

**Speech by Mr S. Iswaran  
Minister in Prime Minister's Office and  
Second Minister for Home Affairs and Trade & Industry  
at the KPMG Global Energy Conference  
and Opening of KPMG's Global Energy Institute for Asia  
Thursday, 25 April 2013, 09:00 AM, Ritz Carlton Hotel**

Mr. Michael Andrew, Global Chairman of KPMG,

Mr. Tham Sai Choy, Managing Partner of KPMG Singapore,

Distinguished Guests,

Ladies and Gentlemen.

1. Good morning. I am pleased to join you this morning at the inaugural KPMG Global Energy Conference in the Asia Pacific. The theme of this conference – “Opportunities in Asia: Managing complexities in the fast-changing energy landscape” – is apposite as we meet at a time of major developments in the energy space around the world, and especially in Asia.

2. Today, Asia is a major engine of growth for the global economy. Energy demand in Asia will continue to rise in tandem with the region's economic development, with China and India accounting for over half of the increase in energy consumption over the next 20 years<sup>1</sup>. The need to secure sufficient and competitively priced energy resources, to fuel economic growth and to enhance competitiveness, is a key imperative for Asian governments.

3. On the supply side, the global energy landscape has also witnessed a tectonic shift. The boom in shale gas and oil production in the United States has injected significant new supply into the market, transforming the US from a major importer into a potentially significant exporter of natural gas. While this may pose new challenges to traditional energy producers, it also presents interesting possibilities for consumers. For instance, we are beginning to see Asian LNG importers negotiating for more attractive terms, such as index diversification, shorter contract terms and more competitive pricing. These variegated procurement strategies enable them to enhance

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<sup>1</sup> International Energy Agency, World Energy Outlook 2012

the resilience and cost competitiveness of their gas portfolios. At the same time, events such as the Fukushima nuclear disaster and geopolitical developments in the Middle East have highlighted the need for countries to enhance energy security through source and fuel diversification.

4. Collectively, these developments underscore the need for policy-makers and industry leaders to develop nimble strategies that will allow them to adapt to the changes, and seize the opportunities, that will arise in this evolving energy landscape.

### **Singapore's Energy Strategies**

5. Singapore is by no means insulated from these global developments. Indeed, as a country that relies almost entirely on imported fuel for our energy needs, our energy future is inextricably linked with the trends and uncertainties in regional and global energy markets. Striking a balance between economic competitiveness, energy security and environmental sustainability has long been, and continues to be, the priority for us.

### **Enhancing Competitiveness**

6. In that context, we have been actively pursuing measures to enhance our economic competitiveness by promoting a competitive electricity industry. Earlier this year, we announced plans to extend electricity retail competition to a greater number of consumers, thereby allowing them to choose the electricity supply package that best suits their needs. Over the next two years, there will be a net increase of 2,000 MW in our generation capacity as our generation companies build new and more efficient gas-fired plants. These changes across the electricity generation and retail sectors will improve competition and help consumers better manage their energy costs. We are also studying other initiatives, such as the development of an electricity futures market, the introduction of electricity imports, as well as the implementation of a demand response programme.

### **Diversification of Natural Gas Supplies**

7. We have also been seeking to strengthen Singapore's energy security and resilience through measures to diversify our energy sources. The development of our first LNG terminal is a key step towards this end.

8. To date, Singapore has relied almost entirely on piped natural gas for our power generation and industrial needs. This year, with the start of commercial operations for the LNG terminal on Jurong Island, LNG will be made available in Singapore for the first time. This is an important milestone for Singapore, as it will allow us to access LNG from global gas markets, to diversify our energy sources beyond the region and to benefit from trends in the global gas market.

9. We are in the process of commissioning the LNG terminal, which is on track to commence operations this quarter. With the first two tanks, the terminal will have an initial throughput capacity of 3.5 Million tonnes per annum (Mtpa). This will increase to 6 Mtpa by the end of the year, when the third tank is completed. We will also be building a fourth tank, which will boost the terminal's capacity to about 9 Mtpa. Besides providing the storage capacity to meet industry needs, the expanded infrastructure could also catalyse business opportunities in LNG trading, break-bulk services and LNG bunkering.

10. Singapore's first tranche of LNG will be brought in by BG, which has been awarded an exclusive franchise for up to 3 Mtpa or the year 2023, whichever is attained earlier. The take-up rate for LNG has been better than we had anticipated. Power generation companies and industries have committed to purchasing around 2.7 Mtpa of LNG, accounting for about 90 per cent of BG's franchise. Therefore, even as our LNG terminal is poised to begin operations, we are at a juncture where we need to look beyond the first tranche of LNG supply.

