



**4th LNG Producer-  
Consumer Conference**

# **Coping with market transformation**

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**16 September 2015**



**CPC CORPORATION, TAIWAN**



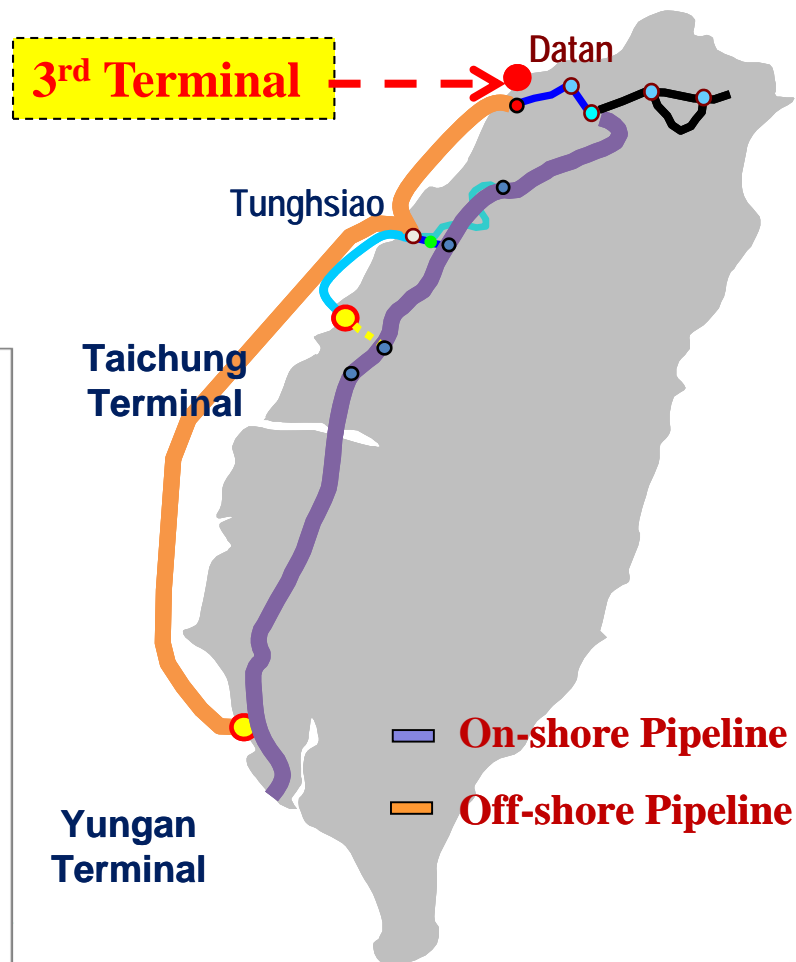
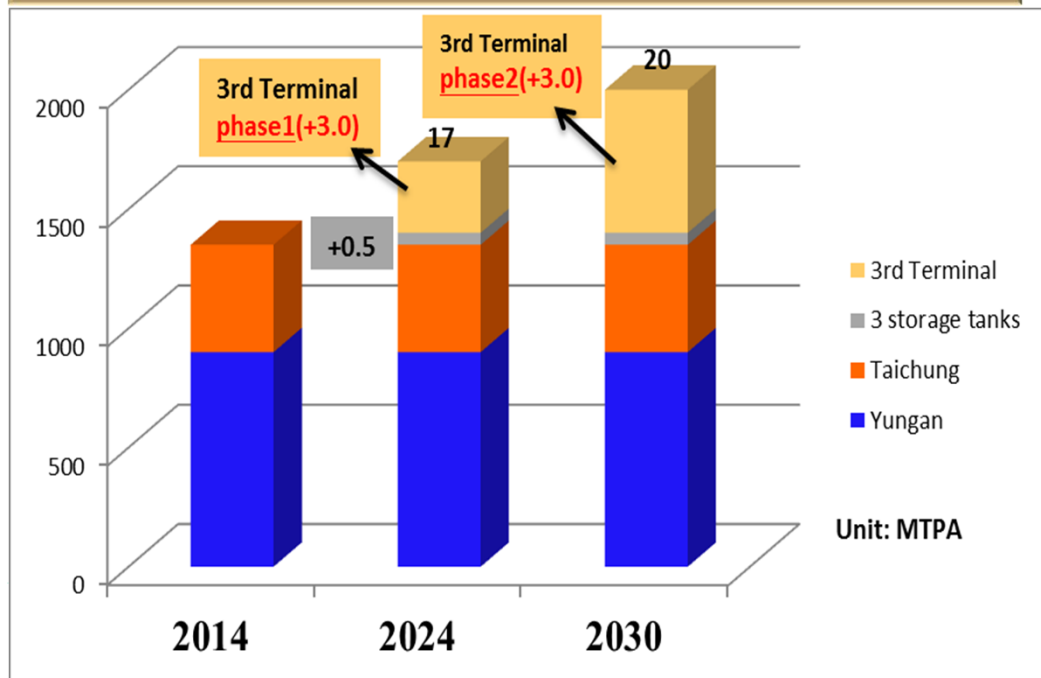
# CPC's natural gas supply network

