



CONSULTATION PAPER

DRAFT ADDENDUM TO INFORMATION PAPER ON POLICY ON GAS IMPORT CONTROL

**Closing date for submissions of comments and feedback:
25 Jan 2011**

DATE ISSUED: 4 JAN 2011

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DRAFT ADDENDUM TO INFORMATION PAPER ON POLICY ON GAS IMPORT CONTROL

Introduction

1.1 EMA had earlier issued a paper on the Policy on Gas Import Control (“Policy”) explaining the controls on the importation of Piped Natural Gas (“PNG”) which took effect from 21 Aug 2006. The intent of the Policy is to enable the build-up of demand for Liquefied Natural Gas (“LNG”) by controlling the import of new PNG. A copy of the Policy Paper is appended in Appendix 1.

1.2 In Oct 2010, the six power generation companies (“gencos”) - Senoko Energy, PowerSeraya, Tuas Power Generation, SembCorp Cogen, Keppel Merlimau Cogen and Island Power Company - committed to an initial tranche of about 2 Mtpa of LNG. The gencos have also provided feedback that they wish to bring in more PNG for commercial power generation prior to the introduction of LNG. Such PNG could be used for plant commissioning purposes and to improve the cost-efficiency of existing plants.

1.3 This draft addendum sets out the updates to the Policy arising from the feedback and seeks to clarify the use of PNG under various circumstances.

Import and Use of PNG for Commercial Power Generation before Arrival of LNG

2.1 There are two categories of PNG gas sales agreements – (i) those that were entered into by gas importers before 21 Aug 2006 when the Policy was implemented (“Existing PNG”); and (ii) those that were entered or are going to be entered into by gas importers after 21 Aug 2006 (“New PNG”).

2.2 There are no restrictions on the use of Existing PNG, i.e. such PNG can be used for commercial generation, non-commercial generation and other uses. This includes the use of such PNG in new generation plants that commence operation after the Policy was implemented on 21 Aug 2006.

2.3 Currently, any New PNG approved by EMA can only be used for non-commercial generation and other uses (such as industrial feedstock and embedded generation for own use).

2.4 Taking into consideration that all the gencos have already signed up for LNG, EMA intends to allow the gencos to use New PNG for commercial power generation in the interim period before LNG arrives. This will help to increase gas-fired generation capacity and enhance competition in the electricity market.

2.5 The use of New PNG for commercial power generation will be subject to the following conditions:

- a) The New PNG may only be used for commercial power generation on a **bridging basis**, i.e. prior to the commercial operation of the LNG Terminal.
- b) The volume of New PNG used for commercial power generation by each genco shall not exceed the amount of LNG it has committed to purchase in its Gas Sales Agreement with BG Singapore Gas Marketing Pte Ltd.

2.6 Companies that wish to import and use new PNG for commercial power generation under the above conditions will have to seek prior written approval from EMA.

Clarification of Existing Import Control Policy for Avoidance of Doubt

3.1 EMA has also received queries from various parties on the possibility of inter-changing between Existing and New PNG. For avoidance of doubt, New PNG that has been approved by EMA cannot be used to substitute Existing PNG. In other words, New PNG cannot be used to relieve Existing PNG used for non-commercial power generation, such that the latter is freed up for use in commercial power generation. EMA deems such arrangements as “Gas Swaps”, which effectively undermine the spirit and intent of the Policy. Such arrangements are hence not allowed.

3.2 There may be instances where a gas importer, in seeking to import New PNG (as approved by EMA), may wish to supply Existing PNG to its off-takers on a short-term basis until the New PNG arrives¹. EMA is prepared to allow such an interim supply arrangement on a case by case basis. Companies that wish to do so must seek prior written approval from EMA.

Import Controls after Arrival of LNG

4.1 There is no change to the Policy after the arrival of LNG. In other words, once the LNG terminal is in commercial operation, all new gas demand will have to be met through LNG. For avoidance of doubt, EMA will not allow New PNG (whether for commercial power generation on a bridging basis or for non-commercial generation and other uses) that is scheduled to commence flowing after the commercial operation date of the LNG terminal even if the gas sales agreement is signed before that. EMA will consult the industry and review the Gas Import Control Policy once LNG import reaches 3 Million tonnes per annum (“Mtpa”) or in 2018, whichever is earlier.

¹ For example, the off-taker may wish to consume PNG even though New PNG has yet to flow. In such an instance, a gas importer may want to supply Existing PNG to such off-taker on a bridging basis until New PNG begins to flow.

