



Creating Traded and Competitive Gas Markets in Asia

Harry Vidas

Vice President (Energy Markets)

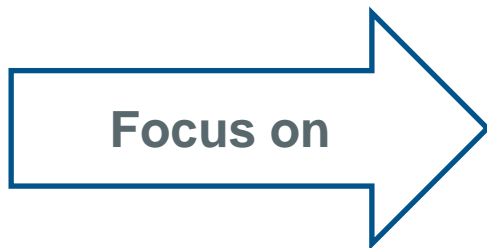
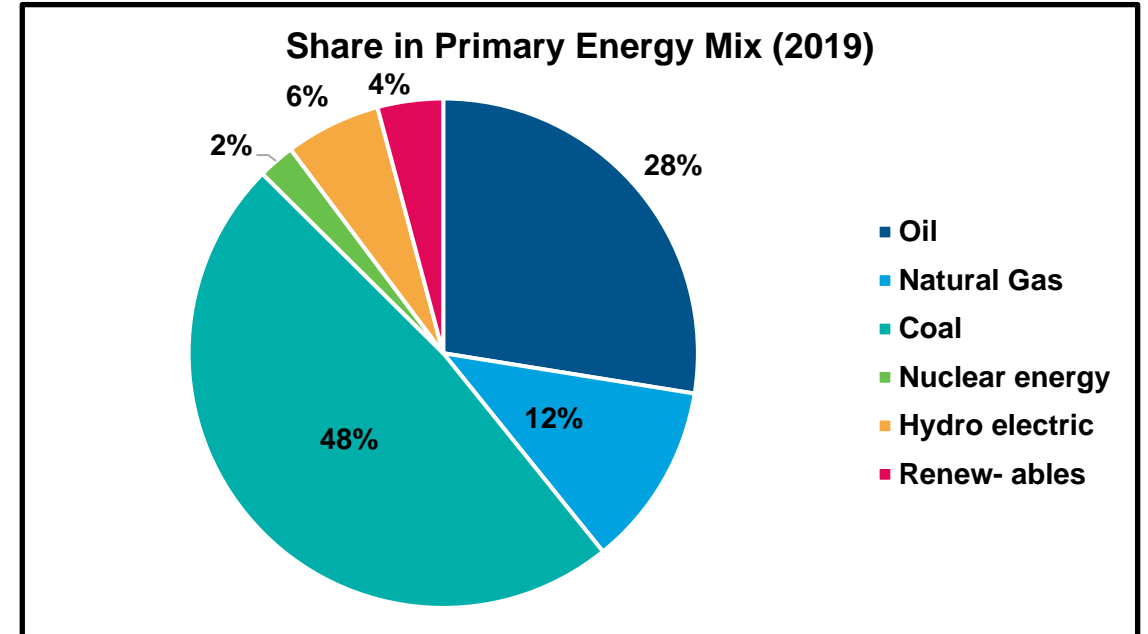
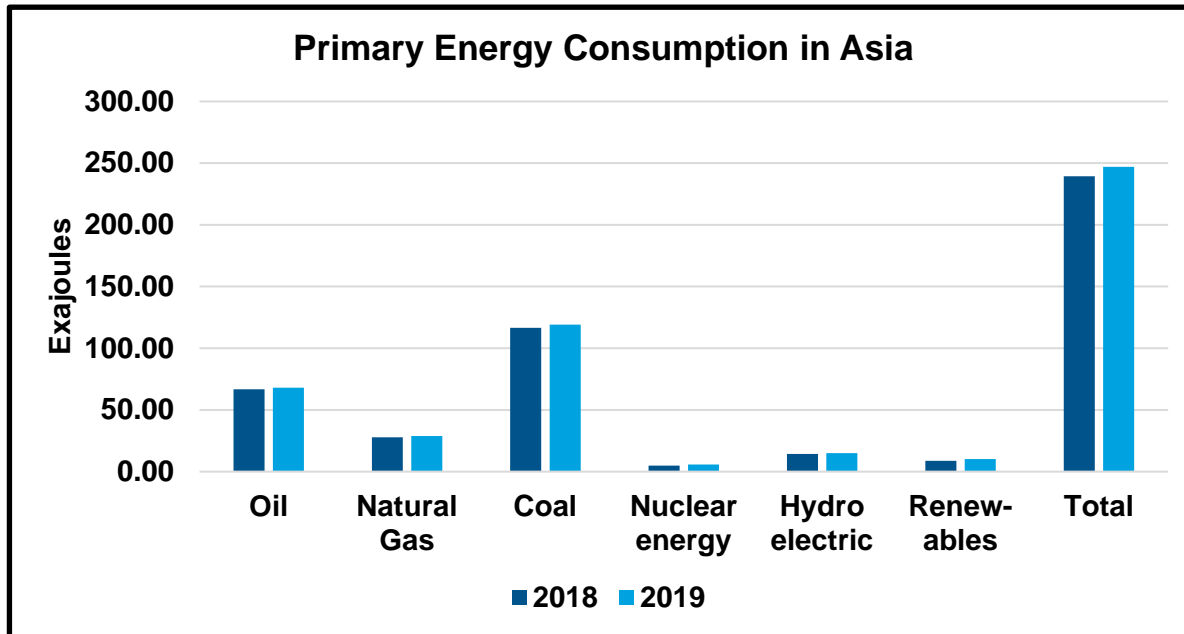
December 2020

