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APEC Ministers-CEO LNG Dialogue: *Promoting LNG Development and Trade in the Asia-Pacific Region*

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The United States hosted an Asia-Pacific Economic Cooperation (APEC) Ministers-CEO Dialogue on liquefied natural gas (LNG) development and trade on Tuesday, 26 June on the margins of the World Gas Conference in Washington, DC. The event brought together senior government representatives from 15 APEC economies and business executives from 16 companies around the APEC region to discuss challenges to and opportunities for trade and investment in LNG across the Asia-Pacific region. This dialogue helped advance the APEC Leaders' goals to strengthen energy security and foster sustainable growth for APEC economies through "the facilitation of energy-related trade and investment, enhancement of access to affordable and reliable energy, and promotion of sustainable, efficient, and clean energy sources, which, in particular, would contribute to reducing global greenhouse gas emissions."¹

Meeting moderator Dr Daniel Yergin, Vice Chairman of IHS Markit, stressed the importance of such a dialogue between policymakers and the private sector given the tremendous expected global growth in LNG demand as more markets open infrastructure to LNG trade. Yergin noted that by 2025, an additional 15 to 20 global economies will become net importers, with a quarter of global demand coming from China and India. These conditions will create highly profitable LNG projects on the supply side which can help address APEC's growing energy demand.

Government representatives' discussion

Meeting host U.S. Energy Secretary Rick Perry noted the significant energy challenges APEC faces, a region that accounts for 60% of global energy consumption and greenhouse gas emissions. Secretary Perry stressed the U.S. Government's interest in working with APEC partners to address mutual energy and environmental challenges, including expanding LNG trade with Asia-Pacific partners to address growing energy demand with low-emission fuel sources. He emphasized the U.S. Government's priority to support increased U.S. LNG exports and promote energy security, affordability and environmental benefits to APEC and other partners around the globe. Perry also underscored that the Department of Energy will not rescind export authorizations issued to U.S. LNG companies. As the top oil and gas producer in the world with 81.2 billion cubic feet per day of dry natural gas production forecast for 2018, Perry stressed that U.S. LNG can play an important role in strengthening energy security for the APEC region.

Representing 2018 APEC Host Papua New Guinea, Petroleum Minister Fabian Pok also spoke to the importance of LNG to meeting APEC's growing energy demand. Minister Pok noted that Papua New Guinea recently became an LNG exporter, has opened three new facilities and plans to increase both oil and natural gas production. Pok reported on the new Natural Gas Policy issued in 2017 to help guide the development and growth of LNG by formulating necessary policy, legal and institutional frameworks. He noted challenges related to development of LNG infrastructure, formulation of relevant policies, and managing the export market, local content,

¹ 2017 APEC Leaders' Declaration, Da Nang, Viet Nam, 11 November 2017.

third party access regime and other considerations including health, safety and environmental protection. Pok expressed Papua New Guinea's honor to host APEC in 2018 and welcomed collaboration with APEC partners on LNG and to address energy challenges more broadly.

Other economy representatives reported on domestic project developments and plans, including new LNG routes to Asia through the northern coast of British Columbia in Canada and the Northern Sea route in Russia. One participant commented on the importance of internal trade routes within the Asia-Pacific as well.

Business perspectives

Business executives were invited to share their observations and perspectives on challenges to and opportunities for LNG development and trade in the Asia-Pacific region, particularly related to the role of governments. Several industry participants remarked that global LNG markets have become very competitive with price differentials typically only reflecting transportation costs. However, despite progress on global LNG development, one participant pointed to a lag in commercial development within the APEC region for LNG and called for the establishment of regulatory policy and commercial engagement within the region. Another participant noted capacity issues of the Panama Canal as an impediment to increased LNG exports to the APEC region.

Business executives emphasized the vital role governments must play to identify and address barriers to trade and development, build necessary infrastructure, and create a favorable environment to attract investment. In particular, they underscored the importance of stability, transparency, and long-term policy commitments to enable long-term investment decisions, particularly to secure long-term projects and contracts. Security of demand to guarantee stable levels of production would also positively influence long-term investments. Governments must also build critical infrastructure to enable market access.

Some representatives highlighted the importance of flexible markets without destination clauses, deregulating storage facilities and transportation networks, and facilitating third party access to storage terminals and pipelines. One participant pointed to the entry of investors and entrepreneurs into the LNG market. Investors and entrepreneurs need to move quickly through the regulatory process and government framework to keep projects on track and attract private equity. Thus, "speed of delivery" is another important aspect in the LNG market in addition to stability and predictability of market-based prices. Another participant remarked on the importance of innovation in the commercial aspects of projects, noting that innovation is not just important in technology, but also important in business models, contracting, and financing.

One executive commented that when governments encourage transparency in pricing and liquidity in the market, "business will do business." The common themes of transparency, stability, and liquidity were echoed throughout the discussion as the most critical components to expanding the LNG market across the Asia-Pacific.

The APEC region is a dynamic market with some of the world's largest LNG exporters and importers, and has growing energy demand due to economic growth, a rising population, and increased urbanization. Such public-private dialogues on energy development are essential for addressing the region's growing energy challenges. Participants identified APEC as a leading forum to address such issues in this new era of LNG.