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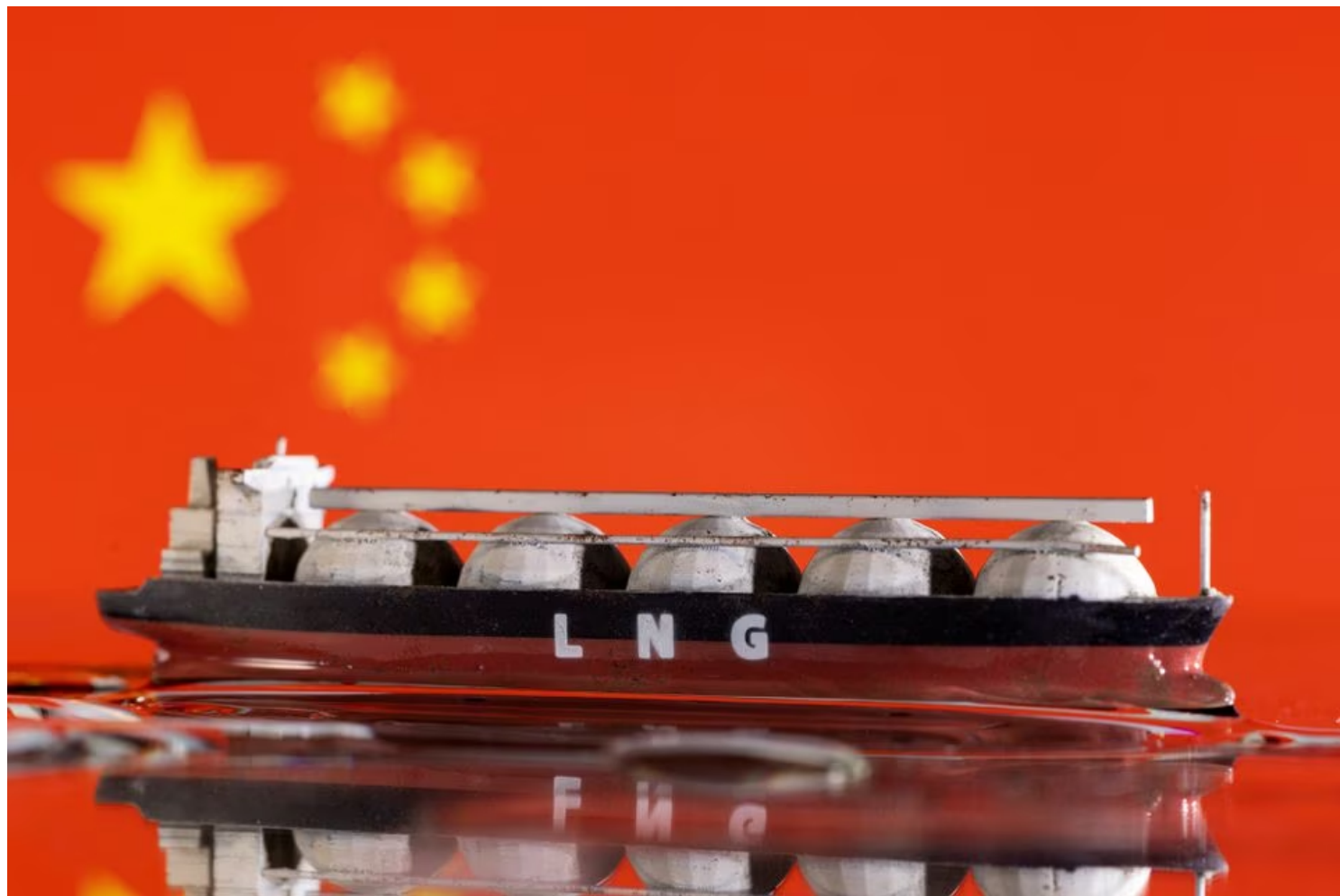
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Mexico Pacific signs 20-year LNG supply deal with China's Zhejiang Energy

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Model of LNG tanker is seen in front of China's flag in this illustration taken May 19, 2022. REUTERS/Dado Ruvic/Illustration/File Photo

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July 5 (Reuters) - Mexico Pacific Ltd said on Wednesday it has struck a 20-year deal to sell a million metric tons of liquefied natural gas (LNG) annually from its Saguaro Energia export plant on west coast of Mexico to China's Zhejiang Energy.

The contract is the latest signed by Chinese LNG importers with producers including Qatar and the U.S. after market volatility last year pushed Asian spot LNG prices to record highs.

Mexico Pacific CEO Ivan Van der Walt said in a statement the new agreement would allow Mexico Pacific to "further support the growing energy requirements" of Zhejiang province, one of the largest provincial economies in China.

A Zhejiang Energy official said the contractual supplies will be on free-on-board basis with first shipment in 2027, which gives the company the flexibility to either supply the fuel to China or elsewhere.

Mexico Pacific said its Saguaro Energia plant offers the lowest landed price of North American LNG into Asia by leveraging low-cost gas from the Permian Basin, and a significantly shorter shipping route avoiding the Panama Canal.

Zhejiang Energy Group is one of China's second-tier LNG players, which are local government-backed city gas distributors that have joined the global gas market alongside the country's dominant state traders.

Its Deputy General Manager Chai Xiqiang said the agreement with Mexico Pacific was an "important step" in further diversifying its energy supply portfolio.

Zhejiang Energy owns 51% stake in an LNG receiving terminal in east China's Wenzhou and had in 2019 secured a 20-year supply agreement with Exxon Mobil (XOM.N).

Among other long-term contracts, China's [ENN Natural Gas](#) last month signed a more than 20-year deal with Cheniere Energy that will supply it with 1.8 million tons of LNG a year from mid-2026 onwards.

[China Gas Holdings](#), one of China's largest independent gas distributors, agreed to two 20-year LNG supply contracts with U.S. exporter Venture Global for a total offtake of 2 million tons of the fuel per year.

State-run [Sinopec](#) and [China National Petroleum Corporation \(CNPC\)](#) also signed deals with QatarEnergy to take 4 million tons a year of LNG for 27 years, the longest LNG agreements to date.

Reporting by Brijesh Patel in Bengaluru and Emily Chow and Chen Aizhu in Singapore; Editing by Jan Harvey, Barbara Lewis and Sherry Jacob-Phillips

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