## Operating Capacity

- ◆ Yungan Terminal: 9.0 MTPA
- ◆ Taichung Terminal: 4.5 MTPA

## Planned Capacity (3<sup>rd</sup> Terminal)

- ◆ Planned capacity: up to 6.0 MTPA

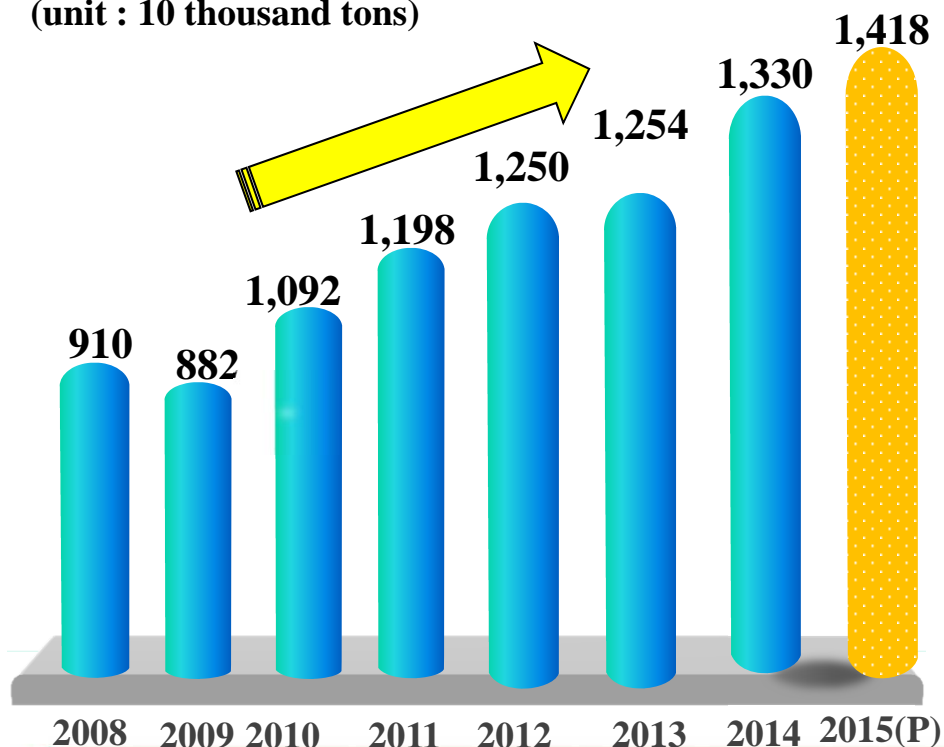




# Increasing demand for LNG

- Taiwan imported **13.3 million tons** of LNG in 2014 – a **5.8%** share of global trade.
- The gradual year-on-year increase in Taiwan's LNG imports is a result of increasing demand for its use in power generation.

(unit : 10 thousand tons)



