

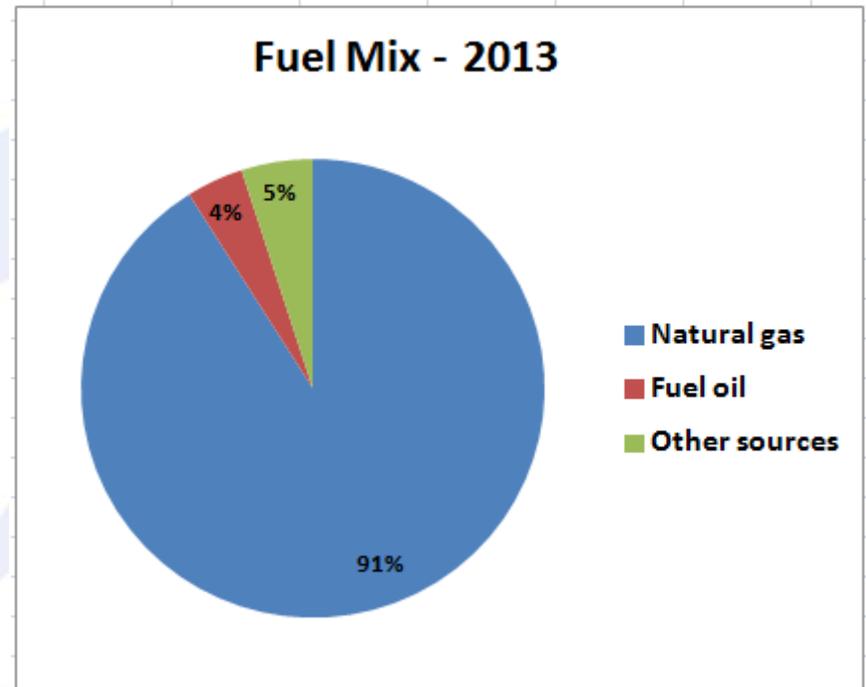
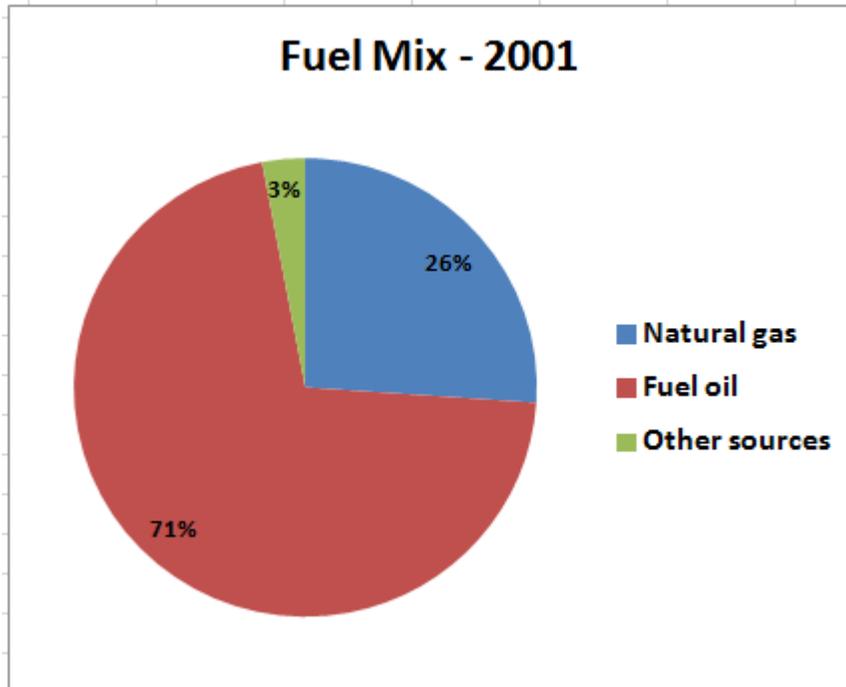
# Singapore's Import of LNG

