

Chapter 1

Introduction

October 2016

This chapter should be cited as

ERIA (2016), 'Introduction', in Koyama K., I. Kutani and Y. Li (eds.), *Joint Study for Liquefied Natural Gas Market*. ERIA Research Project Report 2015-11, Jakarta: ERIA, pp.1-2.

CHAPTER 1

Introduction

1.1 Background and objective

Many East Asia Summit (EAS) countries show an upward trend in energy demand. The role of natural gas in energy supply becomes increasingly important from a variety of aspects, which include economic efficiency, diversification of energy, effective use of domestic resources, and reduction of environmental burden arising from energy use.

The global liquefied natural gas (LNG) market has seen big changes in recent years. In terms of supply and demand, while many new LNG importers are coming into the market, the LNG demand for large importers like Japan, China, and Europe is becoming uncertain. Besides, new liquefaction capacities are seemingly to start operation within the next few years. In terms of price, there is a downward trend in both oil-linked price and spot price. Importing countries may welcome this trend, but attention is required to its side effect for supply-side investment.

Asian LNG market cannot be insulated from these changes in the global market. Although this recent price trend seemingly indicates that Asia premium issue in the LNG price has diminished, the essential problem has not been resolved. Asia premium will be back depending on crude oil price. Therefore, resolving the Asia premium issue should be pursued and substantive reforms thereon should be recommended to achieve sustainable and sound development of the global LNG market.

With this background, this study aims to introduce policy recommendations for global LNG market.

1.2 Study method and work stream

A. Organise information about recent changes in the global LNG market

Literature survey will be conducted to organise information about recent changes in the global market, particularly with regard to LNG price formation.

B. Experts meeting

Multilateral experts meeting will be organised to discuss the following issues:

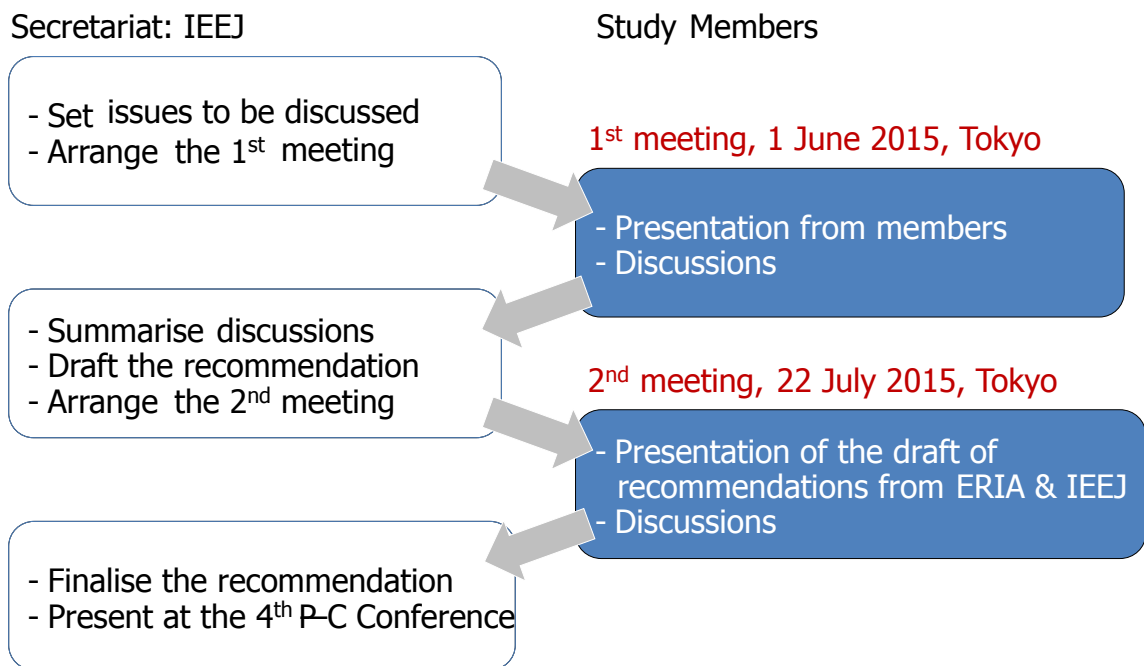
- (i) What could be a credible price formation for both the LNG producer and the consumer?
- (ii) What would be the prerequisites for creating a gas or LNG price hub in Asia?
- (iii) How do we ensure long-term supply side investment?

Each expert will provide views and suggestions for each specific issue.

C. Derive policy recommendations

Through organised information and experts meeting, the study will derive policy recommendations for achieving a sound LNG market development. The study is aimed at sending policy message for global society and policymakers in the 4th LNG Producer–Consumer Conference which was held in Tokyo in September 2015.

Figure 1.1 Study Flow



IEEJ = The Institute of Energy Economics, Japan.

P-C = producer–consumer.

Source: Author.