

What need to be done in the changing LNG market?

-- Recommendations for a better functioning LNG market in Asia --

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We are a group of research experts

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- Has Asia Premium been eliminated?

No. It looks like premium reduced, but still exist considerably.

- Is oil-indexation still relevant ?

No. A relevance has been rapidly disappearing, and we need to pursue appropriate price formation.

- Can traditional security measure (e.g. long-term contract, Take or Pay) alone fulfill a requirement of security in importing countries?

No. Importing countries need to seek more flexible measures by reflecting their changing regional and domestic market.

- Does recent low oil/gas price bring difficulty for upstream investment?

Yes. We need to take actions to commercialize possible new supplies.

Flexibility

- Destination restrictions need to be;
 - ✓ Eliminated in FOB contract
 - ✓ Relaxed in DES contract
- Policy makers are recommended to;
 - ✓ Enhance domestic market liberalization
 - ✓ Promote TPA to infrastructures

Price formation

- Price formation at Asian gas/LNG hub(s) shall be pursued.
- Useful to diversify price formation of LNG in Asia by linking with;
 - ✓ N. America & European hub price
 - ✓ Spot LNG price

Gas supply security

- Improve by both supply & demand side measures.
- Contemporary way (e.g. flexible trade and appropriate price signal) need to be combined with traditional way (e.g. long term contract)

Securing necessary investment

- Transparent and consistent policy for upstream investment.
- More flexible take or pay arrangement (e.g. bigger allowance)
- Equity participation of importer and public support

Any question or suggestion?

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The ERIA and the IEEJ takes full responsibility for the wording and content of this report.

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