

Mitsui's LNG Business in Russian Far East



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The Seventh Japan-Russia Energy and Environment Dialogue in Niigata

Oct 30th, 2014

Agenda

1. Mitsui's Energy Business Activity

- Organization of Energy Business -
- LNG Business -

2. Sakhalin II Project

- Project Overview -
- Project History -

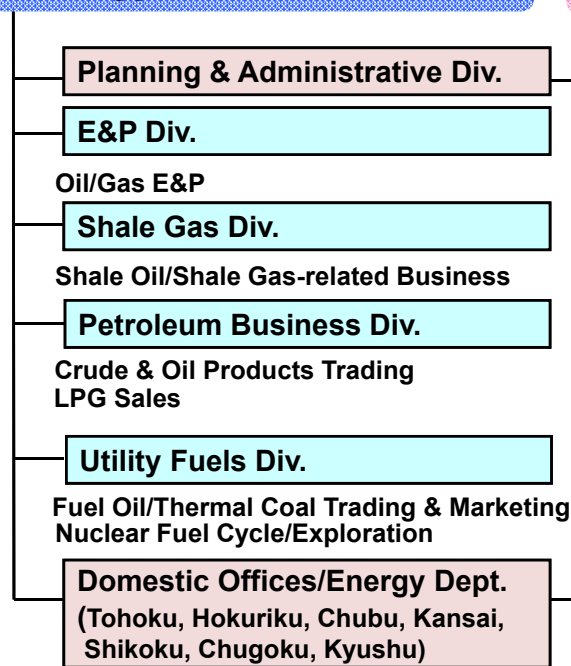
3. Potentiality of Russian Far East

4. New LNG Projects in Russian Far East

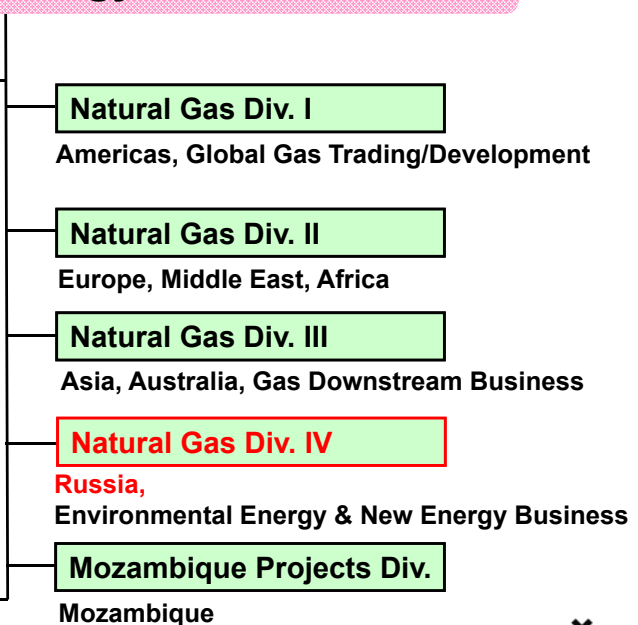
1. Mitsui's Energy Business Activity

- Organization of Energy Business -

Energy Business Unit I



Energy Business Unit II

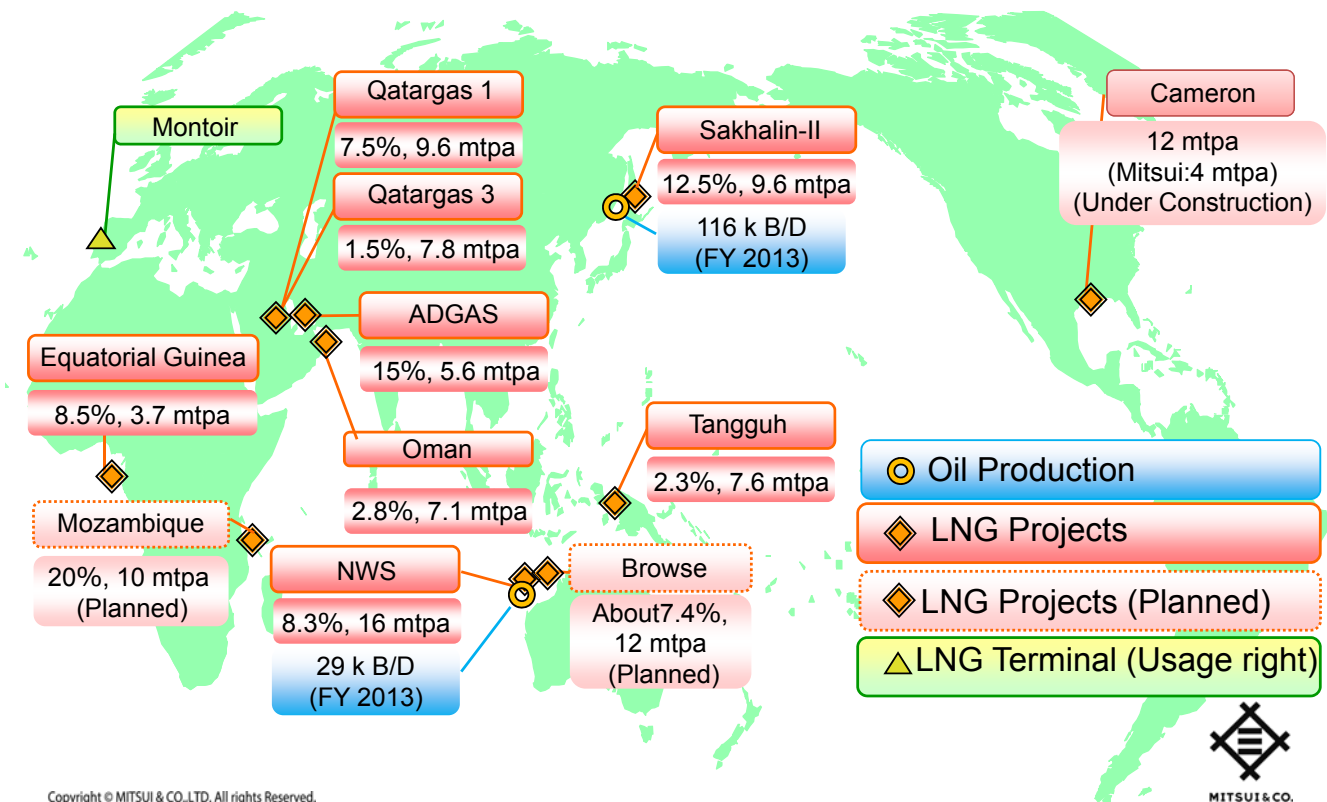


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1. Mitsui's Energy Business Activity

- LNG Business -



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2. Sakhalin II Project

- Project Overview -

➤ Operating Company

Sakhalin Energy Investment Company Ltd.

➤ Shareholder

Gazprom	50.0% + 1 share
Shell	27.5% - 1 share
Mitsui & Co.	12.5%
Mitsubishi Corp.	10.0%

➤ Start of Production