Panel Session 4:  
New Procurement Behaviors by Consumers

Presentation at  
LNG Producer-Consumer Conference  
Tokyo, Japan  
10 Sep 2013



# Singapore Electricity Fuel Mix



Natural Gas is the most important fuel for power generation

Prior to starting LNG imports, Singapore imported all its natural gas via pipelines from neighbouring countries

# Why Singapore Imports LNG

## Why LNG

**Dependence** on natural gas is large, for industrial feedstock and electricity generation

Industry players expect gas to be **mainstay fuel choice**

Traditional suppliers have said they will prioritise gas for domestic consumption

Access to  
global supply  
sources

Meet growing gas  
demand

## Objectives

Enhance energy **Security** through source diversification

Greater access to **market-priced** gas

Opportunities to grow **LNG Trading** sector in Singapore

**Decision made in 2006 to import LNG**

# Singapore LNG Terminal Development

**7 May 2013**

Commercial operations



**End 2013**

Completion of Tank 3

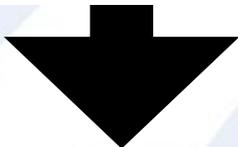
Capacity increases to 6 Mtpa



**2016 / 2017**

Completion of Tank 4

Capacity increases to 9 Mtpa



## Current Terminal Capabilities:

- 2 tanks
- Primary jetty
- 3.5 Mtpa capacity

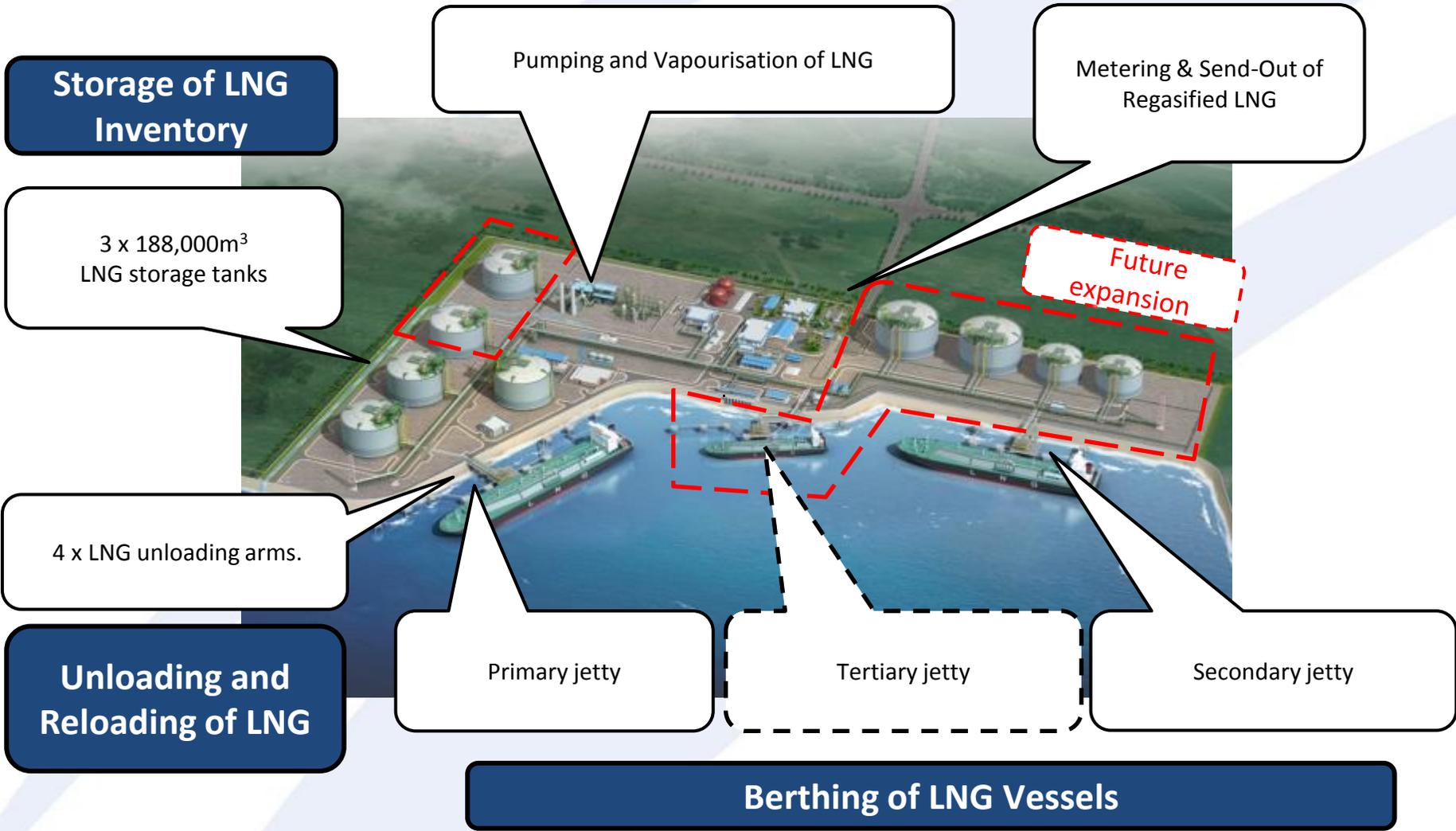


## Under construction:

- Tank 3
- Additional regasification
- Secondary jetty



# Overview of the LNG Terminal



# Current LNG Import Framework

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- Earlier consultation with industry concluded that Singapore should procure LNG through a single Aggregator, due to small size of Singapore market.
- After a competitive Request-For-Proposal, BG was selected to be the LNG aggregator for Singapore, with an exclusive right to sell up to 3 Mtpa of LNG or until 2023, whichever is earlier.
- BG has sold ~2.7 out of its 3 Mtpa franchise. EMA is studying new import framework that best suits Singapore's needs

# Strategy for Changing Gas Landscape

## Global LNG Trends

Market landscape continues to evolve.  
**New supply** coming from US, Australia, PNG, Russia and East Africa

LNG is increasingly sold through **smaller and shorter term contracts**. No longer necessary to buy large volumes in a single contract.

**Instead of contract size, timing** of LNG procurement is a key factor that affects price

Growing preference by buyers and sellers for a **portfolio of contracts** to reduce concentration risks

