



**2nd LNG Producer-
Consumer Conference**

Strategy for a Changing LNG Market

Sheng-Chung Lin
Chairman
Tokyo, Japan
10 September 2013



CPC CORPORATION, TAIWAN



CPC - Taiwan's Leading Energy Company

- ✦ CPC is an integrated oil & gas company, established in 1946.
- ◆ **Taiwan's sole LNG importer & natural gas supplier.**
- ◆ Ranked 305th in the world and 2nd in Taiwan in the Fortune 500.

Upstream

E&P:
23 fields in
9 countries



Downstream

3 Refineries
Capacity
720,000 bd

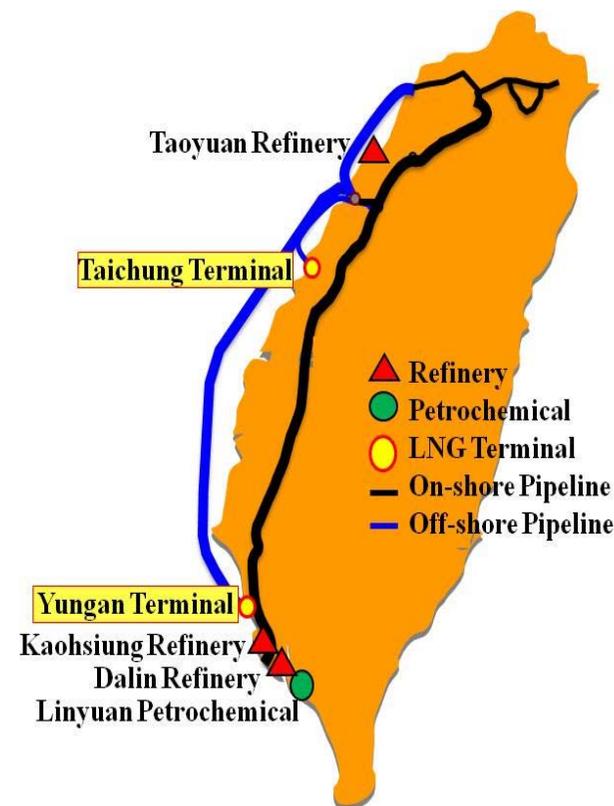
1
Petrochemical
I plant
Ethylene:850,000
tons/yr

Marketing

2,028 Filling
Stations
(79% of market share)

Natural Gas
2 LNG Terminals

LPG, Lubricants,
Green Energy
& other
businesses





Strategy for a Changing LNG Market

Market Trends & Uncertainties

Demand

Asia Pacific has the highest demand growth
Q:Uncertainties of nuclear policy & LNG Demand

Supply

New LNG projects in the US, Canada, east Africa and Russia are in the pipeline
Q:How big will supply capacity in US be?

Price

LNG buyers are requesting a hub-based formula.
Q:Any new price indexation?