What we will discuss

- The share of natural gas in Asia's primary energy mix
- The big potential for natural gas in Asia
- What makes a competitive gas markets
- Stages of gas market hub development
- Current development status of Asian gas markets
- Key takeaways
- Discussion points

Asia: The share of natural gas in primary mix amounts to ~12%

- Total primary energy consumption in Asia has increased from 240 Exajoules in 2018 to 247 Exajoules in 2019
- Total gas production in Asia amounted to ~489 Bcm in 2019
- Total gas consumption in the Asian region amounted to ~801 Bcm in 2019



India

Singapore

Philippines

Sri Lanka

Bangladesh

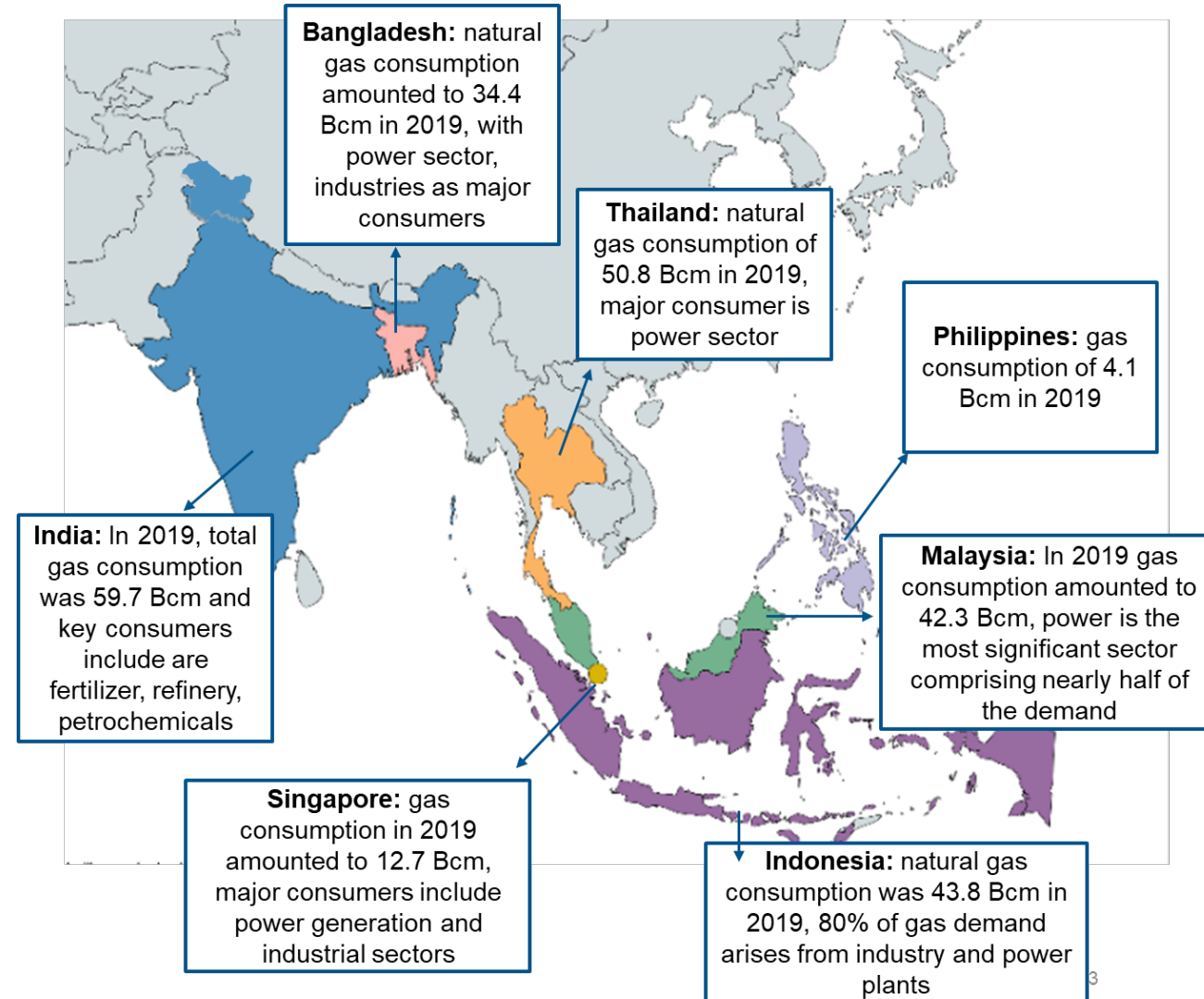
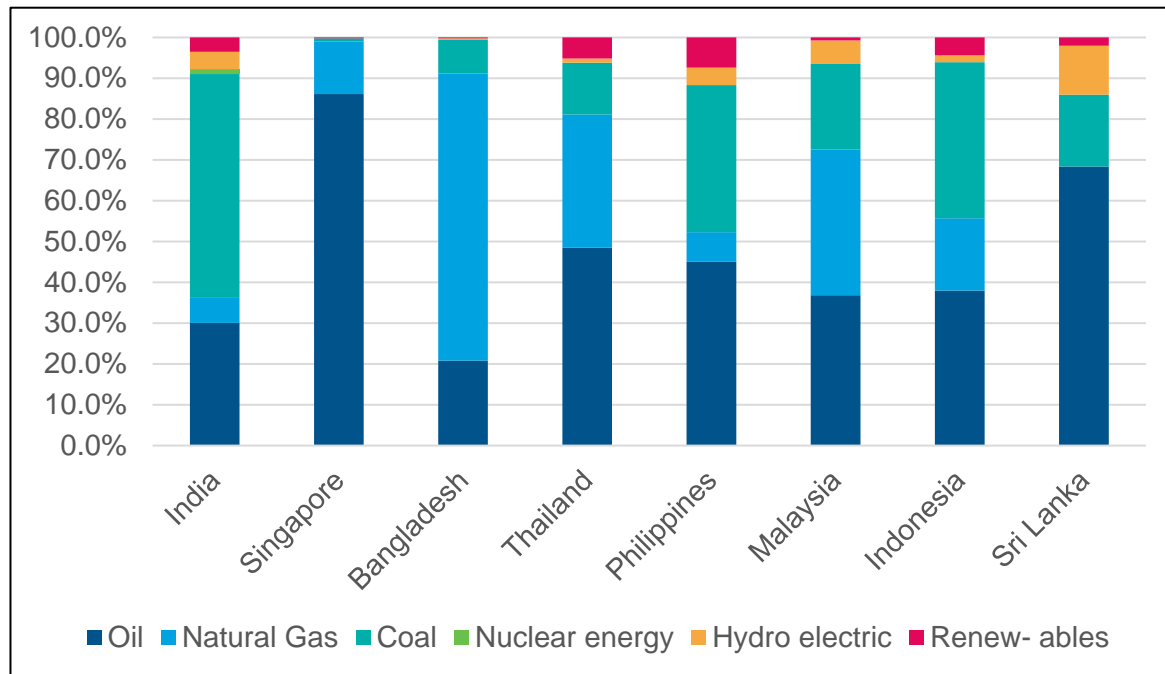
Thailand

Malaysia

Indonesia

With growing economy and high consumption of liquid fuels, these Asian countries have a big potential for natural gas

