



Developing an Asian LNG Trading Hub

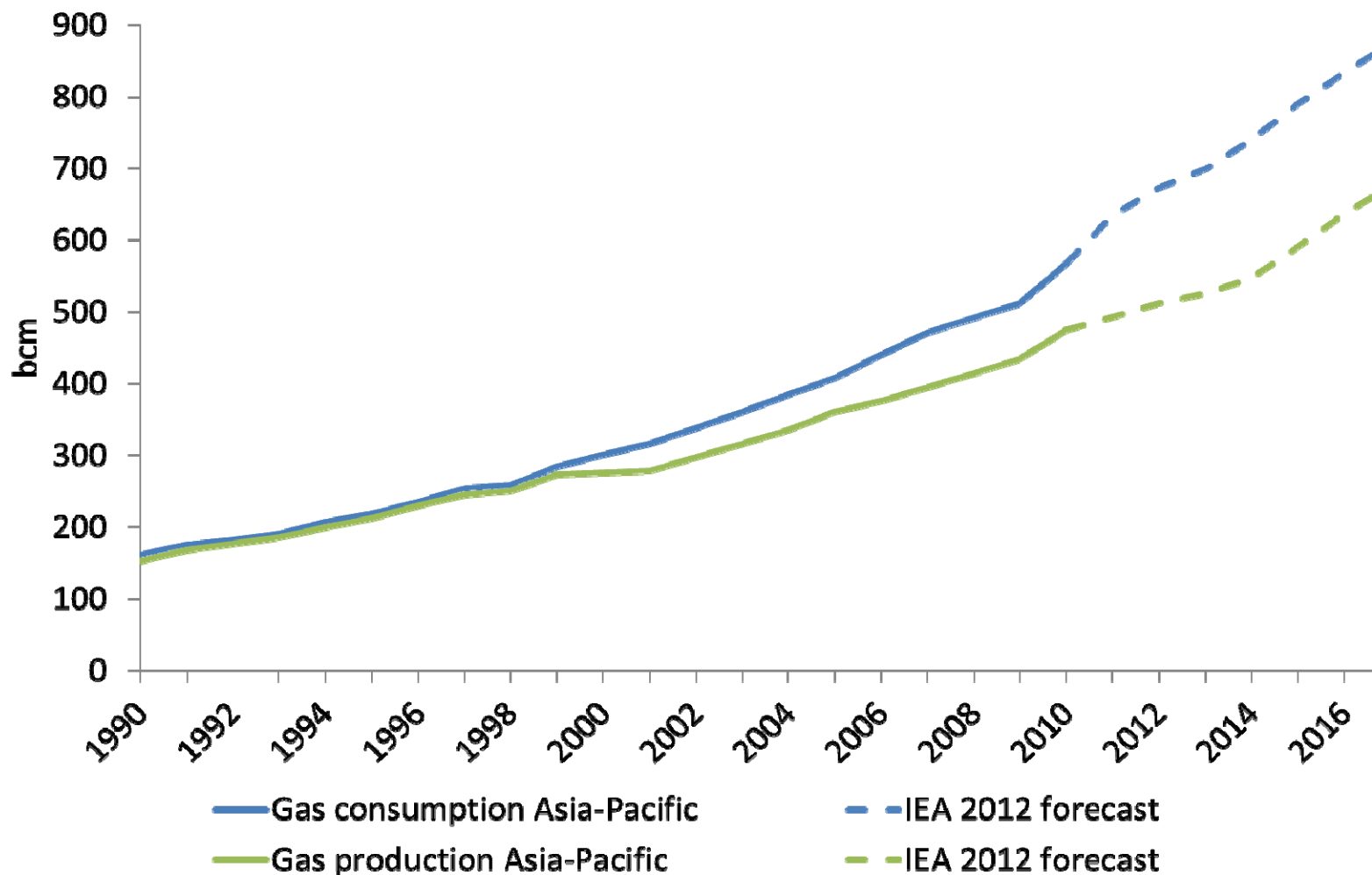
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Tokyo
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The Asia Pacific: 40% of global gas demand growth and growing import needs from outside the region



