

## Govt to take over development & ownership of LNG import terminal

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SINGAPORE: The Singapore government will take over the development of the country's first liquefied natural gas (LNG) import terminal on Jurong Island.

It will take over ownership of the facility from current owners Power Gas and its partner GDF Suez.

The government said this is to prevent delays in the building of the terminal which is part of Singapore's strategy to diversify its energy sources.

It's now slated to be ready in 2013, a year later than originally planned.

Factories have seen orders fall amid the current economic downturn resulting in lower demand for electricity.

The International Energy Agency estimates that global electricity consumption could drop by up to 3.5 per cent in 2009, the first annual contraction since the end of Second World War.

The Singapore government said uncertainty over energy demand has made it less commercially viable for PowerGas and GDF Suez to proceed with the country's liquified natural gas terminal.

The global economic downturn has also made raising funds more difficult.

The cost to build the facility could also have gone up by 50 per cent to S\$1.5 billion.

In 2007, PowerGas, a wholly-owned subsidiary of Singapore Power, was designated as the LNG terminal owner and operator.

S Iswaran, Senior Minister of State, Trade & Industry and Education, said: "If we were to pursue this option of continuing on a commercial basis with Power Gas, there will inevitably be more delays as PowerGas tries to put together a proposition that works for all parties.

"Secondly, the costs are likely to be higher because of the financing element. From Singapore's point of view, it is of national interest to proceed with this project and that we do it in a timely way."

The Energy Market Authority (EMA) will set up a new firm, Singapore LNG Corporation, to develop the terminal.

EMA said it will hire up to 60 staff.

Lawrence Wong, chief executive, Energy Market Authority, said: "EMA will second some staff. I have about 20 people in the company. We will recruit more including a potentially new person to head the company. We haven't found that yet and we are opening up for recruitment. We need engineers and people with LNG expertise."

EMA said the land for the project on Jurong Island has been fully reclaimed.

It also said it will award the design and construction contract by year's end.

PowerGas will receive compensation for the work that has been done so far.

EMA added that these are mainly consultancy work that accounted for a small portion of the billion-dollar investment.

Going forward, EMA will study and put in place an appropriate financing model.

The government will also not rule out divesting its stake in the terminal should the opportunity arises.

Observers said the nationalisation of the LNG terminal is unlikely to affect the energy market but could raise concerns among utilities firms.

David Ernsberger, editorial director (Asia), Platts, said: "The power utilities are certainly going to be fearful that they are about to have something rammed down their throats in the form of a consumption requirement. How do you make people consume stuff that is twice as expensive as stuff that are already available?"

Analysts expect a long line of potential investors wanting to buy a stake in the terminal when it is economically viable, including local players and big names like Petronas and Shell.

Still, the future prospects look bright.

Mr Iswaran said the fundamentals of the Asia Pacific LNG market remain strong in the mid to long term, fuelled by the growth of emerging markets.

The Energy Information Administration forecasts that natural gas demand in non-OECD (Organisation for Economic Cooperation and Development) Asia will grow from 9.4 trillion cubic feet in 2006 to 24.5 trillion cubic feet by 2030.

This represents more than four times the average annual demand growth of OECD countries.

Mr Iswaran added that Singapore can also become a major player in the LNG trade in Asia.

It's estimated that there will be 120 million tonnes of "flexible" LNG supplies available for spot trading by 2015, making up 30 per cent of the total global supply base.

Mr Iswaran also told conference delegates that LNG supplier BG Asia Pacific has concluded discussions with EMA on an agreement which sets out the pricing details and other terms for the supply of LNG to Singapore. - CNA/vm