

ASCOPE's
LNG Destination Flexibility Initiatives:
Current Status and Way Forward

Presentation Outline

1. Introduction to ASCOPE

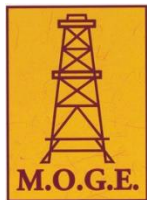
2. ASEAN Natural Gas and LNG

3. LNG Destination Flexibility Initiatives by ASCOPE

1. Introduction to ASCOPE



- The ASEAN Council on Petroleum (ASCOPE) is the association of national oil companies in the ASEAN region. It was established on 15 October 1975 in Jakarta, Indonesia.
- The main objective of the Council is to support member countries increase their capabilities, through mutual assistance, in all aspects and phases of the petroleum industry.



Objectives: “Pillars” based on vision

Vision statement:

To **contribute meaningfully to ASEAN energy security** through **sustainable petroleum collaboration** amongst members and with **external stakeholders**

Strategic objectives:

Promote sustainable **utilization of oil & gas resources and infrastructure**

Provide member countries a platform for **bilateral and multilateral business opportunities**

Represent **interests of members** regionally and globally to **influence oil & gas policies**

Drive **knowledge and best practices sharing** across member countries

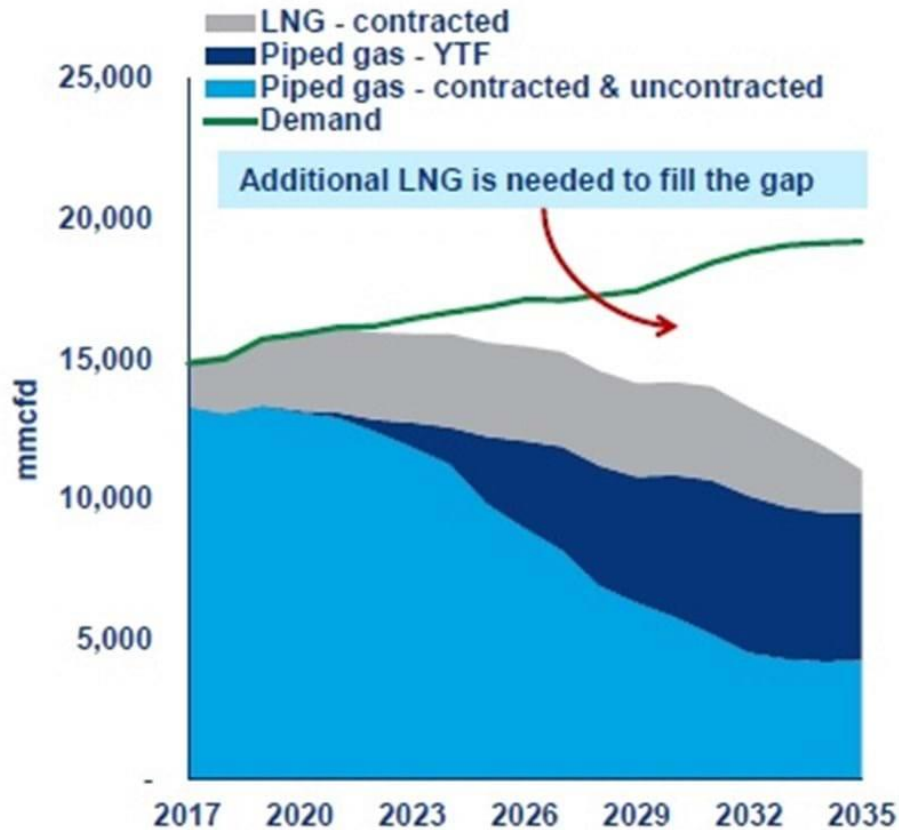
Promote **development of new technologies** relevant for the region

