What need to be done in the changing LNG market?

-- Recommendations for a better functioning LNG market in Asia --

LNG Producer-Consumer Conference 2015
16th September, 2015
Tokyo, Japan

Masakazu Toyoda
Chairman & CEO
The Institute of Energy Economics, Japan
We are a group of research experts

Launched in 2014

Delivered message to 2014 LNG P-C conference

2nd series of discussions

Deliver message to 2015 LNG P-C conference

- The study is supported and funded by ERIA (Economic Research Institute for ASEAN and East Asia)
Key questions

• Has Asia Premium been eliminated?
  
  No. It looks like premium reduced, but still exist considerably.

• Is oil-indexation still relevant?
  
  No. A relevance has been rapidly disappearing, and we need to pursue appropriate price formation.

• Can traditional security measure (e.g. long-term contract, Take or Pay) alone fulfill a requirement of security in importing countries?
  
  No. Importing countries need to seek more flexible measures by reflecting their changing regional and domestic market.

• Does recent low oil/gas price bring difficulty for upstream investment?
  
  Yes. We need to take actions to commercialize possible new supplies.
# Our recommendations

## Flexibility

- Destination restrictions need to be;
  - Eliminated in FOB contract
  - Relaxed in DES contract

- Policy makers are recommended to;
  - Enhance domestic market liberalization
  - Promote TPA to infrastructures

## Price formation

- Price formation at Asian gas/LNG hub(s) shall be pursued.

- Useful to diversify price formation of LNG in Asia by linking with;
  - N. America & European hub price
  - Spot LNG price

## Gas supply security

- Improve by both supply & demand side measures.

- Contemporary way (e.g. flexible trade and appropriate price signal) need to be combined with traditional way (e.g. long term contract)

## Securing necessary investment

- Transparent and consistent policy for upstream investment.

- More flexible take or pay arrangement (e.g. bigger allowance)

- Equity participation of importer and public support
Any question or suggestion?

The ERIA and the IEEJ gratefully acknowledge the contribution of many experts for providing useful comments and suggestions for the study. The ERIA and the IEEJ take full responsibility for the wording and content of this report.

Please visit; [http://eneken.ieej.or.jp/en/](http://eneken.ieej.or.jp/en/)