## Principal LNG importers

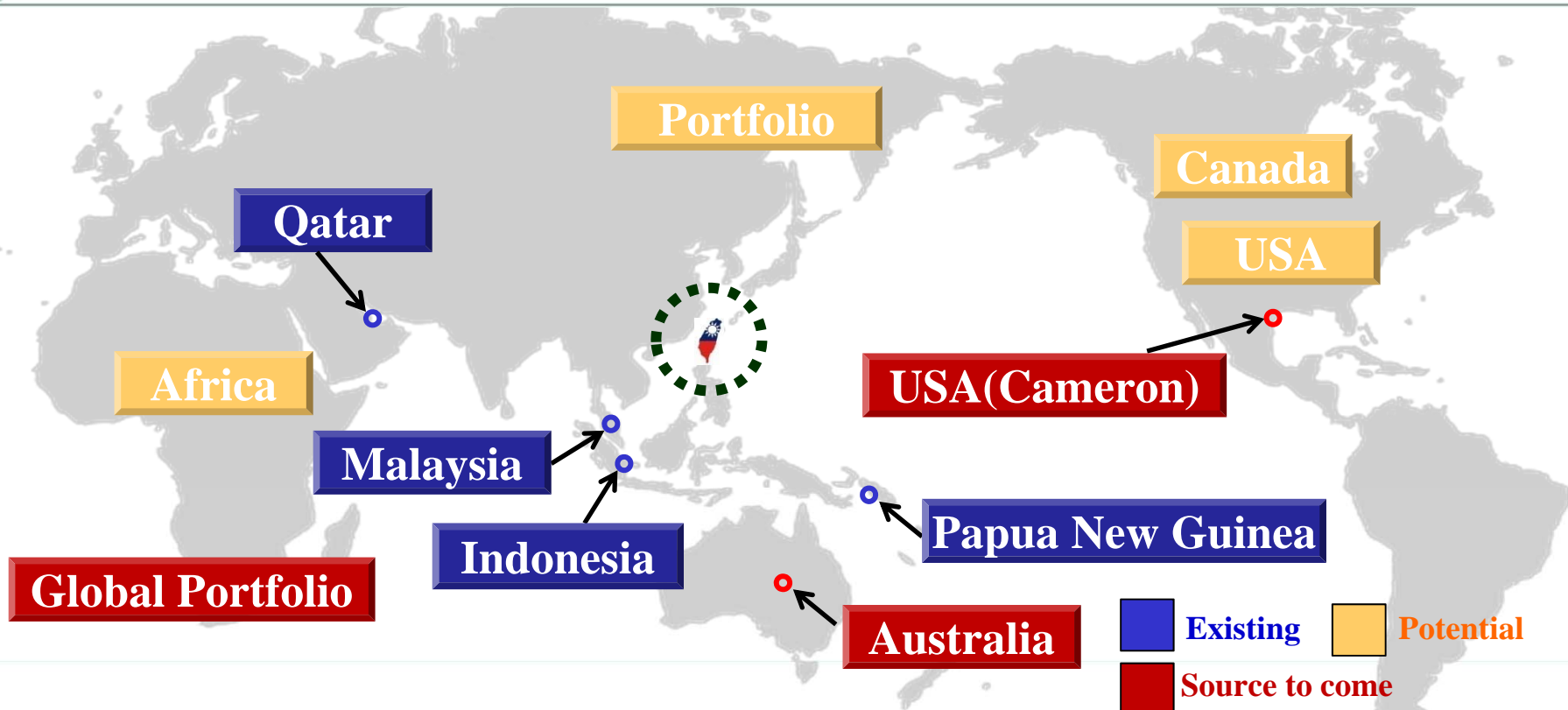
Country	Volume (Million tons)	Global share
Japan	89.20	37.3%
S. Korea	37.62	15.7%
China	18.98	7.9%
India	14.54	6.1%
<b>Taiwan</b>	<b>13.45</b>	<b>5.8%</b>
UK	8.4	3.5%
Spain	7.9	3.3%
Mexico	6.58	2.8 %

Source: The LNG Industry in 2014, GIIGNL



# Diversifying our sources

- ✚ CPC has signed long-term LNG contracts with diverse suppliers.
- ✚ CPC bought LNG from 14 out of 20 exporters in 2014.
- ✚ Source diversification is an ongoing aim for CPC.





# Uncertainties in Taiwan's energy market

- Taiwan's power generation mix target for 2026:

	2014	2026
LNG	37.4%	43.2%
Coal	26.2%	30.6%
oil	8.1%	0.5%
Renewable	9.3%	?
Hydro	6.4%	
Nuclear	12.6%	

Source: Taipower's 10405 long-term power generation plan

## Nuclear policy

- Debating whether or not to extend the lifespan of the existing 3 nuclear plants.
- Debating whether or not to bring the No.4 nuclear power plant into operation.

## Renewables development

- Bureau of Energy has raised its target for renewables capacity by 2030 from 10,858 MW to 17,250MW.
- Subject to technology development and cost.

## Power Industry Deregulation

- Draft plan for Power Industry Deregulation has been submitted to the Executive Yuan.
- Potential positive impact on natural gas industry can be anticipated.



