

**Welcome Address by Guest of Honour, Mr Lee Ark Boon,  
Chief Executive Officer, International Enterprise (IE) Singapore  
CWC World LNG & Gas Series: 8th Asia Pacific Summit  
21 September 2016, 0915Hrs  
Grand Hyatt Hotel, Singapore**

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Distinguished guests,

Ladies and Gentlemen,

**Introduction**

1. Good morning. I am pleased to join you at the 8<sup>th</sup> Asia Pacific Summit of the CWC World LNG Series.
2. 2016 has been a challenging but momentous year for the LNG sector – prices dipped to a new low, the first LNG cargo was exported from the US, new Australian projects came on stream and the expansion of the Panama Canal was completed.
3. With these developments, the industry has entered into a period of increasing uncertainty and a prolonged period of oversupply. However, new trade flows across the value chain of buyers, sellers and traders have also arisen due to these changes. Buyers have resold excess cargoes, turned to the spot market to optimise their needs and have renegotiated existing long term contracts. Producers and traders are looking for new sources of demand and ways to manage risk.

4. As the LNG trading landscape continues to evolve, LNG is no longer a game for just the big boys. The number of global LNG players has increased with the involvement of the independent traders and shale producers. In addition, the number of importing countries has doubled from a decade ago, reaching 33 in 2015<sup>1</sup>, and will continue to increase.
5. Amidst these changes, we need to think of long-term solutions, and I would like to encourage you to tap on Singapore as *the* location to conduct your LNG activities.

### **Singapore as a Hub to Capture LNG Trade Flows**

6. Firstly, Singapore's extensive network of buyers and sellers creates an effective and neutral marketplace for global traders to structure their deals. Over the years, we have transformed from a mere trans-shipment hub to a global trading hub. Up to 80% of the world's top oil & gas and metals & mining companies trade, process and manage logistics for commodities in Singapore. In 2015, 400 of the largest commodities trading companies in Singapore had generated more than US\$1 trillion in turnover and supported over 15,000 jobs.

7. Recognising the growth in LNG trading activities globally, Singapore made a deliberate move more than eight years ago to grow the LNG community in Singapore. Today, I am proud to share that we have more than 35 global companies with a LNG trading or business development presence in Singapore. These companies tap on Singapore's infrastructure and benefit from being closer to their counterparties.

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<sup>1</sup> International Gas Union World LNG Report 2016

8. Let me share a few examples. Chinese state-owned Unipecc, which conducts its global spot and short term trading in Singapore, has expanded their LNG business significantly over the last year and has ambitions to grow it further. Spanish utility Gas Natural Fenosa will also expand their scope of activities in Singapore to include conducting optimisation trades.
9. Many companies have also made Singapore their home to serve the network of LNG players in Singapore. Global LNG Exchange, or GLX for short, is a start-up that is designing a digital platform that will allow LNG traders to buy and sell spot cargoes via online auctions. Earlier this month, the company has announced that they will operate out of Singapore.
10. Secondly, Singapore is ideally located at the heart of Asian trade routes. We are close to the traditional LNG demand centres such as Japan and Korea, and emerging markets like China, India and Southeast Asia. In fact, the Singapore LNG terminal is located strategically in the Straits of Malacca and the South China Sea, where more than 50% of global LNG flows through annually. This trend will continue to grow.
11. With the growth in opportunities for small-scale LNG in Southeast Asia as well as the rising use of LNG as a bunker fuel in Emissions Control Area (ECA) regions, companies have also taken steps to use Singapore as their hub for LNG physical trading. This includes reloads, break bulk and bunkering.
12. Singapore has made several efforts to become LNG bunker ready. Earlier this year, the Maritime Port Authority awarded two LNG bunkering licenses and is working with the companies to develop the necessary infrastructure so that we can start supplying LNG bunker to vessels in Singapore by early 2017.

13. Lastly, Singapore is a hub for risk management activities. Over the last few years, IE Singapore has supported the growth in price discovery initiatives in tandem with the rising number of trades being managed out of Singapore. The price discovery of LNG and a well-functioning derivatives market will be increasingly important to reflect accurate demand supply dynamics of LNG and for both producers and consumers to hedge against price swings.
14. Growing production capacity and rising spot liquidity are accelerating the commoditisation of the LNG market, bringing it a step closer to LNG-based price indexation. While Singapore may not be a large consumer of LNG, we believe that Singapore can still play a role in price discovery, just like we have done for other commodities such as refined oil products, rubber and iron ore. We stand on neutral and objective ground.
15. SGX had launched the Sling LNG derivatives contracts in January earlier this year. We are heartened that industry players such as Trafigura and Pavilion Energy have traded these products.
16. In addition, in response to industry feedback, SGX has introduced a second location – North Asia – to the Sling suite. This new North Asia Sling index will complement the Singapore Sling with each representing their respective regions. The Singapore Sling will serve as a reference point for the fast growing and developing South-East Asian LNG market while the North Asia Sling will serve the key destination ports in North Asia.
17. These developments are encouraging as they are industry-led and demonstrate the vibrancy of the sector. They are also valuable for companies who are looking to manage their new LNG flows.

## **Conclusion**

18. According to the International Gas Union's latest LNG Report, non-long-term LNG trade reached about 72 million tonnes in 2015, accounting for close to 30% of total gross LNG trade. The rise in percentage of short term and spot trades and the corresponding growth in activities from buyers, sellers, portfolio players and independent traders have led to growing market liquidity.
19. In addition, the Paris climate accord and increasing desire for cleaner air, together with Asia's rising population, will translate to greater demand for natural gas. The prospect for LNG trade in Asia in the medium and longer term look good.
20. Singapore has grown to a premier commodities trading hub today because of its wide participant network, strong physical and financial infrastructure, favourable business environment, and highly-trained workforce. As global markets evolve, we recognise the need to constantly adapt and improve to maintain Singapore's relevance to the community.
21. The Singapore government is fully committed to continue Singapore's growth as a LNG hub. We look forward to welcoming more players to Singapore, and value your partnership and feedback as we strive to enhance Singapore's trade ecosystem for the LNG community to effectively conduct your business activities in.
22. On this note, I wish all of you a productive conference. Thank you.

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