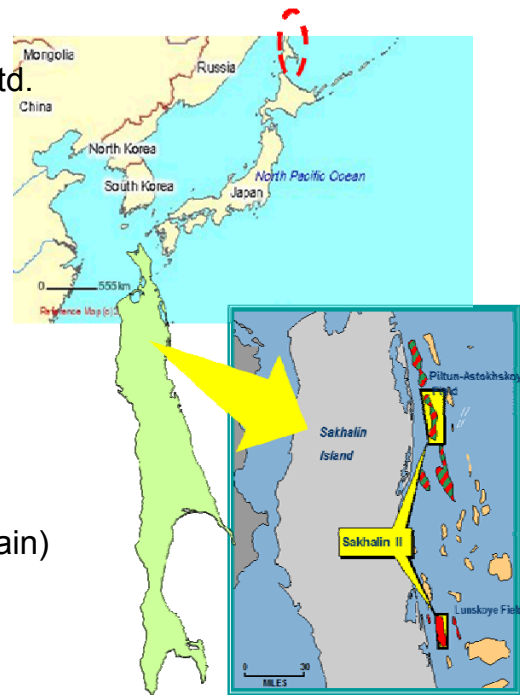
Crude Oil	1999
LNG	2009

➤ LNG Production Capacity

9.6 mil MT per annum (4.8 mil MT x 2 train)

➤ Actual Production (Year 2013)

Crude Oil	42 mil bbl
LNG	11 mil MT



The first LNG Project in Russia
The first Offshore development in Russia

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2. Sakhalin II Project

- Project History -

Oil shocks in the '70s ⇒ Need for diversifying energy supply sources

- 1984 : FSU government discovered oil/gas prospects at offshore of Sakhalin
- 1986 : Mitsui & McDermott commenced a joint feasibility study (FS)
- 1991 : FSU government announced international tender for FS of 2 fields (Piltun-Astokh, Lunskeye)
Mitsui/Marathon/McDermott formed consortium
- 1992 : **Mitsui/Marathon/McDermott concluded FS agreement with Russian Government**
Shell (Sep) and Mitsubishi (Dec) also joined and a 5 company consortium was formed (then SE was established)
- 1994 : **Russian Government and SE concluded Sakhalin II PSA**
- ~2001 : Marathon and McDermott withdrew from the consortium