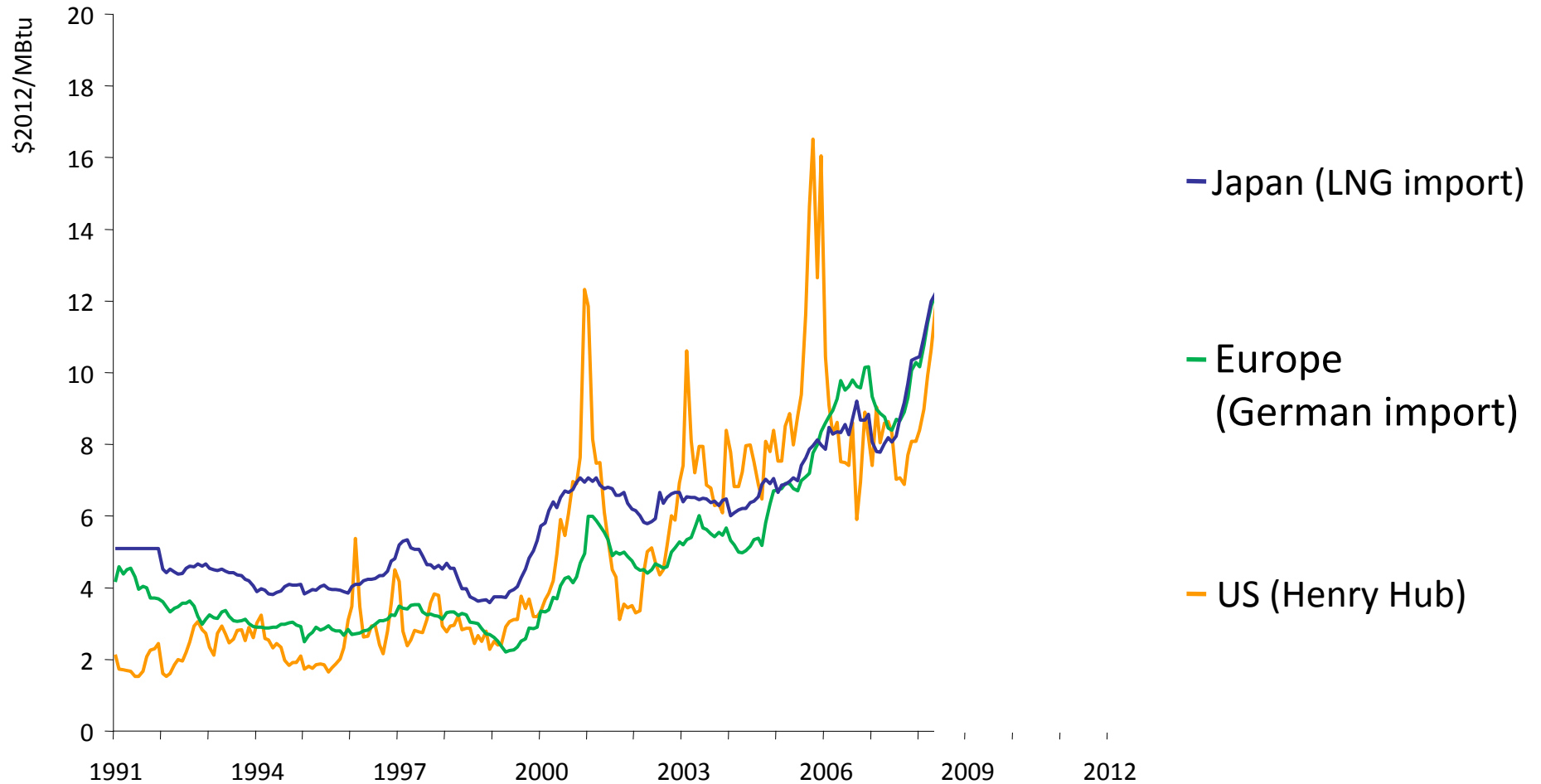
Asia-Pacific demand and production, 1990 -2017



Source: IEA MTGM 2012.

Note: Asia-Pacific includes Japan, Korea, China, Bangladesh, Brunei, India, Indonesia, Malaysia, Myanmar, Papua New Guinea, Philippines, Singapore, Chinese Taipei, Thailand, and Vietnam.