2. ASEAN Natural Gas and LNG



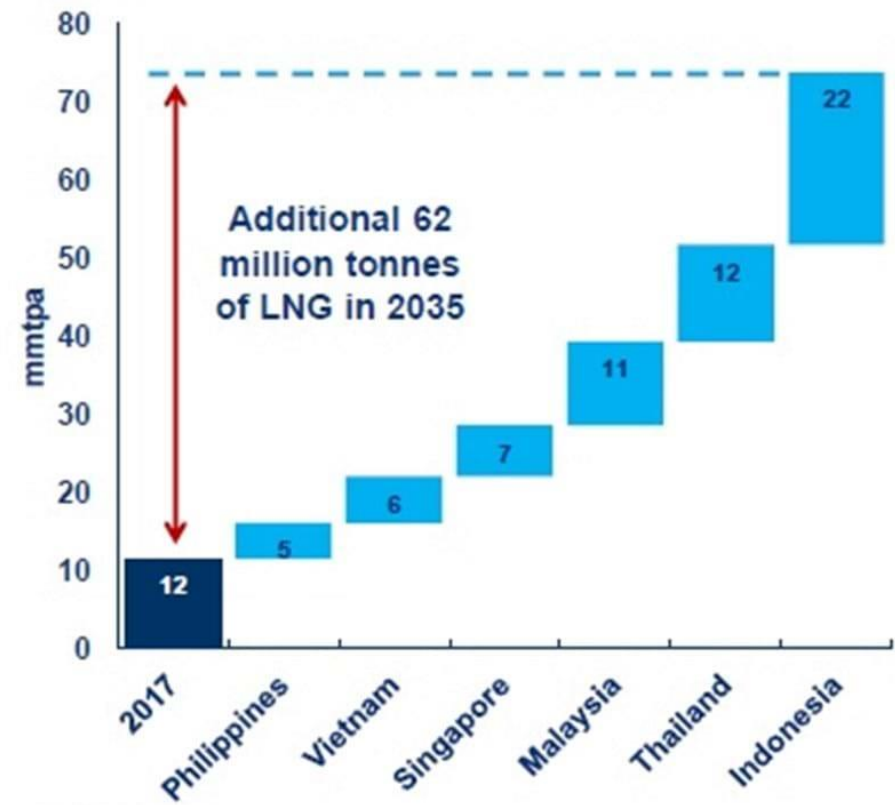
ASEAN Natural Gas and LNG Demand

Gas supply-demand balance



Source: WoodMackenzie

Incremental LNG demand by country (2017-2035)



