

Impacts of East Japan Great Earthquake on Japan's City Gas Sector and LNG Procurement, and International Gas Market (as of April 4)

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As of April 3, city gas supply to 403,711 households remained suspended due to the East Japan Great Earthquake. Meanwhile, restoration work has made rapid progress, and gas supply to 179,129 households has been resumed to date. As for LNG-receiving terminals, the operation of the Minato LNG terminal of the Sendai City Gas Bureau remains suspended, with its resumption still not in sight. Additional LNG procurement is generally making smooth progress, and the international natural gas market has accommodated higher spot prices.

1. City Gas Supply

According to the Japan Gas Association, city gas supply to 403,711 households remained suspended as of 20:30, April 3. In terms of the number of households to which gas supply remained suspended, the supply area of the Sendai City Gas Bureau still accounted for an overwhelmingly large number, at 358,781 households. Meanwhile, restoration work has made rapid progress, and the city gas supply which had been suspended in Aomori, Ibaraki, Saitama, Chiba, and Kanagawa Prefectures was restored completely by March 30. City gas supply has also been restored in part of the supply area of the Sendai City Gas Bureau since March 24.

2. LNG-Receiving Terminals

As for LNG-receiving terminals, the operation of the Minato LNG terminal of the Sendai City Gas Bureau remains suspended, with its resumption still not in sight. All other receiving terminals continue to be in operation. The Sendai City Gas Bureau will restore city gas supply by using the supply from the Niigata-Sendai pipeline for the time being.

3. LNG Procurement

Governments and LNG sellers of countries including Qatar, Russia, Australia, and Indonesia have already expressed that they stand ready to supply additional LNG to Tokyo Electric or to Japan. Part of such additional supply has already been made, including the supply of additional LNG cargoes by Shell. At the same time, there have been active moves by Japanese power/gas companies, such as Tokyo Gas, Osaka Gas, Chubu Electric, and Chugoku Electric, as well as Korea's KOGAS to divert their LNG cargoes to Tokyo Electric. There is no problem in the LNG supply capacity itself, and it seems that the necessary volume for April and May (reportedly over 10 cargoes; approx. 600,000 tons) has been mostly secured. However, the additional supplies for the peak demand in summer seem still under negotiation with the sellers.

4. International gas market

No substantial changes have been observed in natural gas prices since the March 17 report. U.S. Henry Hub price has been slightly above \$4/MMBtu, and hub prices in Europe around \$10/MMBtu, while prices of spot LNG delivered to Asia have been reportedly increased to \$11-12/MMBtu. Adjusting the current demand/supply prospects, the market has accommodated higher spot prices.

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