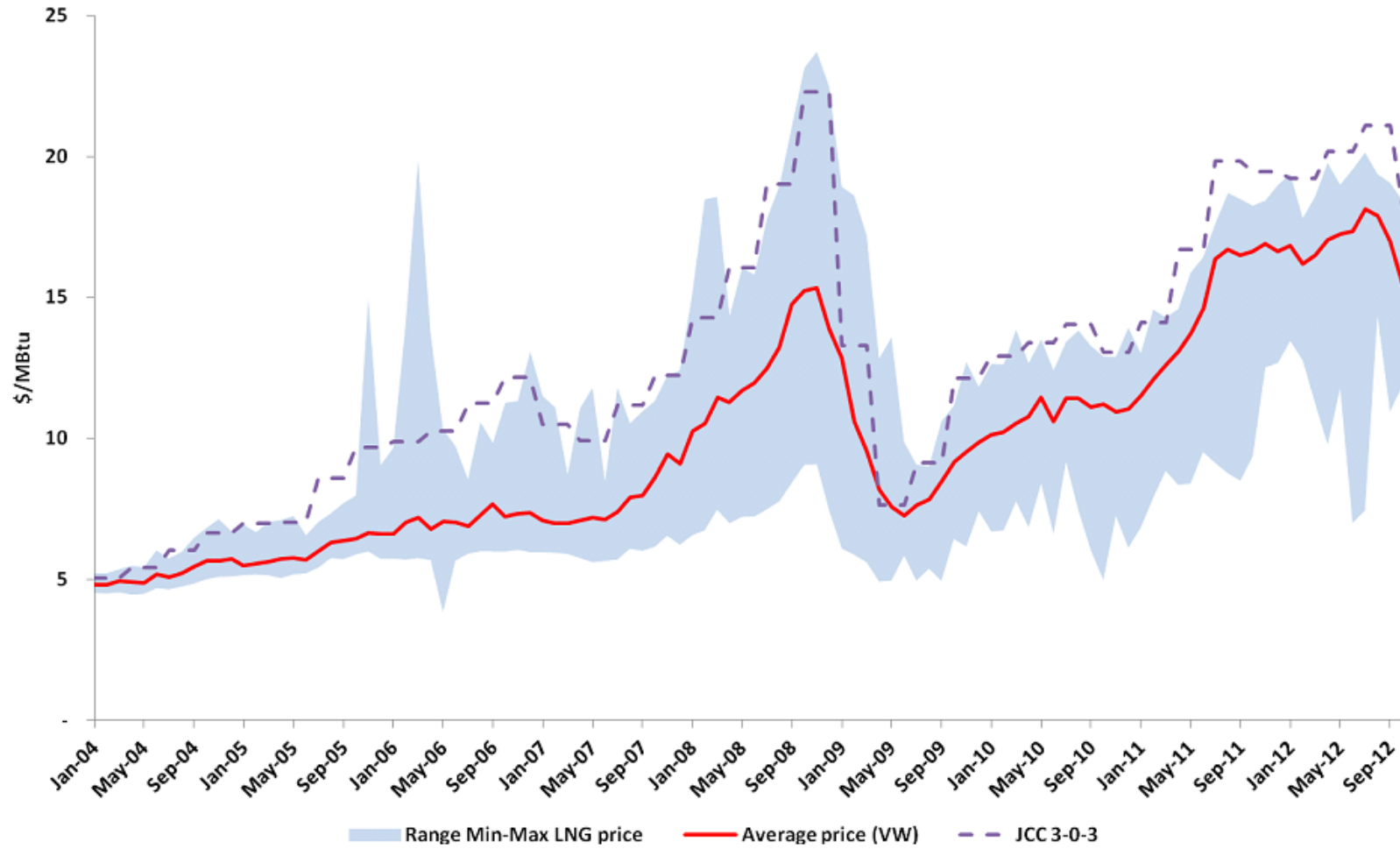
Relatively high prices lead to a competitiveness burden on Asian economies