Source: WoodMackenzie

ASCOPE
ASEAN COUNCIL ON PETROLEUM

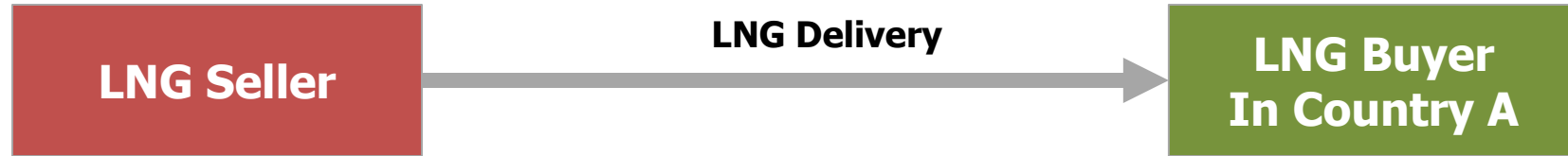


3. LNG Destination Flexibility Initiatives by ASCOPE

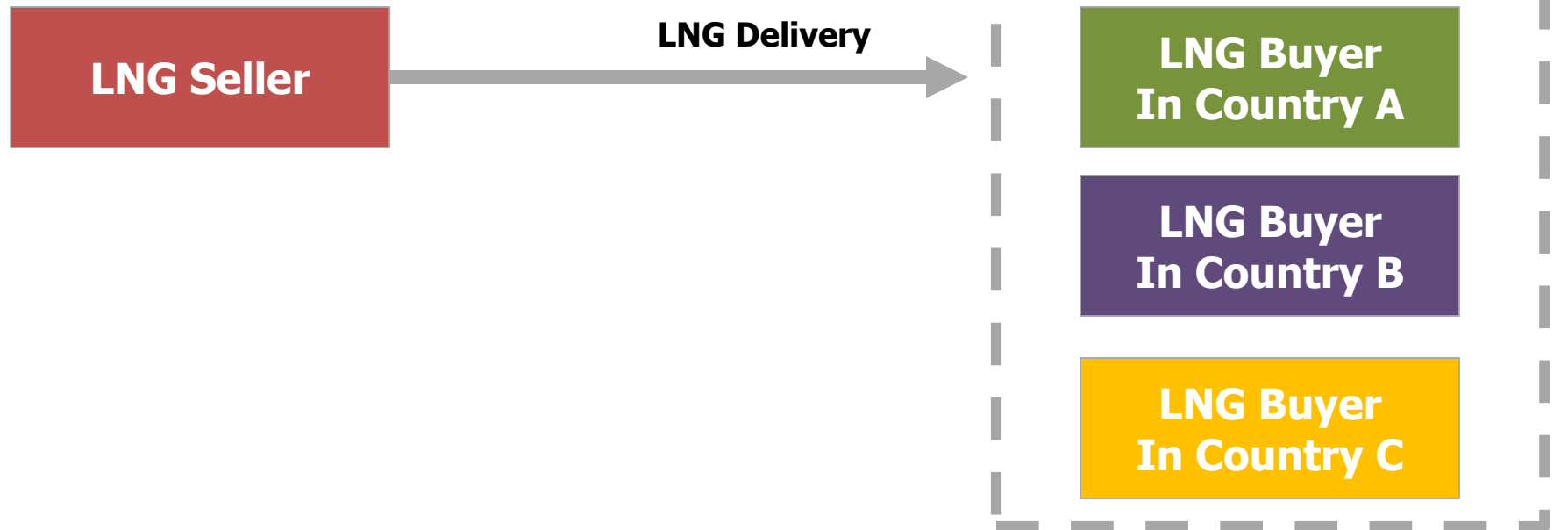


- In 2012, the new expanded strategic focus of Trans ASEAN Gas Pipeline (TAGP) from being limited to connectivity via physical gas pipelines to include connectivity via the regasification terminals.
- Therefore, LNG can serve as 'Virtual Pipelines'.
- ASCOPE has discussed the idea of LNG destination flexibility which LNG can be delivered to any LNG receiving terminals in ASEAN without restriction.
- ASCOPE initiated 2 studies to explore the possibilities of LNG destination flexibility. Currently, ASCOPE is working closely with external consultants on;
 1. **Commercial Study** : To explore the business model and strategy
 2. **Legal Study** : To draft the model LNG SPA without destination restriction and Master LNG SPA (MSPA) among ASCOPE Members

- Single Destination



- Free Destination



- ASCOPE drafted 2 contract models.