11. With LNG set to play a larger and growing role in our energy mix, we need to put in place a robust LNG import framework that achieves Singapore's objectives of enhancing energy security through a diversity of reliable supply sources and ensuring end users receive competitively-priced gas. There are several considerations that underpin our assessment of a viable LNG import framework. First, while Singapore's incremental gas demand in the near term may be relatively small, our total demand for gas could eventually increase to about 15 Mtpa by 2024. Any procurement framework for future LNG must be able to effectively address this future demand. Second, future LNG import should enhance the price competitiveness of our gas supply and minimise volatility. This could be achieved through a diversified portfolio of LNG from multiple supply sources and, where possible, a blend of contract durations and price indexation. Third, the future LNG import framework should take into consideration the available capacity and operational efficiency of the LNG terminal, and the number of users it can

effectively accommodate. Finally, the framework should allow our domestic end users to benefit from opportunities that may arise from developments in the global gas market, such as the emergence of new gas supplies and movements in gas prices.

12. Last year, EMA published a consultation paper to seek industry views on the possible options for Singapore's future import of LNG. The consultation introduced two quite different but possible options. The first was the regulated sole importer (RSI) framework. This model has been adopted by Asian LNG importers, such as South Korea, Japan, Taiwan and Thailand. Under this framework, an RSI is tasked with procuring all future LNG demand for end users in the country. It also simplifies negotiations on terminal access and operational issues.

13. The second option is the multiple aggregator framework. Similar frameworks have been adopted in the EU and the US. Under this model, importers could either be appointed by EMA through a competitive Request-for-Proposal (RFP) process, or emerge from natural competition between players in the LNG import sector, resulting in natural aggregation.

14. The views put forth in favour of, or against, these two models have been quite varied. Some industry players argue that demand aggregation under a sole importer would allow for a scale in procurement that could help to secure more favourable LNG prices and terms. On the other hand, some are concerned whether a sole importer would be able to secure the most competitive terms for end-users. They note that allowing multiple aggregators will allow for price discovery, and that recent empirical data suggests that there are limits to the price advantage that can accrue to volume buyers.

15. Ultimately, our aim is to ensure that end users of gas in Singapore will have more options and flexibility in securing stable, secure and competitively priced gas to meet their needs. Taking into consideration this industry feedback, EMA will launch a second phase of industry consultation next month on a proposed LNG import framework for Singapore.

16. We look forward to working closely with the industry to further develop the model, and remain open to consider best practices of other LNG importing countries. I encourage all industry stakeholders to submit your thoughts and ideas to the Energy Market Authority (EMA) to help refine the proposals in the consultation paper. I also

invite all parties who wish to participate in Singapore's LNG market to discuss their specific ideas and proposals with EMA.

### **Singapore as a Thought Leadership Hub for Professional Services Firms**

17. Another key plank of our energy strategy is to ensure that Singapore remains attractive to global energy companies, which can continue to build a vibrant energy hub here. Even in a challenging global environment, we remain home to the regional headquarters, research & development and manufacturing bases of some of the world's largest clean energy companies, such as Renewable Energy Corporation, Vestas and Trina Solar. Recent investments also bear strong testament to Singapore's position as an energy hub in the region. Two years ago, Neste Oil opened the world's largest bio-renewable diesel plant in Singapore. More recently, Shell announced its plans to shift its Integrated Gas Global Headquarters to Singapore.

18. While we see exciting opportunities for businesses in the energy sphere, we recognise that companies face an increasingly complex energy landscape. Hence, consultancies like KPMG play an important role in helping companies navigate these complexities, exploit growth opportunities as well as achieve greater energy and resource efficiency.

19. I am pleased that KPMG has decided to establish its Global Energy Institute for Asia and its Centre of Excellence for Energy & Natural Resources in Singapore. It will be an important and valuable addition to Singapore's energy eco-system. I hope that the Institute will collaborate with the myriad companies and organisations in our energy landscape, to yield critical insights, mindshare and innovative business solutions for the region.

20. I congratulate KPMG on the establishment of the Institute and the Centre of Excellence. We look forward to a long and close partnership with KPMG in this important domain of energy. On that note, let me also wish all of you a fruitful conference and a pleasant day ahead.

21. Thank you.