Large price dispersal within a country indicates inefficient markets



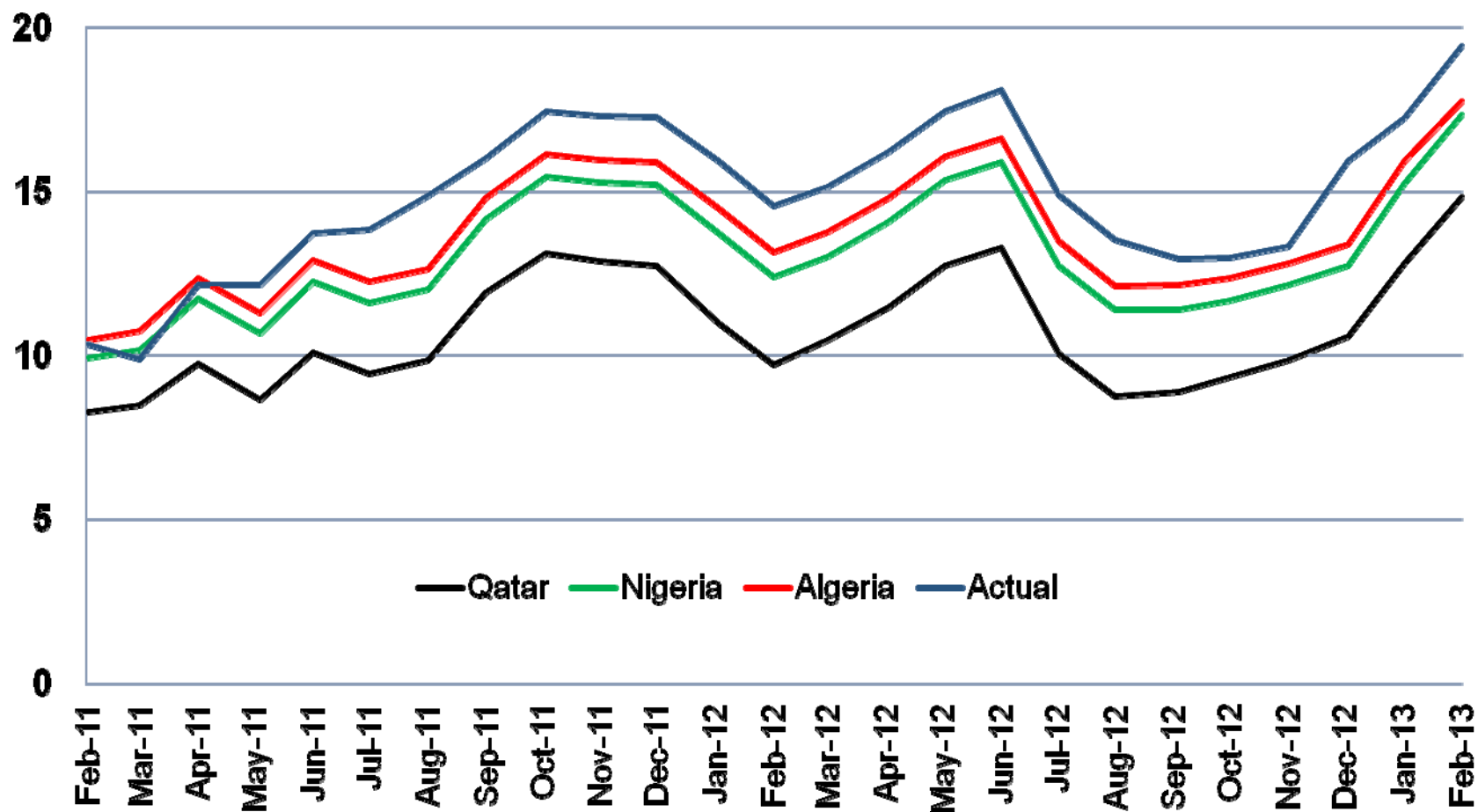
Japan LNG Import Price & Price Range
2004 - 2012



Destination clauses and inefficient trade with Europe is a USD 10 billion burden on Japan



Japanese price level that would support redirections of different sources going to Europe