1

LNG SPA

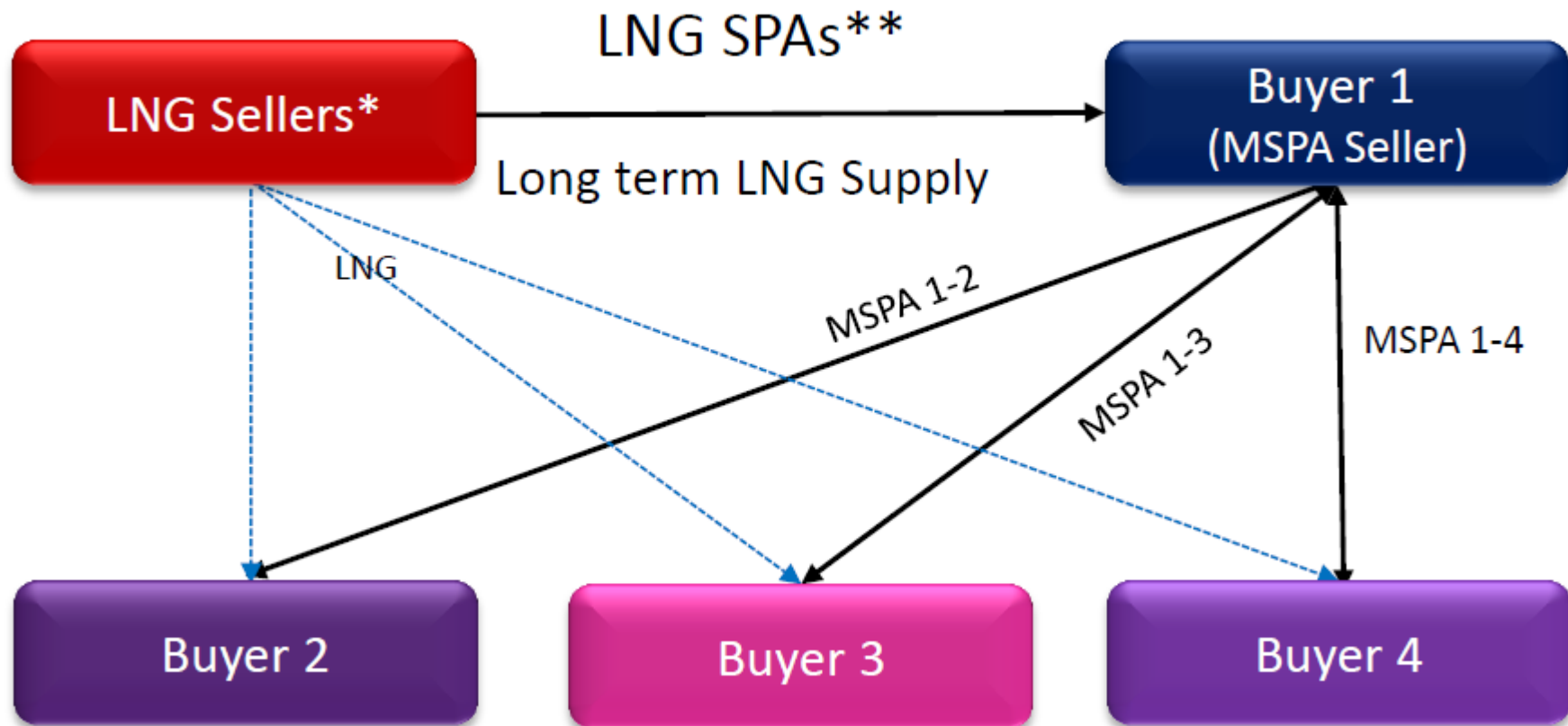
- Long term
- To facilitate destination flexibility in ASEAN
- Between Seller and Buyer

2

LNG MSPA

- Spot
- To facilitate destination flexibility in ASEAN
- Between Buyer and Buyer

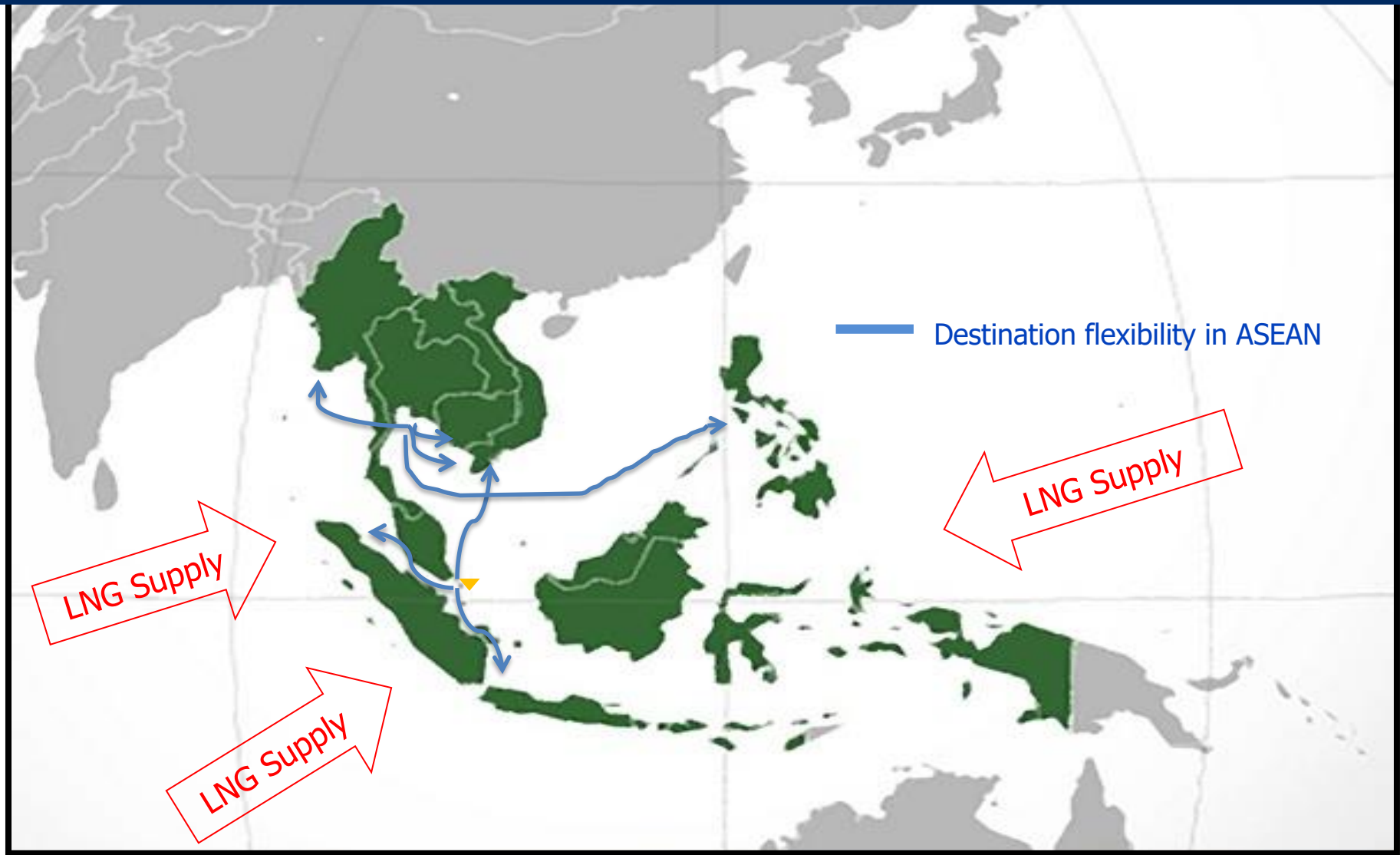
- MSPA and its application to deliver LNG to **Alternate Terminals**