❖ The chart below shows the heavy reliance on liquid and solid fuels of Asian countries

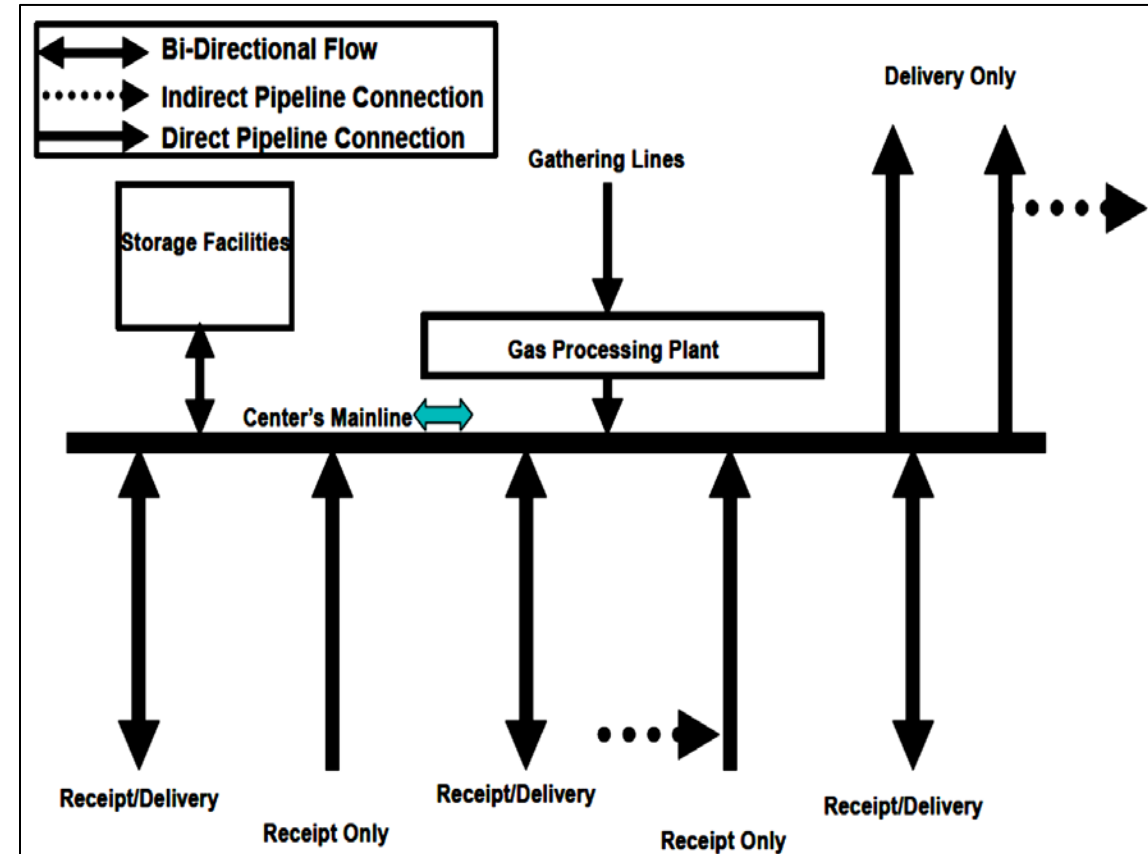
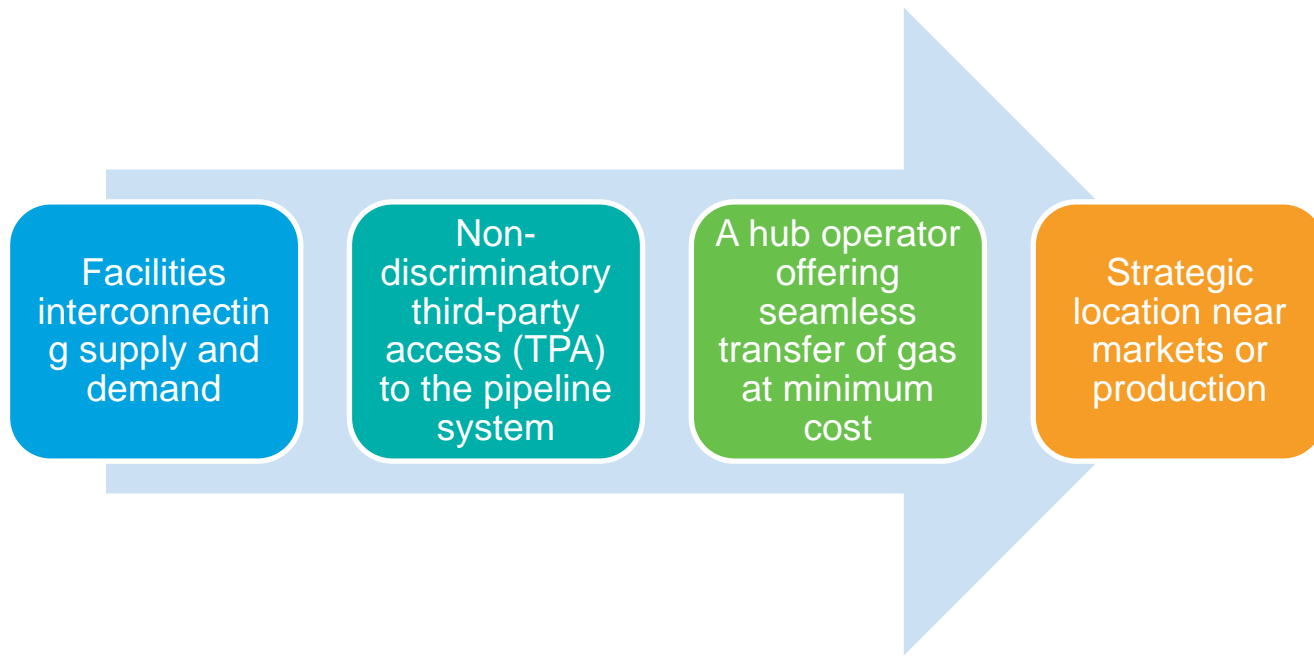


