Dutch/Shell will finish building its pioneering coal gasification plant in southern China by the middle of next year, the first of its kind in Asia, a senior Shell executive said on Wednesday.

The plant in Dongting, a 50/50 joint-venture between Shell and Asia's top refiner Sinopec Corp. , will convert 2,000 tonnes per day of coal into synthetic natural gas to be used by Sinopec as a feedstock for fertiliser, replacing naphtha.

"Coal gasification is now economic if you take a reasonable view on where oil prices will be in the future," Peter de Wit, Executive Vice President of Shell Gas and Power in Asia, told Reuters on the sidelines of an industry conference.

The plant, which de Wit said would cost nearly \$200 million, will come onstream after several delays. When Shell and Sinopec first agreed on the project in 2001, it was expected to start in 2004.

Coal gasification and liquefaction -- an expensive, decades-old technology used in the past by isolated countries -- is enjoying a rebirth as global oil and gas prices soar, forcing coal-rich nations such as China to refocus on domestic energy sources and improving the long-term economics of the process.

At least a dozen other coal gasification projects are now planned to come onstream after Shell's plant in China, the world's second-biggest energy user, de Wit said.

"We fully expect the pace of using this technology in China will continue unabated, particularly in chemical applications," he said.

Using the synthetic natural gas derived from coal in power plants is also a cleaner way to generate electricity than burning coal directly, as most of China's plants do now.

A 300 megawatt plant in the Netherlands



already uses coal to generate gas for power generation, de Wit said.

A separate study to use Shell's technology in an Integrated (coal) Gasification Combined Cycle power plant in Australia is ongoing, a company spokesman said separately.

De Wit said the future for coal liquefaction -- which requires a second process to turn the coal-derived gas into a liquid fuel -- was less certain due to the higher costs.

"There's a lot of research going on. It still needs government support and to go

through a cycle of cost reduction. The U.S. is interested but China is likely to be the first to develop it because costs are likely to be cheaper."

Shell has sold a license to China's biggest coal miner, the Shenhua Group Corporation, to manufacture hydrogen for a coal liquefaction plant in Inner Mongolia, potentially China's first.

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