Strategy

Diversification of Supply Sources

Expansion of LNG Facilities

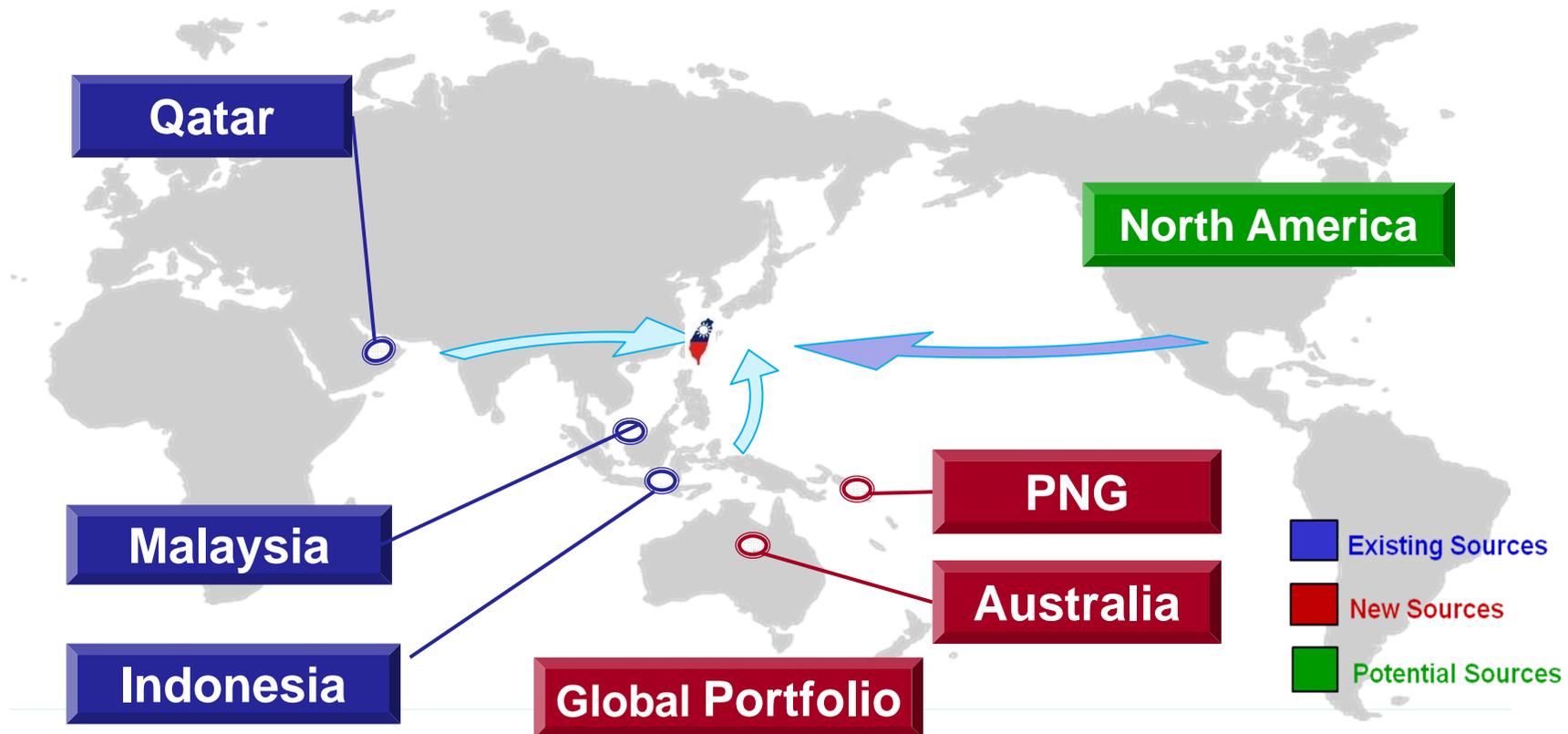
Exploration of Pricing Mechanisms

Cooperation for a Brighter Future



Diversification of Supply Sources

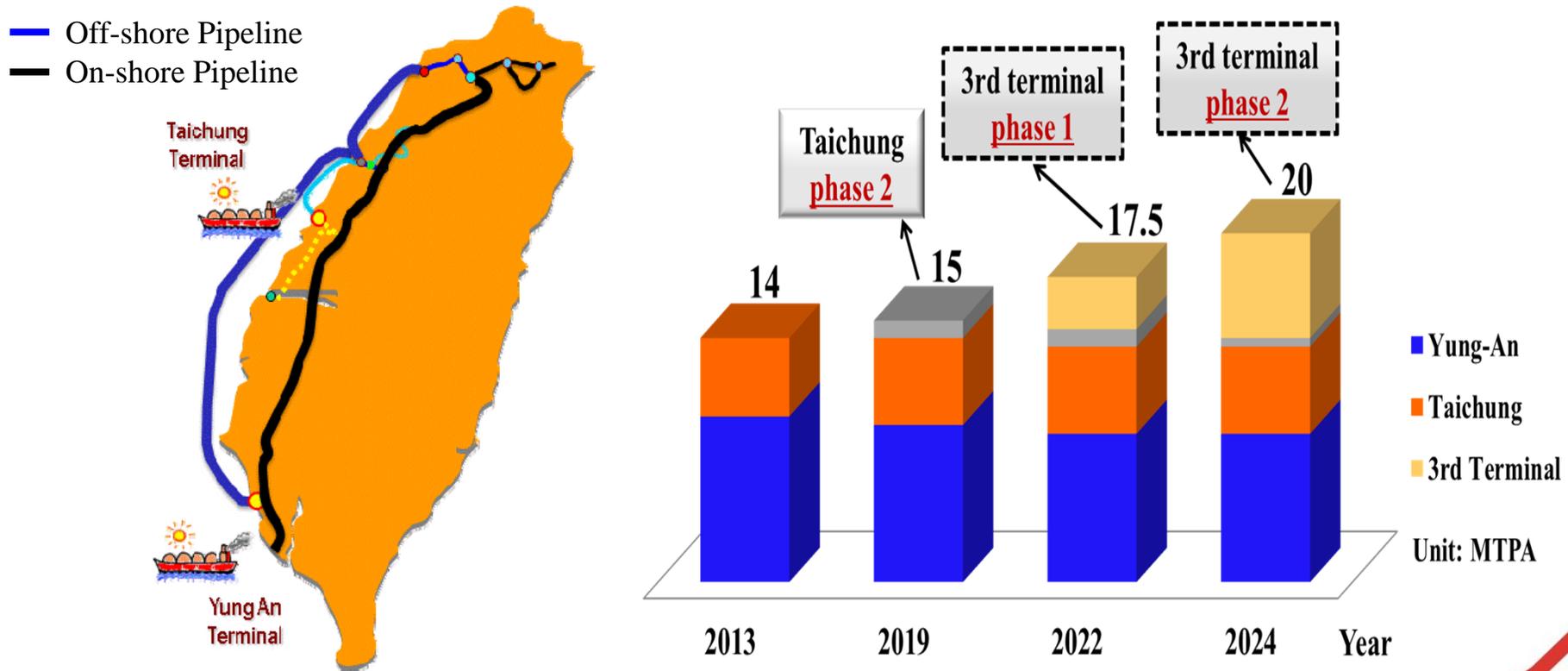
- CPC has signed long-term LNG contracts with diverse suppliers.
- CPC is an investor in 23 oilfields and 2 LNG projects worldwide.