## Implications for Singapore

Aim for **diversified gas contracts** of different supply sources. Where possible, have different durations, price indexation, price reviews and S-curves to manage volatility

**Competitive process** so that buyers gain access to competitive deal each time we buy LNG

Adopt **tranche-by-tranche LNG procurement**. Risky to “time the market” with big bets

Allow gas **buyers to customise their own supply portfolio** to fit their unique business needs.

**Keep future options** through flexible framework. Allow buyers to benefit from changing market conditions.

**Recognise Singapore’s situation**. Near-term incremental is not large, and terminal capacity takes time to grow.

# Future LNG Import Framework

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- Objective: Allow Singapore access to **competitively-priced** and **reliable** supplies of LNG whilst ensuring that the LNG Terminal is used efficiently
  
- Proposed framework: **Competitive Licensing Framework**
  - Tranche-by-tranche LNG procurement to keep options open → Singapore cannot attempt to time the market
  - Competitive RFP process when selecting the next importer(s) to supply long/short-term LNG
  - Appointed importer(s) will have obligation to offer to all buyers
  - Industry has been consulted on the framework
  
- Other concurrent measures under consideration:
  - Import of spot LNG, with conditions
  - Allow new Piped Natural Gas imports, subject to approval by EMA
  - Development of a secondary gas market to allow on-selling of gas

# LNG Terminal Access Code

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- Singapore LNG terminal has spare capacity which can be used for spot imports, reloading LNG and break-bulk of LNG.
- EMA released a draft consultation paper on the Principles of Proposed Terminal Access Code (TAC) to provide clarity on how third parties could access the terminal's facilities for ancillary services
- Objective of the TAC is to optimise the use of terminal's spare capacity after prioritizing long/short-term LNG imports
- TAC will draw from best practices of existing open-access terminals in EU.
- Terminal's spare capacity could take the form of standardized slots, which a Third Party could procure from the terminal operator to conduct spot/ancillary activities.