Competitive gas markets & its prerequisites

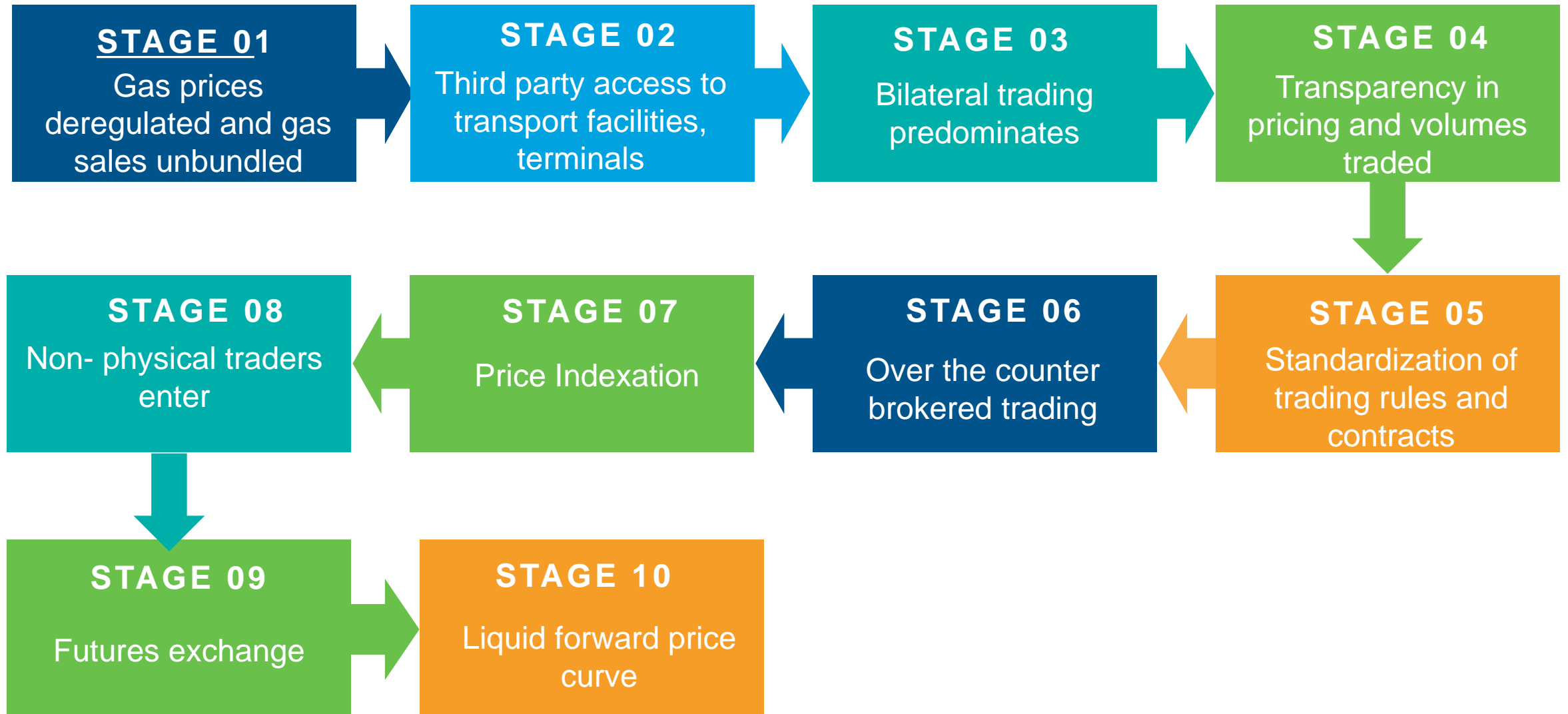
Competitive gas markets:

