Qatar, Shell Lay Out Plans for Petrochemical Plant

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DUBAI, United Arab Emirates (AP) — Qatar and Royal Dutch Shell PLC signed a tentative deal Sunday to jointly develop a petrochemicals complex, deepening ties between the tiny Gulf nation and Europe's largest oil company.

The agreement will give government-run Qatar Petroleum an 80 percent stake in the facility being built in Ras Laffan Industrial City in the north of Qatar. Shell will hold the remaining 20 percent.

The plant aims to turn Qatar's vast natural gas reserves into petrochemical products that the companies expect to sell mainly to fast-growing Asian markets. Qatar sits atop the world's third largest natural gas reserves, and exports more liquefied natural gas than any other country.

Qatar's minister of energy, Mohammed bin Saleh Al-Sada, said the Shell project is part of the OPEC member's strategy of building its chemicals industry "and represents an important milestone on our journey to become a significant global petrochemicals producer."

Al-Sada and Shell's CEO signed the "heads of agreement" pact in the Qatari capital Doha shortly before the start of a petroleum industry conference being held this week. A heads of agreement typically lays out the broad terms of a partnership but is not usually legally binding.

The plant aims to produce up to 1.5 million tons of mono-ethylene glycol, which is commonly used in antifreeze products, and 300,000 tons of the industrial chemicals known as linear alpha olefins per year.

Al-Sada estimated the project will cost roughly $6.5 billion, though he cautioned that the final figure could come in lower or higher than that. He said the project is due to begin operation in 2017.

Shell and Qatar Petroleum signed a lower-level agreement to explore the possibility of the petrochemicals project last December.

Shell is among the most active energy companies in Qatar.

Qatar's emir last month inaugurated Shell's huge Pearl Gas-to-Liquids plant near the proposed petrochemical plant site to convert natural gas into liquid fuel. The Anglo-Dutch oil major also partners with Qatar Petroleum on a liquefied natural gas plant nearby.

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