

## Executive Summary

The increased use of liquefied natural gas (LNG) is expected to solve many of East Asia Summit region’s energy and environmental problems by ensuring a stable energy supply at an affordable price based on its abundant and geographically diversified resource base, as well as reducing carbon emissions by replacing more of the current carbon-intensive energy being used. The LNG market, however, has not expanded as much as expected in the early 2010s. This paper proposes recommendations to policymakers, and the LNG producers and consumers, on how LNG can be used more in Asia.

The expanded use of LNG in Asia will depend on two conditions: LNG’s competitiveness against other energy sources, and sufficient investment in every part of the value chain. The following table summarizes ‘who does what’ to achieve these two conditions.

It may be true that just letting the market work is not enough to expand LNG demand in Asia, as some of LNG’s benefits are difficult to reflect in market mechanism. Because market mechanism has its limits, governments should play an important role where there are such limits. In particular, they should provide clear indication and support for policy and development of a well-functioning market. Hence, reliable price benchmarks are the major requisites to promote LNG demand in Asia.

### Required Actions and Responsibilities of Industry and Government

	Industry	Government
Producing country	<ul style="list-style-type: none"> <li>• Adopt effective cost-reduction measures</li> <li>• Remove or relax the destination clause</li> <li>• Create a reliable price benchmark</li> <li>• Develop a well-functioning market</li> <li>• Optimize the supply infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Develop a well-functioning market</li> <li>• Improve the investment environment</li> <li>• Optimize the supply infrastructure</li> <li>• Support investment through public finance</li> </ul>
Consuming country	<ul style="list-style-type: none"> <li>• Adopt effective cost-reduction measures</li> <li>• Remove or relax the destination clause and optimize logistics</li> <li>• Create a reliable price benchmark</li> <li>• Develop a well-functioning market</li> <li>• Optimize the supply infrastructure</li> <li>• Invest in upstream by downstream players</li> </ul>	<ul style="list-style-type: none"> <li>• Create a reliable price benchmark</li> <li>• Liberalize the domestic market</li> <li>• Provide a low-carbon policy</li> <li>• Develop a well-functioning market</li> <li>• Encourage natural gas use by government</li> <li>• Optimize the supply infrastructure</li> <li>• Support investment through public finance</li> </ul>

Source: Author.