

Singapore set to take over LNG terminal

Upstream Online By *Tan Hwee Hwee*

The Singapore government will take over the development and ownership of Singapore's first liquefied natural gas import terminal.

The decision was announced today by S Iswaran, Senior Minister of State for Trade and Industry and Education at the Next Generation LNG – Asia Pacific 2009 conference.

To facilitate the takeover, the Energy Market Authority (EMA) will set up a new company, the Singapore LNG Corporation, to own the terminal and oversee its development.

PowerGas, a wholly-owned subsidiary of Singapore Power, was designated as the LNG terminal owner and operator in September 2007. Since then, PowerGas and its partner GDF Suez have completed the front-end engineering design for the terminal. The site on Jurong Island has also been fully reclaimed.

The recent economic downturn has made it more challenging for PowerGas and GDF Suez to proceed with the project on a commercial basis.

Global electricity consumption could decline by as much as 3.5% in 2009, Iswaran said citing the International Energy Agency.

Among OECD countries, electricity demand in the first quarter of 2009 fell by 4.9% on a year-on-year basis.

The decline in demand in non-OECD countries was even more pronounced with China's electricity demand falling by 7.1% in the fourth quarter of 2008 and a further 4% in the first quarter of 2009, Iswaran said.

Despite the global downturn and uncertain gas demand, the LNG market remains strong in the medium to longer term.

Natural gas demand in non-OECD Asia will still grow from 9.4 trillion cubic feet in 2006 to 24.5 trillion cubic feet by 2030, four times faster than OECD countries, 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.

The LNG terminal is also essential to diversity Singapore's energy sources.

The government has therefore decided to take over the development and ownership of the project, Iswaran said.

Asked to comment on the projected investment, Iswaran said on the sidelines of the conference that projects of similar scale cost around \$1 to \$1.5 billion.

"EMA will award the contract for the project's detailed engineering, procurement and construction (EPC) by the end of this year, and will work towards getting the terminal ready for start up by 2013," Lawrence Wong, Chief Executive, EMA said.

UK BG Group is appointed as the aggregator to import LNG and sell regasified LNG in Singapore for up to 3 million tonnes per annum.

EMA has concluded discussions with UK BG Group on the aggregator agreement, setting out the pricing details and other terms and conditions for the supply of LNG to Singapore.