Developing an Asian LNG Trading Hub

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The Asia Pacific: 40% of global gas demand growth and growing import needs from outside the region

Asia-Pacific demand and production, 1990 -2017

Source: IEA MTGM 2012.
Note: Asia-Pacific includes Japan, Korea, China, Bangladesh, Brunei, India, Indonesia, Malaysia, Myanmar, Papua New Guinea, Philippines, Singapore, Chinese Taipei, Thailand, and Vietnam.
Relatively high prices lead to a competitiveness burden on Asian economies.
Large price dispersal within a country indicates inefficient markets

Japan LNG Import Price & Price Range
2004 - 2012

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Destination clauses and inefficient trade with Europe is a USD 10 billion burden on Japan

Japanese price level that would support redirections of different sources going to Europe

- Qatar
- Nigeria
- Algeria
- Actual

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LNG: the answer to the “What Ifs”

- Restoration of Japanese nuclear proves to be slow
- Chinese non-conventional gas disappoints
- East Siberian pipeline projects are delayed
- Asian countries implement policies to improve air quality

*BUT*: this flexibility role is inconsistent with rigid contracts and lack of spot markets
Winds of change: North America
A staged approach to create wholesale natural gas market

Non-competitive Market → Deregulated/Developing Market → Functioning Market

- Third Party Access
- Wholesale Price Deregulation
- Hands Off Attitude

- Market Authority
- Regulator
- Government

- Competition Authority

- Future Market
- Spot Market

- Link with Financials
- Competitive Suppliers
- Sufficient Network Capacity
The importance of well functioning electricity markets

- The largest, and concentrated gas consumer
- Incentives for cost control and portfolio balancing
- EU experience: the most likely new entrants into gas markets
- Role in developing new gas sources
Country focus: Japan

✓ The largest LNG importer
✓ Well developed LNG infrastructure
✓ Large role of gas in electricity
✓ Well developed financial markets
✗ Segmented onshore infrastructure
✗ Segmented, monopolized electricity markets
✗ Lack of 3rd party access to LNG
Country focus: China

- Diversified gas supply structure
- Rapid infrastructure build up
- Strong demand growth
- Lack of clear TPA regulation
- Infrastructure bottlenecks
- Overlapping price regulation
- Capital controls
Country focus: Singapore

- Already an important commodity trading hub
- Good location
- 3rd party access, bidirectional storage
- Small domestic market
- Administrative controls on imports
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