

# SK Energy to Invest For Coal Conversion

Source: Reuters. 24 July 2009. Reporting by Cho Meeyoung, Miyoung Kim and Fayen Wong, Editing by Ben Tan (<http://www.reuters.com/article/rbssIndustryMaterialsUtilitiesNews/idUSSEO37130820090724>)

- \* Both to co-develop Korea's first coal conversion technology
- \* POSCO to invest 1 trln won by 2013
- \* SK Energy to spend 2.35 trln won by 2018

SEOUL, July 24 (Reuters) - South Korea's POSCO ([005490.KS](#)) and SK Energy ([096770.KS](#)) will spend 3.35 trillion won (\$2.69 billion) to convert coal to synthetic natural gas, chemicals and liquid for the first time in Korea to reduce its oil and gas imports, joining oil majors in investing in such new technology.

POSCO and SK Energy are major oil and gas consumers in South Korea, the world's fifth-largest crude and second-largest liquefied natural gas buyer.

The government wants to boost the economy by creating new jobs in the carbon-reduction sector, and has set aside separate financing of 25 billion won for the POSCO and SK Energy projects.

"With growing energy demand worldwide, I suppose this is another route to diversify energy supplies and is becoming more popular," said Lachlan Shaw, a commodities analyst at Commonwealth Bank of Australia.

POSCO, the world's No.6 steel maker, with spending of 1 trillion won through 2013, will develop related technologies and build a plant in Gwangyang, southwest of Seoul. It will produce 500,000 tonnes of synthetic natural gas a year and create over 300,000 jobs a year, the company said in a statement on Friday.

POSCO expects its products to replace annual imports of 200 billion won of liquefied natural gas (LNG).

SK Energy, the country's No.1 oil refiner, with investments of 550 billion won through 2013, will develop coal-to-liquid technologies and build production facilities in Ulsan, southeast of Seoul. The plants will produce annually 200,000 tonnes of chemicals including methanol and hydrogen, and to replace petrochemical feedstock naphtha, the Korean government said in a separate statement on Friday.

From 2014 through 2018, SK Energy will invest 1.8 trillion won to build a plant with an annual capacity of 6.3 million barrels of gasoline, or about 2.5 percent of Korea's fuel demand for transportation in 2008.

The plant will be built near a low-cost coal mine overseas.

"The coal-to-liquids technology has been around since World War II ... so as a technology, it has been around for awhile. But there are a range of factors that will determine whether or not it is viable, such as geology and accessibility of the mines," said Shaw.

The world has only one commercial synthetic natural gas plant in the United States, the Korean government statement said, citing the business as a future growth area.

South Africa's Exxaro Resources ([EXXJ.J](#)) this month said it had formed a joint venture with Sasol ([SOLJ.J](#)), the world's largest maker of motor fuel from coal, to build a new coal mine to supply Sasol's proposed 80,000 barrels per day coal-to-liquids project. [ID:nL1642497]

Australia's Linc Energy ([LNC.AX](#)) and China's Xinwen Mining Group also have been developing gas resources from Chinese coal deposits and building a synthetic diesel plant in Queensland state using coal. [ID:nSP342703] (\$1=1246.5 Won)