# Uncertainties in the global market

## Oil price trends

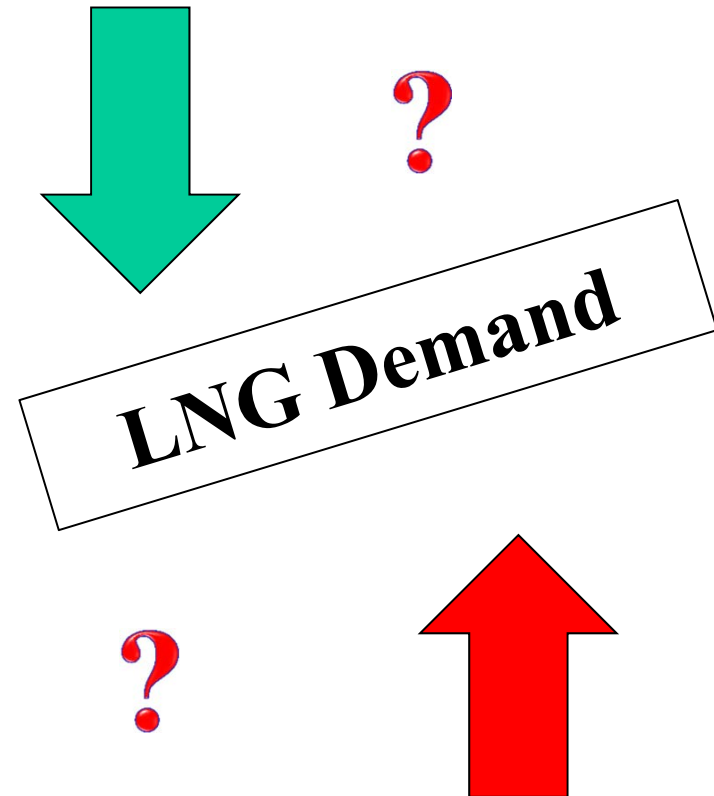
Projection in the EIA's Annual Energy Outlook 2015 is lower than that in 2014.

## The dilemma for oil producers

To reduce production - and earn less revenue - to support the oil price, or not?

## Economic growth

Global economic growth is slowing: IMF forecast for 2015 revised from 3.8% to 3.3%.



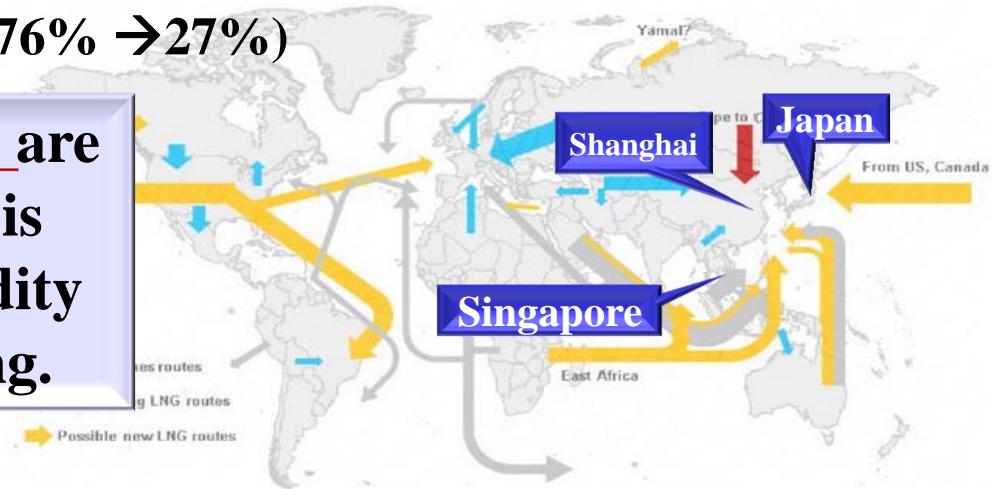


# The market will find its own way to cope

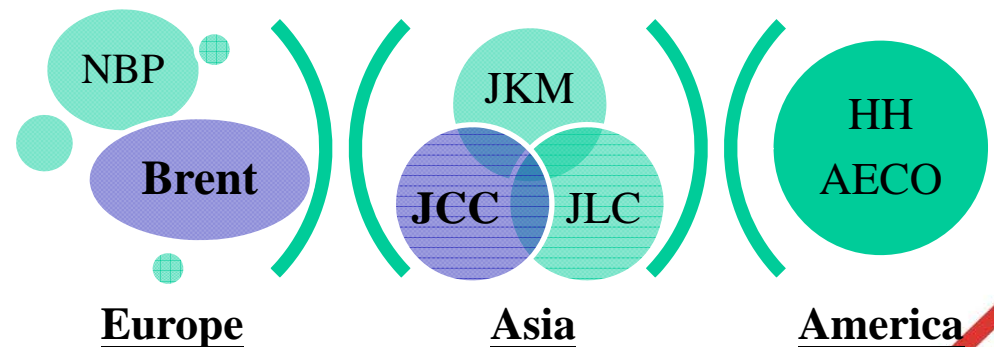
Ratio of **short-term transactions** is increasing.

