

LNG Producer-Consumer Conference 2017

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On October 18, the LNG Producer-Consumer Conference 2017 took place at Shintakanawa Grand Prince Hotel in Tokyo. The annual conference has been sponsored by the Japanese Ministry of Economy, Trade and Industry and the Asia Pacific Energy Research Center since 2012. A total of more than 1,000 people participated in the latest or sixth one on a registration basis. Among the participants were 15 energy minister-level representatives from liquefied natural gas producing and consuming countries, including Japanese Economy, Trade and Industry Minister Hiroshige Seko and Qatari Energy Minister Mohammad bin Saleh al-Sada who delivered opening remarks. In addition, LNG industry leaders and globally famed LNG experts attended the conference as speakers or moderators. Vigorous discussions came at the conference divided into five sessions. The following summarizes the conference's key points that were impressive to me:

First, various stakeholders have made steady progress in deepening discussions toward the sound development of the LNG market. As noted in "A Japanese Perspective on the International Energy Landscape (299)," LNG consumers and producers had differed over market conditions in early LNG Producer-Consumer Conferences. At present, however, they share a view that LNG supply will remain excessive until the beginning of the 2020s. With such common view, LNG producers and consumers are deepening discussions on what challenges exist in regard to the sound development of the LNG market and what should be done for the sound development.

Great expectations have been placed on LNG as clean energy backed by high supply potential. It is very important for the consumer side to realize the expectations. It is also significant for the supplier side in regard to the expansion of the market and sales outlets/revenues. Discussions at the conference focused on what actions LNG producers and consumers should take to achieve their common goal of overcoming various challenges in expanding the size/volume of global LNG market. As a matter of course, it is the actual "market players" who are required to take such actions to tackle difficult challenges. And it is also important to note that taking actions to overcome the problems is likely to take longer time. However, it is very significant that the LNG producer-consumer conference has actually begun to discuss more concrete measures for market expansion while making these measures more feasible. It may be needless to say that discussions at the conference are important. Given that the conference attracts a large number of leaders of various stakeholders in the world, however, it is significant for the conference to provide opportunities for participants to have private discussions including business talks.

Second, participants in the conference clearly focused on LNG market problems in Asia as a

driver of global growth in discussing how to develop the global LNG market. A participant forecast that Asian LNG demand could more than double by 2030. Great expectations are placed on growth in emerging LNG markets including China, India and ASEAN countries. As their economies grow with environmental regulations enhanced, emerging countries' LNG demand is likely to steadily increase. In emerging countries, however, LNG faces competition from cheap, abundant coal as well as renewable energy for which generation costs have rapidly been reduced. LNG is required to enhance its competitiveness to allow emerging countries to achieve their expected growth. It is also indispensable for emerging countries to develop LNG infrastructure for expanding their LNG markets. In Japan, South Korea, Taiwan and other traditional, relatively mature LNG markets, energy mix policies have affected LNG demand, making future LNG demand uncertain. The extent and pace for Asian LNG market expansion are the most important for foreseeing the future global LNG market. This point will remain the biggest matter of interest at future meetings between LNG consumers and producers.

Third, it was interesting to see discussions at the conference on what roles Japan and the United States should play in developing the Asian LNG market. A major change since last year's LNG producer-consumer conference is the inauguration of the U.S. Trump administration that emphasizes fossil fuels and gives priority to taking maximum advantage of LNG and other energy exports for U.S. national interests. Remarkably, discussions came on what roles U.S. LNG could play in developing the Asian LNG market and what U.S. LNG should do to play such roles more effectively. In this regard, the Institute of Energy Economics, Japan, and the Energy Policy Research Foundation Inc., a U.S. think tank, introduced achievements of their joint study titled "The Future of Asian LNG." Reports were made on policies that Asia and the United States should take to allow U.S. LNG to play its expected roles in the Asian market. In another major development seen in the conference, Japan, the host of the conference and the largest LNG consumer in the world, announced financial support worth 1 trillion yen for promoting the development of the Asian LNG market and a program to foster LNG-related human resources (capacity building).

Fourth, multiple sessions were designed to deepen discussions on what would allow LNG to be more preferred in the Asian market and to enhance its overall competitiveness. Session 3 under the key word of "Innovation" dealt with the importance of technological innovation for overall LNG supply chains, as well as that of marketing and market approach innovation. Interestingly, Session 4 focused on LNG as a potential fuel for shipping and relevant challenges. Session 5, in which I served as a moderator, covered how LNG market flexibility and liquidity should be enhanced along with market functions to improve LNG's overall attractiveness and competitiveness. Last June, the Japan Fair Trade Commission released a report alleging that the destination clause in LNG contracts could run counter to the Antimonopoly Act, attracting attention from LNG stakeholders in the world. How this problem would be treated in Asia is a key point when flexibility and liquidity are considered for the whole of the Asian LNG market. Discussions also came on how power and gas market deregulation implemented in Japan and planned in the rest of Asia would influence the flexibility of the LNG market and how price discovery and reporting functions should be improved to establish well-functioning LNG market. Interestingly, participants argued that initiatives in this regard would be very important for developing the LNG market and that such initiatives should be enhanced further in the future.

At the closing remarks of the conference, it was announced that JERA will serve as a chief organizer of the next LNG Producer-Consumer Conference to be held in Nagoya. The next meeting is expected to further deepen discussions to develop the Asian LNG market.

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