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Idemitsu/Mitsui/Sumitomo in New Arrangement For Increased Benzene Off-take

Japan's independent petroleum company Idemitsu Kosan Co., Ltd. (Idemitsu) and leading chemical companies Mitsui Chemicals, Inc. (Mitsui) as well as Sumitomo Chemical Co., Ltd. (Sumitomo) have agreed on an arrangement consisting of jointly re-starting the mothballed light naphtha reformer (LNR) at Idemitsu's Chiba Refinery and off-taking its benzene production, the three parties announced today.

Under the agreement, after the LNR with a benzene capacity of 250,000 ton/yr starts commercial operation in the middle of 2006, its output will be allocated in such a way that both Mitsui and Sumitomo would each receive 125,000 ton of benzene per year, while Idemitsu would obtain by-products such as crude toluene. Capital investment for re-starting the LNR is estimated at some ¥8 billion.

The agreement to re-commercialize the LNR this time resulted from the matching of interest between Idemitsu and Mitsui/Sumitomo this time. Idemitsu is aiming to further strengthen the integration of its petroleum refining and petrochemicals operations and to effectively utilize its existing facilities, while Mitsui/Sumitomo are pursuing a stable source of raw materials with expansion of their petrochemical derivatives businesses in mind. The arrangement this time among the three groups having adjoining production sites in Chiba Area is expected to further boost the competitiveness of the petrochemical complex in the area.

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In connection with this joint announcement, Mitsui has commented as follows:

In particular, for Idemitsu and Mitsui, the tie-up this time is a part of the overall cooperation arrangement for Chiba Area which they had entered into in February this year, and added with the recent agreement in May to consolidate their polyolefins businesses, the cooperative relationship between the two groups would be further expanded.

Aiming to further strengthen the business platforms for its core aromatics chain businesses including phenol and purified terephthalic acid, Mitsui is striving to secure a stable and competitive source of feedstocks. For benzene, especially, Mitsui is requesting increased volumes to the customary suppliers in the face of the tight supply-and-demand environment. The arrangement this time represents a part of Mitsui's efforts to secure a yet bigger and stable supply of benzene in order to speed up business expansion.

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