

***Current LNG Market in Asia-Pacific  
&  
A Consumer's Strategy***

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# Profile of Tokyo Gas and Natural Gas

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## Tokyo Gas

### ■ 120 years history of gas energy supply

- ✦ Raw material transition: coal →oil →LNG (→hydrogen)
- ✦ Expertise in gas supply chain up to end use technology
- ✦ Competitive with other energy sources by continuous R&D
- ✦ In line with the national energy policy

## Natural Gas (LNG)

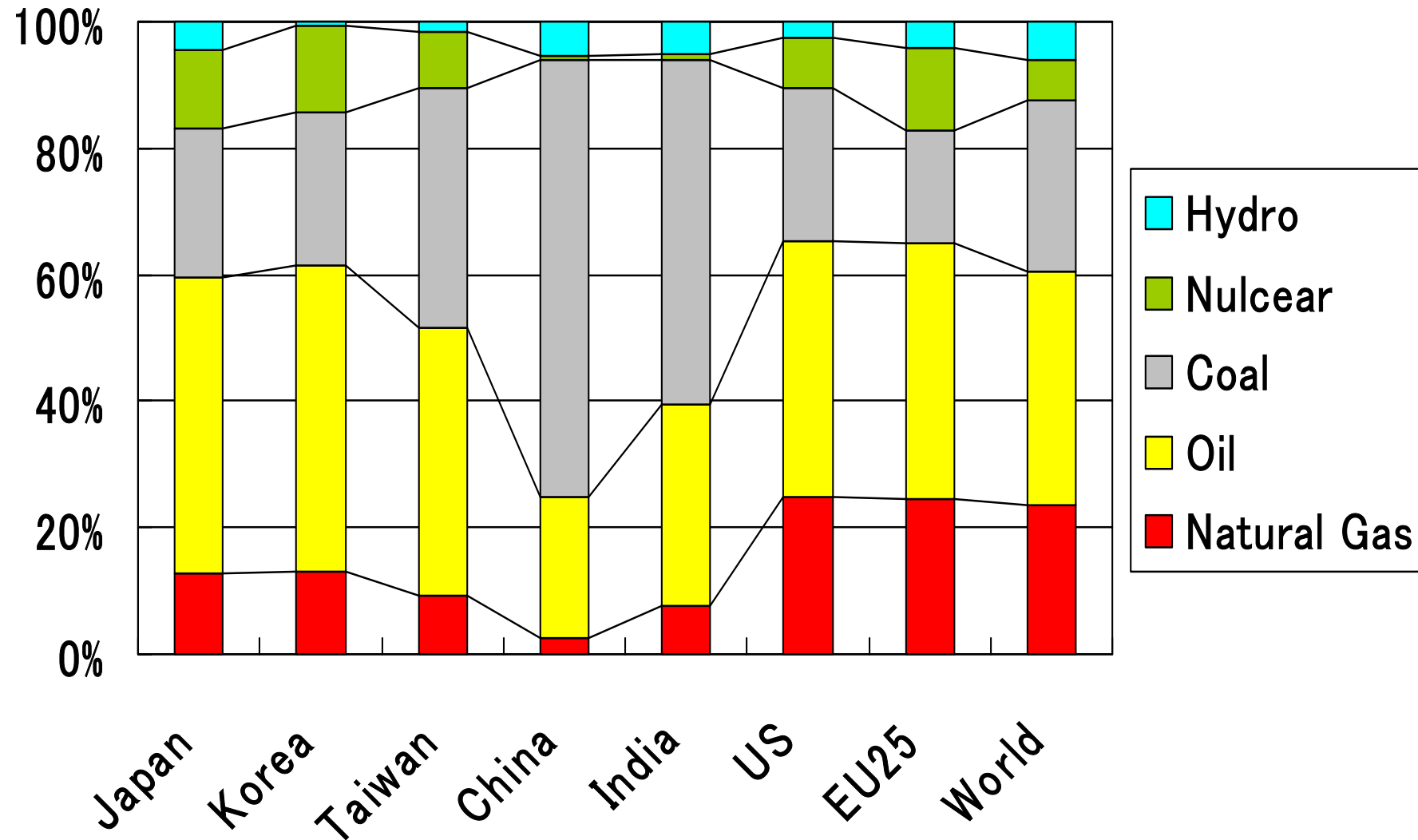
### ■ High quality and premium energy source

- ✦ High efficiency, suitable for on-site use, advanced utilisation technology
- ✦ Clean energy with a low environmental impact
- ✦ Dispersed resources

### ■ Difficult to transport

- ✦ Limited local use or just flared at oil fields in the past
- ✦ Needs huge investments for infrastructure (pipelines, LNG plants & carriers)
- ✦ All players from well head to burner tip are nearly connected

## Large potential demand of natural gas in Asia



Source: BP Statistical Review of World Energy June 2005

# Recent Topics on LNG Trade in Asia-Pacific

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## Facts & Observations

### ■ Unprecedented oil prices

- ✦ Skyrocketing of crude oil prices all over the world
- ✦ Rising LNG import prices, according to LNG pricing formulae in long-term contracts
- ✦ Henry Hub price reached the new heights in history ( → LNG spot sales to US)

### ■ Development of emerging markets

- ✦ India started import
- ✦ China & U.S. West Coast will be emerging

### ■ Irregular supply & demand change

- ✦ LNG supply troubles
- ✦ Troubles in nuclear power generation in Asia and /or Spain

### ■ Contract renewal negotiations

# Strategy for Gas Resource Procurement to Solidify Our Total Energy Business

## Upstream development

Participation in upstream projects for the purpose of improving procurement terms

- Darwin Project (current)
- Gorgon Project
- Pluto Project (under negotiation)

## LNG procurement

Price negotiation in existing contracts for lower LNG prices and more flexible terms in new contracts

- Competitive price formulas
- High flexibility as regards transaction volumes
- Easing of restrictions on destinations

## Transport

Reduction of transport costs through buildup of the TG fleet and maintenance of high operational efficiency

- FY2010
- FOB rate of 50%
  - Increase in the number of TG carriers to 7 (with investments for a 9-carrier fleet during the plan period)

More competitive feedstock procurement through expansion of the LNG supply chain

Upstream development

Transport business

LNG terminals

Gas supply

## Realization of Strategy when Contracts Renewal & Introduction

**Malaysia I/III: Partially FOB & Short-term volume**

**NWS-exp: All FOB, Flexibility, Price Reduction**

**Darwin: All FOB, Enlarging Flexibility, Price Reduction, Participating Upstream**

**Sakhalin II: All FOB, Enlarging Flexibility,  
Substantial Price Reduction**

**Gorgon: All FOB, Competitive Price & Flexibility, Participating Upstream (negotiating)**

**Pluto: All Ex-ship, Competitive Price & Flexibility, Participating Upstream (negotiating)**

**TG Fleet: # 1 - 4 (LNG Flora / LNG Vesta / Energy Frontier /  
Energy Advance), # 5 - 7 ( In service by 2010), # 8 - 9 ( In  
service after 2010)**

**Price  
Reduction**

**Enlarging  
Flexibility**

**Enlarging  
Transportation**

**Participating  
Upstream**