* LNG Seller may be a third party that is not related to Buyer 1. Alternatively, if Buyer 1 or its affiliates has equity interests in operating LNG projects, the LNG may be sourced from the Buyer 1 group's portfolio under 'internal' LNG sale and purchase arrangements.

** LNG SPA may be AGCC model form LNG SPA, or other long-term LNG SPA. Note AGCC model form LNG SPA contains bespoke ASEAN diversion mechanism.

Example of LNG Destination Flexibility within ASEAN



- 1) ASCOPE Taskforce completed both LNG SPA and MSPA contract models.
- 2) ASCOPE Council adopted LNG SPA and MSPA contract models as a guideline for 10 NOCs in ASEAN.
- 3) ASCOPE reported the completion of LNG SPA and MSPA contract models to ASEAN Senior Official Meeting on Energy (SOME) and ASEAN Ministry of Energy Meeting (AMEM).
- 4) SOME and AMEM acknowledged ASCOPE Taskforce completed both LNG SPA and MSPA contract models.
- 5) 10 NOCs in ASEAN could use these LNG SPA and MSPA contract models to negotiate with potential LNG suppliers.

LNG Market Situation



No rule and regulation



Developing LNG market in ASEAN



Limited collaboration outside ASEAN



1. ASCOPE Taskforce will collect feedback and comments from 10 NOCs in Q3/19.
2. ASCOPE will start revising both LNG SPA and MSPA contract models around Q4/19.
3. ASCOPE will look forward for potential collaboration outside Southeast Asia on LNG for LNG supply, LNG investment, LNG destination flexibility, small-scale LNG, etc.

- LNG Buyers in ASEAN could work with LNG Buyers in Other region outside Southeast Asia regarding LNG destination flexibility.

Seasonality Demand

- During winter, LNG from ASEAN Buyer's contract could be delivered outside ASEAN.

Energy Security

- During emergency LNG shortage situation, LNG could be delivered from ASEAN to other regions and vice versa.

Portfolio Buyers

- LNG Buyers in ASEAN can join together with LNG Buyers other regions as a joint procurement.

Example of LNG Destination Flexibility outside ASEAN



- ASCOPE is looking forward to collaborating outside ASEAN