# LNG Trading Opportunities

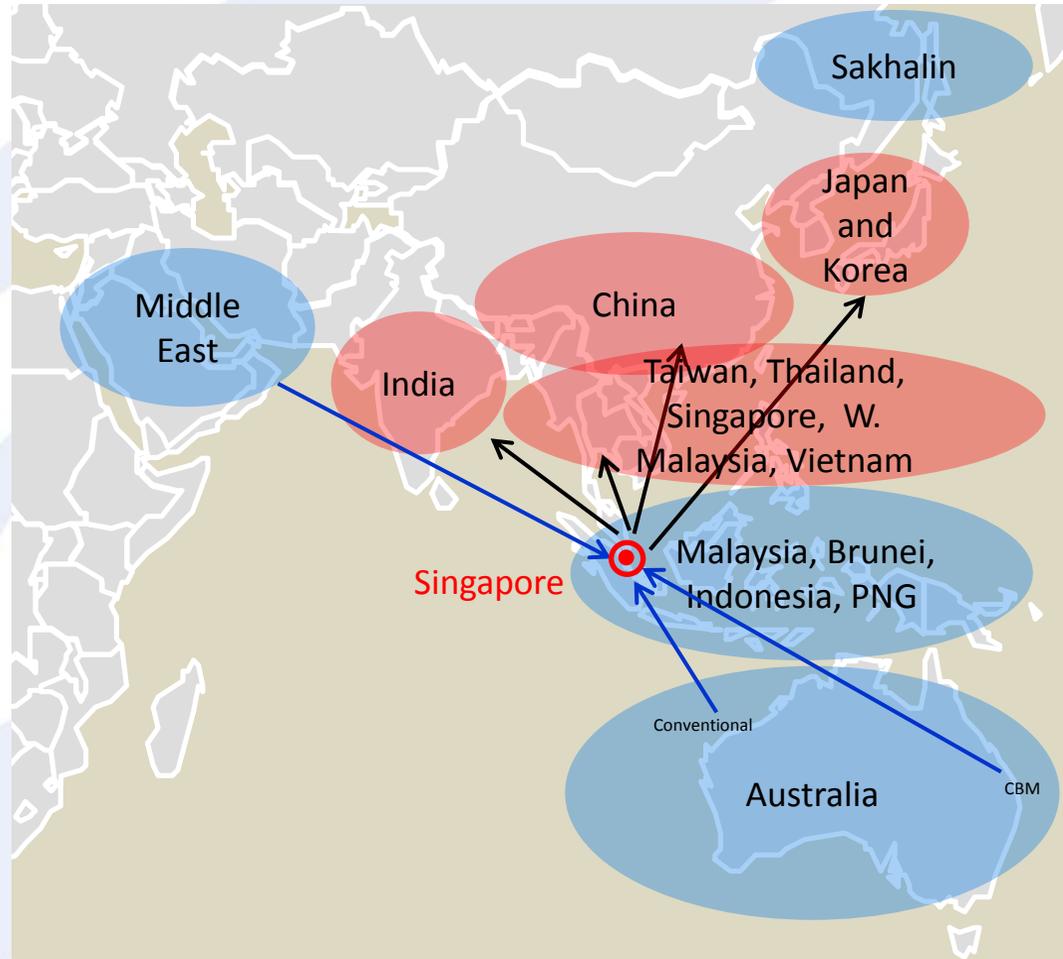
Singapore is one of the world's largest oil trading and bunker hub, and is Asia's pricing centre for oil products.

## Could Singapore also be a LNG Trading and Bunkering hub?

- ✓ Many companies trading LNG have now opened offices in Singapore
- ✓ Tax incentive to attract trading offices
- ✓ Strategic location
- ✓ Well-developed gas infrastructure
- ✓ Business-friendly environment
- ✓ Global financial centre
- ✓ Synergies with existing strengths as oil trading hub

Existing and growing supply centres

Existing and growing demand centres



**Thank you**