- ST volume signed for in Q1 2015 totaled 2.5 million tons.
- LT ratio is gradually decreasing. (76% → 27%)

A number of **LNG trading hubs** are being established in Asia, which is expected to lead to greater liquidity and more transparency in pricing.



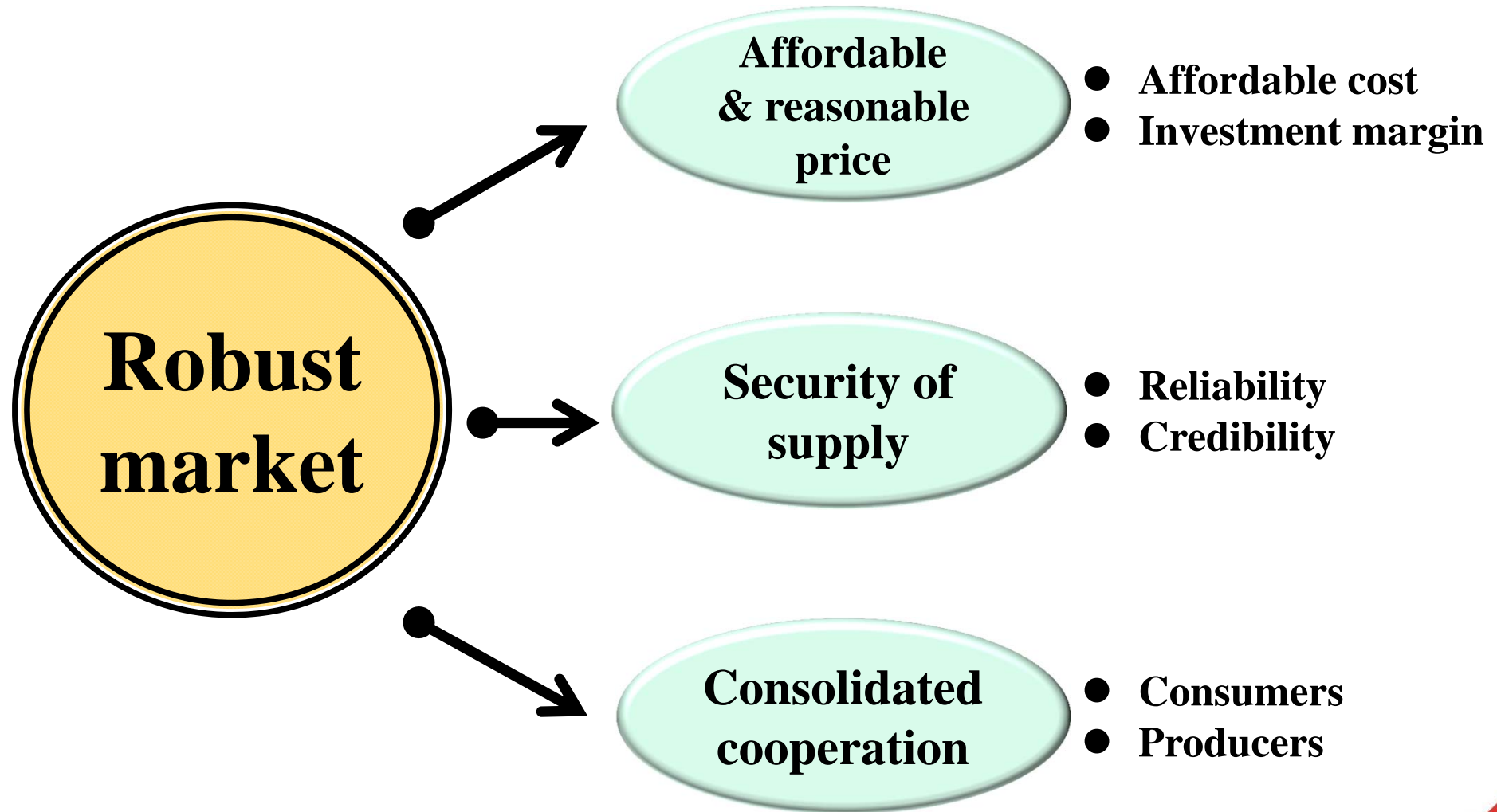
**New price indexation formulae**, including hybrids, are being adopted alongside the traditional oil-linked pricing methodology.







# Getting to a robust market





Thank you for your attention

