

Promoting a Flexible, Liquid and Transparent Global LNG Market, Focusing on LNG Contract

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9 July 2019

Destination Clause

- ❑ Needs of destination-free LNG cargo
 - ☑ To ensure optionality
 - ☑ Changes in demand, Seasonality

- ❑ Changes in structure of Korean gas market
 - ☑ Increased competition

Diversion Clause

Compensation of diversion costs

Who : A party making diversion request

How : Model Clause provides two mechanisms

- Compensation Mechanism: Paying costs incurred due to diversion
- Profit-Sharing Mechanism : Allocating all net incremental profit after deducting actual documented cost from gross revenue

Contract Renegotiation

- Decision has yet to be made by Korea Fair Trade Commission. But, it might be the case.
- When initiate renegotiation,
 - Renewal of SPAs
 - Price Review – Removal or reduction of restrictions could be considered in relation to price review.

Implications of Less Restrictions

□ Benefit for Players

- ☑ Carefully consider JFTC's opinion in the Survey so as to avoid potential violation of Korean Competition Law.
- ☑ Players may seek to find alternative to mitigate any risk arising from potential anti-competitive behavior.
- ☑ Buyers will have more incentive in entering into long-term LNG SPAs due to increased flexibility.

Model Diversion Clause



- Contemplates only a case of a Buyer's request for a diversion to Seller
- Interpretation of the phrase, "Seller shall not unreasonably withhold or delay its consent"
- 3P Expert's determination on reasonableness of Seller's refusal to consent
 - Alternative?

- ❑ Eager to cooperate in promoting flexibility and liquidity on LNG contracts
- ❑ Important to avoid potential violation of competition law

Thank You

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