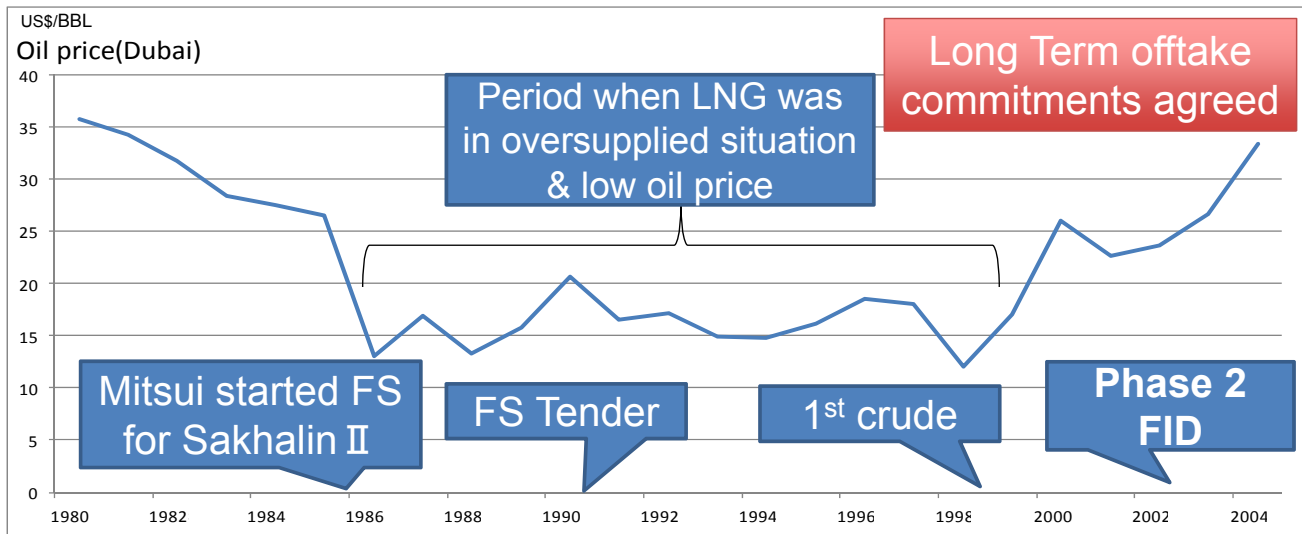
- ◆ With newly joined partners, Mitsui developed project framework in order to realize/commercialize Sakhalin II
- ◆ Mitsui carried out grounding work with Russian Government in order to conclude the first PSA in Russia



2. Sakhalin II Project

- Project History -

Final Investment Decision (FID) of Sakhalin II Phase 2



Reference : IMF - Primary Commodity Prices

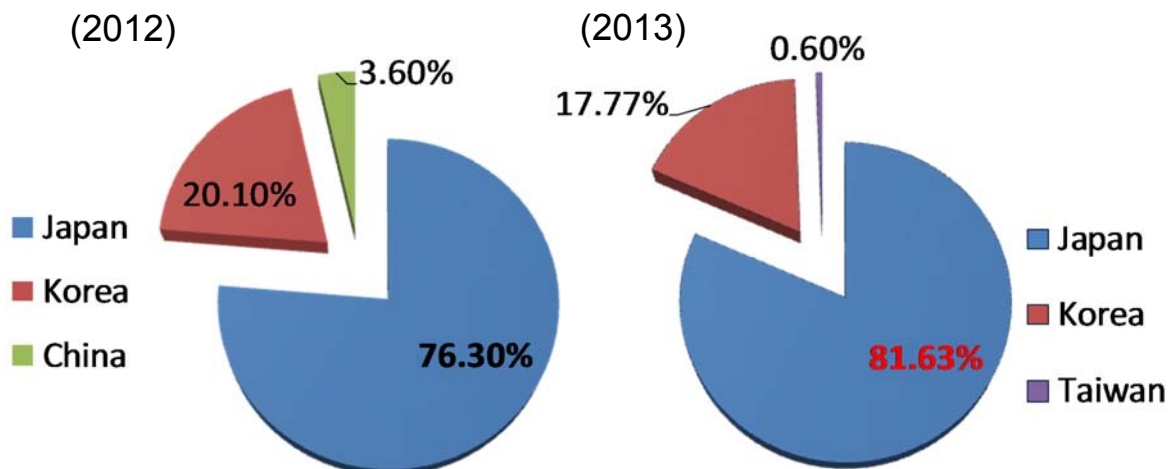
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2. Sakhalin II Project

- Project Overview -

Sales destination of Sakhalin II LNG



Source: Sakhalin Energy Corporate Website

Stable supply of LNG from Sakhalin II remains important for Japan and Korea.