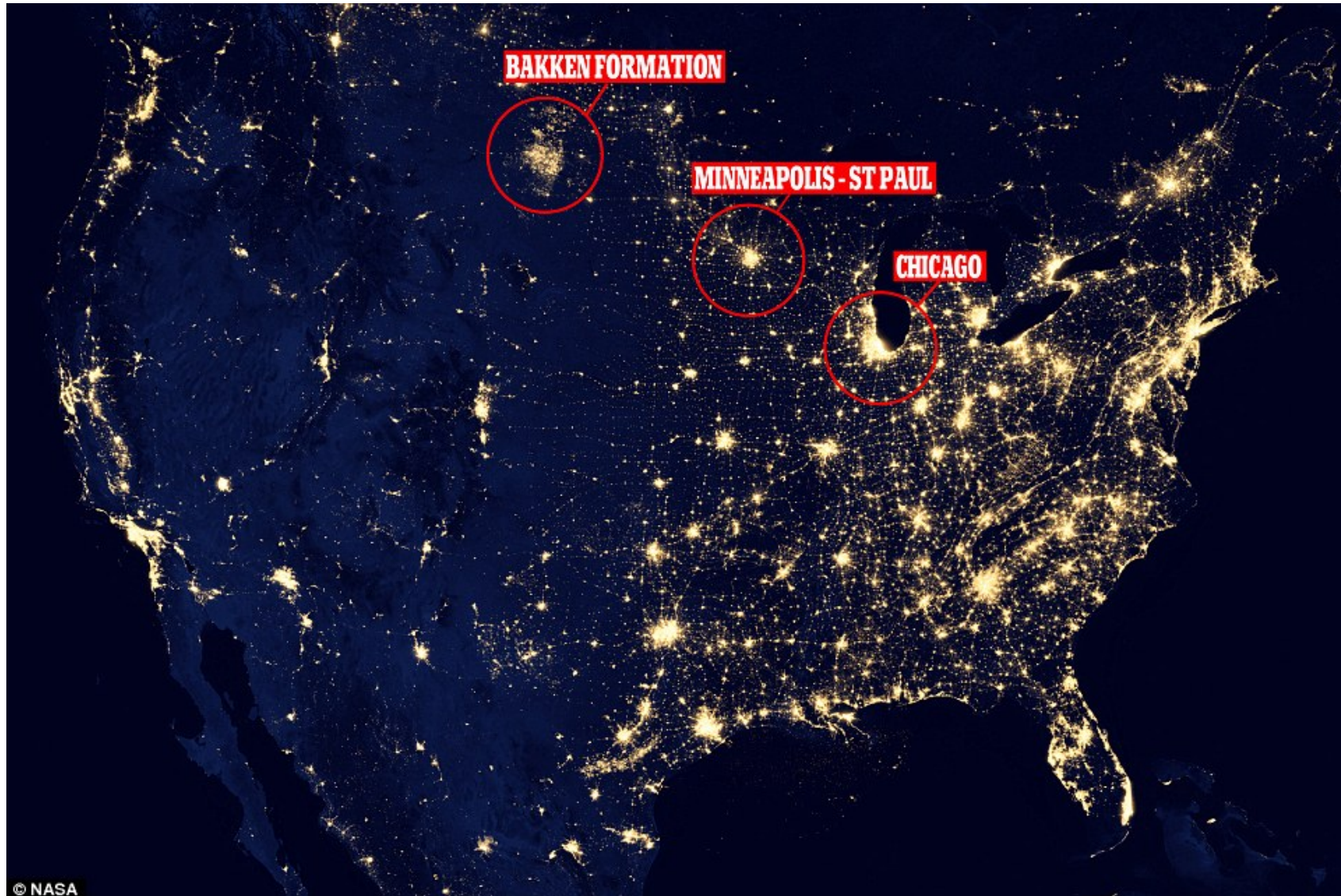
LNG: the answer to the “What Ifs”

- Restoration of Japanese nuclear proves to be slow
- Chinese non-conventional gas disappoints
- East Siberian pipeline projects are delayed
- Asian countries implement policies to improve air quality