Requests for Comments and Feedback

5.1 EMA invites comments and feedback on the above draft Addendum to the Information Paper on Policy on Gas Import Control to allow the import and use of PNG for commercial generation before the arrival of LNG.

5.2 All comments and feedback must be submitted in writing in the format as shown in Appendix 2.

5.3 Please send your submission by e-mail to:

tan_lueneng@ema.gov.sg and aaron_koh@ema.gov.sg

Alternatively, you may send your submission by post/fax to the following address:

Economic Regulation and Licensing Department
Regulation Division
Energy Market Authority
991G Alexandra Road #02-29
Singapore 119975
Fax: (65) 68358020

5.4 Anonymous submission will not be considered.

5.5 All comments and feedback must reach EMA by 5 pm, 25 Jan 11.

5.6 EMA will acknowledge receipt of all submission electronically. Please contact Mr Tan Lueneng at 6376 7576 or Mr Aaron Koh at 6376 7567 if you have not received an acknowledgement of your submission within two business days.

5.7 EMA reserves the right to make public all or parts of any written submissions made in response to this Consultation Paper and to disclose the identity of the source. Any part of the submission, which is considered by respondents to be confidential, should be clearly marked and placed as an annex. EMA will take this into account regarding disclosure of the information submitted.

~ End ~



INFORMATION PAPER

POLICY ON GAS IMPORT CONTROL

26 DECEMBER 2006

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Background

On 7 August 2006, Minister for Trade and Industry, Mr. Lim Hng Kiang, announced that Singapore would import Liquefied Natural Gas (“LNG”) to diversify our sources of energy. This decision came after due consideration of the findings of a feasibility study on the potential import of LNG for Singapore. The study has recommended that Singapore develops an LNG terminal of 3 million tonnes per annum (“mtpa”) around 2012.

Policy Decision on Gas Import Control

2 Although LNG is competitive, there is a need to reduce investment risks for the LNG terminal investors by giving clear signals that there will be demand for LNG. As such, the Government has introduced controls on new piped natural gas (“PNG”) imports to allow the build up of LNG demand, until the capacity of the 3 mtpa LNG terminal is reached. The Government will consult the industry and review the PNG import control policy when LNG import reaches 3mtpa or in 2018, whichever is earlier.

3 With the gas import control, EMA will not allow new PNG to be imported for new commercial generation capacity¹. This will not apply to Keppel Merlimau Cogen Pte Ltd’s 2x250MW and Island Power Company Pte Ltd’s 2x400MW generation capacities as their electricity generation licences have been issued prior to the announcement of the policy to import LNG, and on the understanding that these units will be using PNG.

4 Prior to the introduction of the LNG Receiving Terminal, EMA will assess on a case-by-case basis, whether to allow new PNG imports for non-commercial generation and other uses². In making this assessment, EMA will consider, among other things, the economic implications of such new PNG imports on Singapore and their potential impact on LNG demand. When the LNG Receiving Terminal starts to receive LNG, the PNG import controls would also apply to all new gas demand arising thereafter.

5 Gas import control has taken immediate effect from 21 August 2006. All parties are advised to consult EMA in writing if they need to increase PNG imports beyond the existing firm contracted quantities in their existing gas contracts, renew their existing gas contracts, or enter into new PNG contracts. EMA will require the reasons for the need to increase PNG imports, the material terms of the contractual

¹ Commercial generation means generation of electricity to be exported into the grid, and includes replacement/repowering of existing steam plants.

² This includes industrial feedstock and embedded generation for own use.

arrangements for such additional PNG, and any other information as EMA may reasonably require to be provided.

6 In conjunction with the new Government policy on gas import controls, the Authority is currently reviewing the Gas Act (Cap. 116A) (the "Gas Act"). The Authority will assess and recommend any necessary changes to be made to the Gas Act to align with this new Government policy, whether by way of creating a licensing regime for gas import³ or otherwise. In the meantime, all current and potential importers of PNG are advised to comply strictly with the above requirements.

* * * * *

³ Whether in the form of LNG, PNG, Compressed Natural Gas or otherwise.

FORMAT FOR SUBMISSION OF COMMENTS AND FEEDBACK

Draft Addendum to Information Paper on Policy on Gas Import Control

S/No.	Reference to Consultation Paper (Please indicate in each cell in this column, the section/paragraph in the Consultation Paper to which your comment/feedback refers)	Comments and Feedback
1		
2		
3		
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.		
Any other comments and feedback		

Comments/Feedback submitted by

Name :

Designation :

Company :

Email :

Tel. No. :