



**Speech by Mr Teo Eng Cheong, Chief Executive Officer,
International Enterprise (IE) Singapore,
World LNG Series: Asia Pacific Summit
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1. Distinguished guests, ladies and gentlemen, good morning.
2. I would like to congratulate CWC on this instalment of the World LNG series in Asia. Thank you for inviting me to join you today.
3. We are witnessing a dynamic shift in today's global gas markets. I believe this is the beginning of what will be a defining period in the LNG industry in Asia Pacific.
4. I believe that the long-term outlook for gas markets is strong and there are a few reasons for this.
5. First, countries are diversifying their energy sources by seeking alternatives to oil and coal, and they are switching to cleaner fuels like petrol gas. By 2030¹, natural gas demand is projected to increase by 60% to overtake coal in the global energy mix, to become the second most dominant source of energy globally.
6. Second, the emergence of unconventional gas resources such as shale gas in the United States and coal-bed methane in Australia has altered potential future trade flows. Previously a net importer, the US could become an exporter of gas as early as 2015. The US Department of Energy approved exports of natural gas from the US in May this year, while work on liquefaction facilities could begin as early as next year.

¹ IEA Are We Entering a Golden Age of Gas?, World Energy Outlook 2011

7. Third, the global use of nuclear as an energy source has slowed significantly since Japan was hit by a tsunami and earthquake in March. The meltdown of Fukushima has raised alarm amongst countries that rely on nuclear energy. As more countries like Japan and Germany become cautious of their reliance on nuclear energy, LNG imports are expected to grow.
8. Most of the future action will be seen in emerging markets. 80% of the growth is expected to be in non-OECD countries by 2035, largely driven by the emerging economies of Asia². China's demand for natural gas alone is projected to grow more than five times from the current 20billion cubic metres to 110billion cubic metres by 2015. At least half of which will be met by LNG³.
9. To support this rapid growth, a significant number of LNG import infrastructure projects are coming on-stream in the next few years.
 - a. In China, two new regasification terminals and two expansion projects are expected to come online by end of this year. When the other terminals in the pipeline are completed by 2014⁴, the total number of import terminals in China will more than double.
 - b. South-East Asia is traditionally a LNG exporting region, with no importers. However, this will change by 2015. Ten LNG import terminals with a total import capacity of some 34billion cubic metres are possibly coming online in the region⁴.
10. Several recent trends further underscore Asia's role in the evolution of the global LNG market.
 - a. Asia's LNG demand surged strongly after the 2008 financial crisis. Demand is expected to grow faster than supply in the coming years. The supply situation is only expected to ease after 2015, when more LNG production projects and supply options come on-stream.
 - b. Demand for LNG in Asia has also led to widening price differentials between Asia, the EU and the US. This was accentuated in recent months with Japan's strong uptake. Spot LNG prices in the Pacific

² IEA Are We Entering a Golden Age of Gas?, World Energy Outlook 2011

³ IEA Are We Entering a Golden Age of Gas?, World Energy Outlook 2011

⁴ IEA Are We Entering a Golden Age of Gas?, World Energy Outlook 2011

have hit a high of \$16 per million British thermal units this month⁵, compared to \$4 in the US, and between \$8 to \$11 in Europe. The higher prices in Asia have caused cargo diversions from the Atlantic basin to the Pacific basin.

11. However, the uncertain economic environment and greater range of supply options have pushed importers to seek more diverse portfolios with spot and short-term contracts. Spot trades which accounted for less than 10% of total global LNG trades a decade ago, have now doubled to account for 20% of total trades. This trend is likely to continue as global LNG trade increases and becomes more integrated.
12. For the growth of Asia's LNG industry to remain strong, the marketplace needs a dynamic environment. As Asia's top oil hub, Singapore is well positioned to also be the regional hub for LNG.
13. Today, Singapore is the gateway to key LNG markets. More than 400 petroleum and petroleum trading companies are already based here.
 - a. One of the most important oil trading events of the year, The Asia Pacific Petroleum Conference, or APPEC, has just successfully concluded two weeks ago in Singapore.
 - b. Platts, the leading global provider of energy information, has chosen to base its LNG team in Singapore. This is a key milestone for us as it demonstrates that Singapore is at the heart of LNG trading activities and developments in the region.
14. Singapore may not be a major LNG consumer or supplier, but we have seen strong steady growth in our LNG trading sector in recent years.
 - a. Shell was among the first energy majors to establish LNG marketing and trading activities in Singapore. We have also welcomed other key players including BP, BG Group and Gazprom.
 - b. BG Group established a LNG marketing and trading presence in Singapore in late 2010. Since then, its Singapore branch has

⁵ Petroleum Economist: China importers eye summer LNG feast, 31 March 2011

successfully concluded long-term, short-term as well as spot LNG sales into various Asian markets.

- c. Since Gazprom set up its Singapore trading office in late 2009, the local office has secured its first LNG shipments to Japan, South Korea, China, Taiwan, India and Thailand. Gazprom continues to grow its presence in Asia through Singapore by securing a term supply contract to India this year. This formed the basis for the long-term supply of LNG to India.
- d. More energy companies have also started new LNG trading businesses here. Just this year, we witnessed new entrants to the cluster, including Gunvor, Vitol, and PetroChina.

15. We are very encouraged by this progress. It showcases the potential of the LNG industry in playing a greater role in contributing to Singapore's economy. The LNG industry will have the support of the Singapore government on these and future exciting developments. Many projects that are set to boost the growth of our LNG eco-system are already in the pipeline.

- a. Construction of Singapore's first LNG terminal is on track to commence commercial operations by mid-2013. The terminal will offer a flexible and wide range of services to accommodate the region's market developments, including a more active spot trading market.
- b. Last month, SLNG commenced construction for the secondary berth of its LNG terminal on Jurong Island. Smaller LNG vessels will be able to berth in Singapore, driving development of an LNG break bulk business and facilitating regional distribution.

16. LNG trading and related businesses will strengthen Singapore's position as the regional energy hub. We believe a more robust LNG ecosystem will bring about positive spin-offs for related industries, new technologies and expertise, for a more vibrant and sustainable future.

17. As the government agency responsible for promoting Singapore's trade, IE Singapore will continue to work with interested players to facilitate entry and growth of your operations in Singapore.

18. In summary, the outlook for gas is a good one. Asia's demand will increase and the market here will grow significantly. Singapore hopes to play a meaningful role as the market grows, and to partner you in your operations here.

19. Finally, I would like to wish all of you a successful conference ahead. Thank you.

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