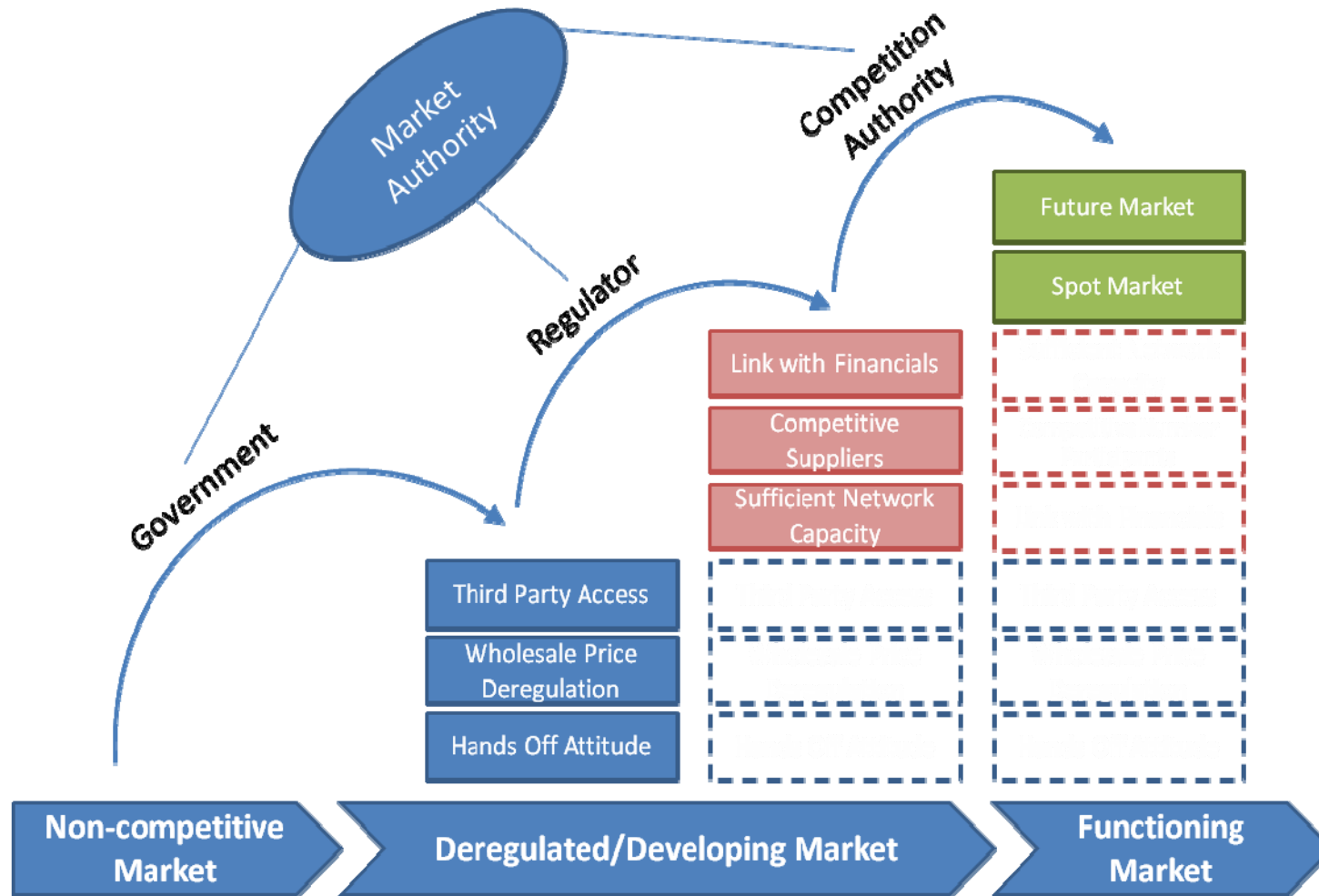


BUT: this flexibility role is inconsistent with rigid contracts and lack of spot markets

Winds of change: North America



A staged approach to create wholesale natural gas market



The importance of well functioning electricity markets

- The largest, and concentrated gas consumer
- Incentives for cost control and portfolio balancing
- EU experience: the most likely new entrants into gas markets
- Role in developing new gas sources



Country focus: Japan

- ✓ The largest LNG importer
- ✓ Well developed LNG infrastructure
- ✓ Large role of gas in electricity
- ✓ Well developed financial markets
- ✗ Segmented onshore infrastructure
- ✗ Segmented, monopolized electricity markets
- ✗ Lack of 3rd party access to LNG



Country focus: China

- ✓ Diversified gas supply structure
- ✓ Rapid infrastructure build up
- ✓ Strong demand growth
- ✗ Lack of clear TPA regulation
- ✗ Infrastructure bottlenecks
- ✗ Overlapping price regulation
- ✗ Capital controls



Country focus: Singapore

- ✓ Already an important commodity trading hub
- ✓ Good location
- ✓ 3rd party access, bidirectional storage
- ✗ Small domestic market
- ✗ Administrative controls on imports