- Natural gas market hubs are a key feature of competitive gas markets in the US, the UK, and Europe
- These hubs provide physical locations for trading gas and for price discovery of natural gas sold in the hub

What is needed for a gas hub ?



Stages of gas market hub development



Current Status: Development Stage of Asian Countries

S. No.	Country	Controlled Gas Pricing	Controlled Allocation	Third Party Access
1	India	Price Linked to other hubs	Majority allocated; new gas have marketing freedom	✓
2	Bangladesh	✓	✓	
3	Singapore			✓
4	Thailand	✓		✓
5	Philippines			✓
6	Malaysia	✓	✓	✓
7	Indonesia			✓

- The national gas markets in Asia Pacific are in early stages of liberalization
- **Singapore is an exception** with its **fully deregulated gas market**
- Only Singapore has fully achieved stages 1 & 2 as described in the previous slide
- Japan, Singapore and China are competing to become the LNG hub for Asia Pacific

- In **Thailand** Regulators enforced only an account unbundling of PTT natural gas distribution
- **Malaysia:** In 2019, unbundling of GMB (Gas Malaysia Berhad) had not yet happened
- **Indonesia:** Deregulation & Liberalization were introduced in 2001 by the new gas law

Key Takeaways

- The principal policies that create a competitive gas market include the following: **unbundling of natural gas** from transportation and delivery services, guarantee of **non-discriminatory third-party access** to transportation services and the **deregulation of natural gas prices**
 - All other gas market hubs have been **based on pipeline models of delivery**.
 - **Large Asian markets (Japan, South Korea, Taiwan) have traditionally relied on LNG. Asia is highly dependent on LNG** and its progress towards market hub-based price discovery will depend on several factors like more spot trading of LNG, full TPA to LNG facilities, other institutional and regulatory reforms for individual countries
- Government must be firmly committed to carry through with the liberalization reforms.
- The consensus is that LNG trading norms are undergoing many changes, with substantial variability and uncertainty in the market regarding pricing and contract terms

Discussion points

- Understanding of market and regulatory reforms towards achievement of liberalization.
- Understanding how these countries have progressed in terms of market liberalization and ease of access from the point of view of an LNG supplier.
- View on how governments of different countries are committed towards liberalization and their view on cost and benefits of market reforms.
- Understanding of how LNG trading norms are changing across all these countries and what is their stage of development.
- Understanding of how LNG suppliers view the market and regulatory changes taking place in these countries and how the suppliers will react in terms of products and services offered, pricing arrangements, contractual terms to buyers, and capital investments to supply the Asian markets.



Thank You!

*For any questions on the slides,
please contact*

Harry Vidas

Vice President (Energy Markets)

Harry.Vidas@icf.com

Gurpreet Chugh

Managing Director, India

Gurpreet.Chugh@icf.com



ICF proprietary and confidential. Do not copy, distribute, or disclose.