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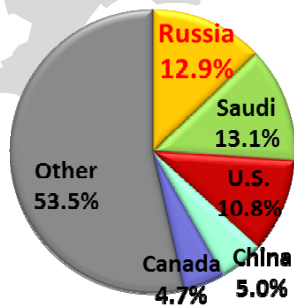
3. Potentiality of Russian Far East

Proven reserves as of 2013

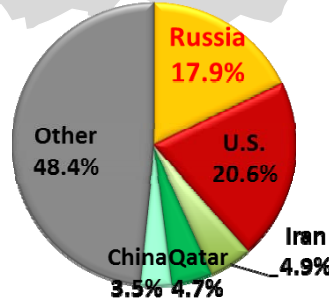
Source : BP Statistics, EIA, IEA, OECD/NEA



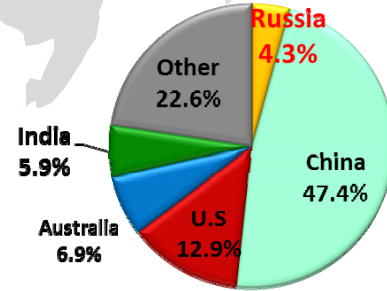
Oil Production
Year 2013: 10.8 mil bbl/d



Gas Production
Year 2013 : 21.4TCF



Coal Production
Year 2013: 347.1 mil tons



- ✓ With its vast resources, Russia is a key player in the global energy market.
- ✓ We recognize development of offshore/Far East region and access to growing Asian energy market are Russia's key challenges.

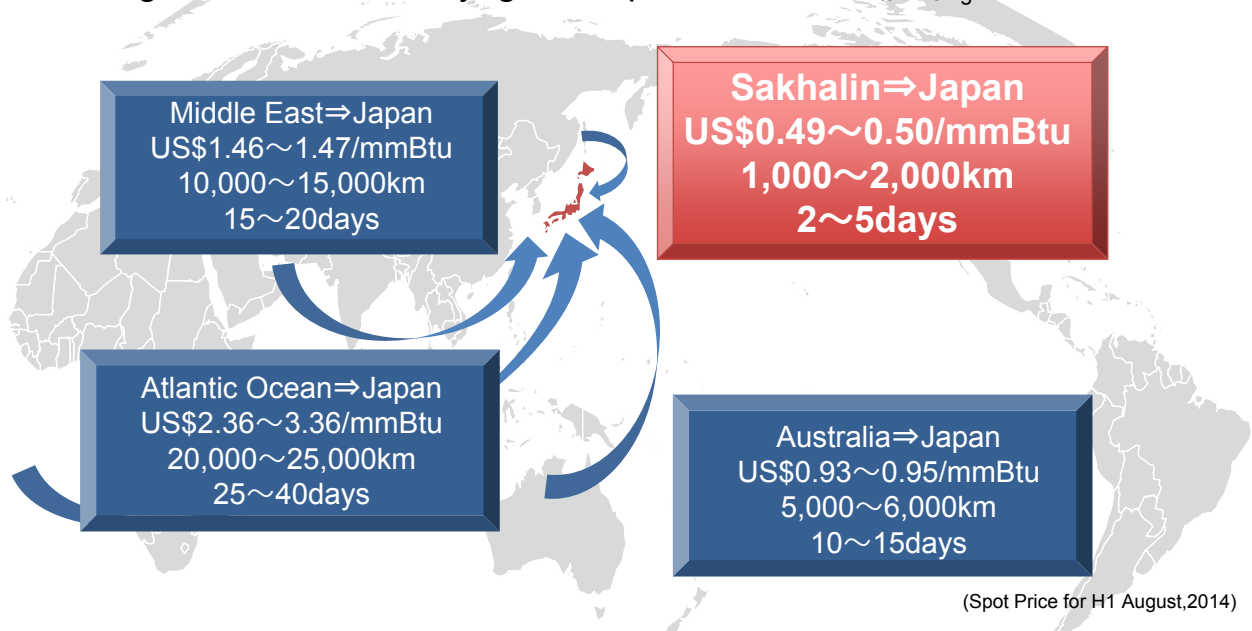
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3. Potentiality of Russian Far East

LNG freight rate/distance/voyage to Japan

※mmBtu=Million British Thermal Unit
1mmBtu≐ 19 kg



(Spot Price for H1 August, 2014)

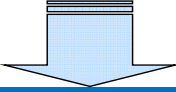
Russian Far East is geographically close to Japan.

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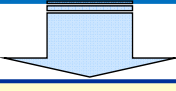


4. New LNG Projects in Russian Far East

Need of Far East regional development for Russia



1. Expanding energy projects in Russian Far East
 - Sakhalin II – Expansion(Train3)
 - Sakhalin III – Possible development
 - Vradivostok LNG
2. Developing East Siberia oil/gas projects



- Securing stable energy supply source with proximity
- Diversifying energy supply sources to Pacific region countries
- Contribution to the economic developments of Russian Far East



Mitsui continues to support stable supply of Sakhalin 2 LNG, and hopes to create new business in Russian Far East.



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