Expansion of LNG Facilities

- ✦ CPC owns and operates 2 LNG receiving terminals in Taiwan and also the gas pipeline transmission network. 12.5 MT was imported in 2012.
- ✦ CPC is planning its 3rd receiving terminal, to handle up to 6 MTPA and thus expand total receiving capacity to **20MTPA** in 2024.

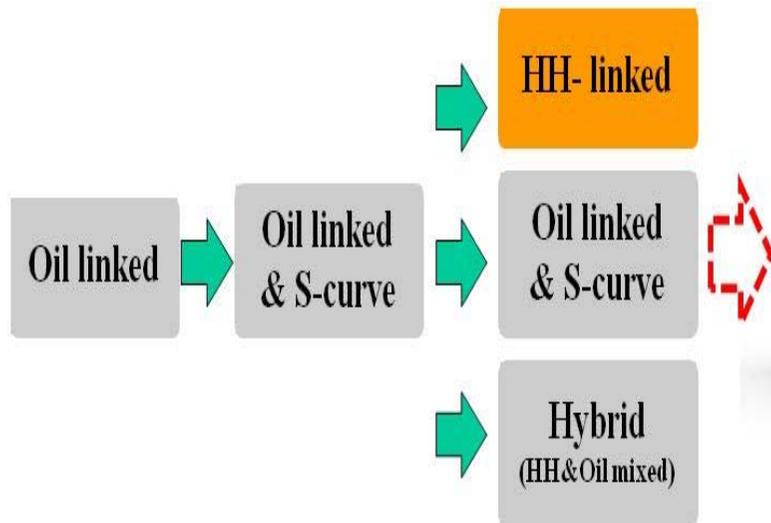
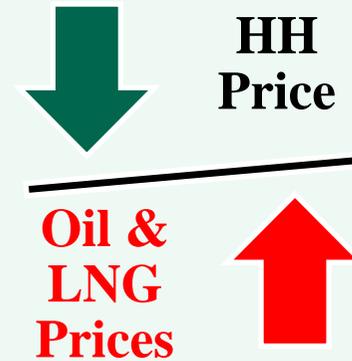




Exploration of Pricing Mechanisms

Issues for the Asian Premium

- ◆ The Asian Premium is widening, due to *escalation* in the price of oil and *decrease* in US gas price since 2009.
- ◆ Countries in Asia Pacific find it hard to bargain over the price of LNG, due to lack of pipeline gas or of alternative energy resources.



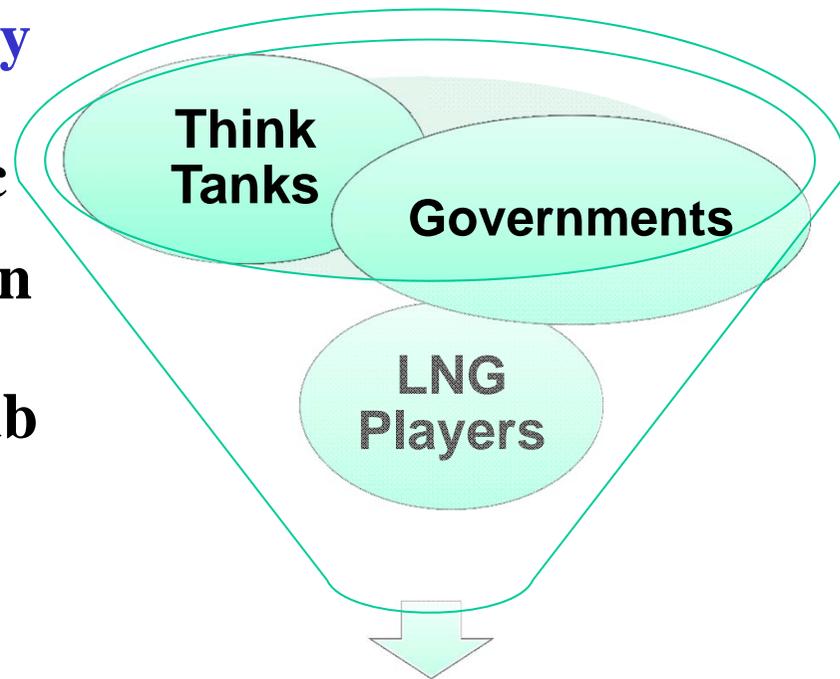
Buyer's Aspirations

- ✚ Oil-indexed prices are likely to be driven down by competitive increases in gas supply.
- ✚ Yet we still need to explore new price mechanisms for Asia



Cooperation for a Brighter Future

- ✦ **Pricing reform & nuclear policy** are the most critical issues for LNG consumers in Asia Pacific
- ✦ **Governments & LNG players** in Asia Pacific have a key role to play in establishing an Asia Hub platform.
- ✦ **Taiwan** - a pivotal Asia Pacific economy - will work with all LNG players in searching for new supply sources & price mechanism so as to reach a “win-win” solution.



**New Supply Sources
&
Pricing Mechanism**

Thank You for Your Attention

