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GOVT TAKEOVER OF LNG TERMINAL PROJECT Crucial to energy security

By Diana Othman

SINGAPORE'S first Liquefied Natural Gas (LNG) import terminal, which the Government will build and develop, is a critical addition to the nation's energy infrastructure to ensure 'diversification' of gas supply sources, said Senior Minister of State for Trade and Industry S. Iswaran on Tuesday.

'The LNG terminal is also essential for Singapore's energy security. It allows us geographic diversification in sourcing for natural gas, and will help mitigate the impact of any piped natural gas (or PNG) disruption on our economy,' said Mr Iswaran in his opening address at the Next Generation LNG- Asia Pacific Conference 2009 on Tuesday morning.

Despite the commercial challenges posed by the current market conditions, he said, the Government has decided to take over the ownership and development of the billion-dollar terminal to ensure that it is completed and operational by 2013.

The Energy Market Authority (EMA) will form a company, the Singapore LNG Corporation, for this purpose.

'The LNG terminal is a critical addition to Singapore's energy infrastructure to ensure diversification of our gas supply sources. It is, therefore, in our national interest to develop the LNG terminal at the earliest opportunity, particularly to meet the anticipated growth in our domestic gas demand,' said Mr Iswaran.

'Also, the timely completion of the terminal will allow Singapore to be fully prepared for future opportunities when the economy recovers and the need for gas increases.

'While this move by the Government will help ensure continued progress in the development of the LNG terminal, the success of the overall project depends on its many stakeholders playing their part.'

Despite the global downturn and the attendant gas demand uncertainty, Mr Iswaran said the fundamentals of the Asia Pacific LNG market remain strong in the medium to longer term, fuelled by the growth of emerging markets in Asia.

Singapore, he said, is 'in a good position' to become a major player in the LNG trade in Asia due to Singapore's strategic geographical location and its status as the Asia's oil centre and the world's third largest oil trading market, after London and New York.

He noted that a large base of energy players has established operations in Singapore, many of whom are LNG players, and they could leverage on their operations to expand into LNG trading in Singapore given the country's proximity to major demand centres like China and Indonesia as well as supply centres such as Australia and Indonesia.

A five per cent corporate tax rate for LNG trading income was introduced in 2007 which jumpstarted LNG trading here.