

Teekay buys 4 LNG tankers

The company is purchasing
the ships' Spanish owners

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Vancouver's Teekay Shipping has agreed to buy a Spanish fleet for \$810 million US in cash and assumed debt to enter the fast-growing market for liquefied natural gas.

Teekay, which owns the world's largest independent fleet of crude oil tankers, will acquire Naviera F. Tapias SA of Spain and four ships that carry LNG, or gas cooled to a liquid.

The U.S. and Europe are turning to liquid natural gas as power producers switch from more-polluting fuels and piped supplies fall short of demand.

The purchase of Tapias "is our first foray into the LNG tanker market, which is the fastest growing" in the industry, said Bjorn Moller, Teekay's president and chief executive officer.

Moller said the company is open to expanding its fleet of LNG tankers. "We watch each opportunity to determine if there are more attractive deals to be done."

Investors reacted enthusiastically Tuesday, driving Teekay's share price up \$3.12, or 4.8 per cent, to \$67.60 US on the New York Stock Exchange.

Demand for gas rises 20 per cent in decade

From D1

The stock has climbed 77 per cent in the past year, giving the company a market value of \$2.7 billion.

Global gas demand has risen more than 20 per cent in the past decade, almost twice as fast as crude oil, and Spain is outpacing the European Union average. The U.K., Spain and other countries are burning more gas in their power plants because it emits less carbon dioxide than coal or oil. It's also used as heating and cooking fuel.

"Given that shipyards are currently at full capacity, it was easier for Teekay to acquire these vessels from another owner rather than order them," said Martin

Stopford, director of research at London-based shipbrokers Clarksons Plc.

"The LNG market has a lot of potential and may very well be the crude oil of the 21st century," Stopford said.

Teekay will form a joint venture with Tapias' shareholders to pursue new business in oil and gas shipping in Spain.

The world's LNG tanker fleet is made up of 160 vessels, with 62 more scheduled for delivery in the next four years. New, 138,000-cubic-metre tankers cost about \$165 million after the past year's increase in steel costs, the shipbrokers said.

Teekay expects to complete the Tapias purchase by April 30 and to profit immediately from it. The added ships will boost cash flow by \$120 million US next year and \$125 million a year after that, Teekay said.

The U.S. and Europe have proposals to build more than a dozen LNG import ter-

minals after a lack of new piped supplies and increased demand drove up prices enough to make the projects economically viable.

Tapias's oil tankers are Suezmax ships, the largest able to navigate the Suez Canal with a full cargo. They can carry one million barrels each. Five are under fixed-rate charters to a Spanish oil company, with an average term of 18 years.

Teekay already has 161 ships, including 15 scheduled for delivery in the next four years.

The newly built ships ordered by Tapias will cost about \$540 million, mostly financed through debt, Teekay said.

Tuesday's acquisitions are the latest in Teekay's recent buying sprees.

Last September, the company purchased a half share of a Norwegian oil transporter that handles about 15 per cent of all the crude entering U.S. ports.