

Govt takes over Jurong Island LNG project

Developers find it 'challenging' amid slowing gas demand and costly financing

By RONNIE LIM

(SINGAPORE) The government is taking over the development and ownership of Singapore's planned \$1 billion-plus liquefied natural gas (LNG) terminal to ensure timely and sufficient supplies for power stations and industry, Senior Minister of State for Trade and Industry S Iswaran said yesterday.

This is because the appointed developers - Singapore Power subsidiary PowerGas (70 per cent) and GDF Suez (30 per cent) - have found it 'challenging' to develop the Jurong Island project on a commercial basis and on time, amid a slowdown in gas demand and 'more difficult and costly financing over the past 12 months due to the credit crunch.

Mr Iswaran made the announcement at an international LNG conference yesterday, surprising many participants, given the developers have been working on the project since April 2008. 'The aim is to ensure the terminal is completed and operational by 2013, notwithstanding the present uncertainties in the market,' he said, adding that the government decided after a review that this is the best course of action.

It is in Singapore's interest to develop the terminal 'at the earliest opportunity' to meet anticipated growth in gas demand and be prepared for future opportunities, like regional LNG trading, when economies recover, Mr Iswaran added. Pushing on with the project on a commercial basis would 'inevitably mean further delays and likely higher costs because of the financing difficulties', he explained.

Even now, despite the government stepping in, the LNG terminal will start a year later than 2012 as originally scheduled.

Energy Market Authority (EMA) CEO Lawrence Wong said the delay could have stretched to two or three years if the existing developers were left to plough on.

With the takeover, EMA will spearhead the LNG terminal project by forming a new company, Singapore LNG Corporation, to own and oversee the development. PowerGas staff earlier involved in the project, plus EMA personnel, will be seconded to the new company, which also needs to recruit foreign expertise, Mr Wong said.

As to what form government financing for the terminal will take, Mr Iswaran said this will be worked out by the new company with the Ministry of Trade and Industry (MTI), the Finance Ministry and the EMA.

'Our immediate priority is to ensure a smooth transition from PowerGas to the new company,' he said.

With government ownership, there will also be a need for a different financing model for the terminal's operation, which the EMA will study and put in place.

Still, the government has left the door open to future private ownership, with Mr Iswaran saying that when the market improves 'it will leave open the option of divesting its stake in the terminal'. Reclamation of the project's 30-hectare site on the south-western part of Jurong Island, plus the front-end engineering design, has been completed.

Mr Wong said that following a design tender involving three competing contractors, the EMA expects to award the main engineering, procurement and construction contract to the winner by end-2009, with the terminal now slated to start operating in 2013 after a three-year building process.

The EMA has just concluded an agreement with the LNG aggregator or sole buyer, BG Group, which sets out the pricing details and other terms and conditions for its LNG supplies to Singapore, Mr Wong revealed. The details are confidential, although the EMA apparently looked to secure competitively-priced LNG.

Dan Werner, general manager of BG's Singapore LNG team, said it intends to source most of the LNG from its Curtis project in Queensland, Australia, with two LNG plants there, each of 7.4 million tonnes capacity, starting up in 2014.

At present, Singapore imports about six million tonnes per annum (tpa) of piped natural gas from Indonesia and Malaysia. The LNG terminal is expected to bring in 0.8-1.2 million tpa in 2013, building up to 3.3 million tpa by 2018.

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