



*Smart Energy, Sustainable Future*

# **Policy on Recovery of Strategic LNG Terminal Capacity Cost**

## ***Information Paper***

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1. The liquefied natural gas (“**LNG**”) terminal of Singapore LNG Corporation (“**SLNG**”) located at Jurong Island (“**Terminal**”) commenced operations in 2013. To enhance Singapore’s energy supply security, the Government decided to increase the peak capacity of the Terminal from the initial 3.5 million tonnes per annum (“**Mtpa**”) to the current 11.25 Mtpa.
2. The Energy Market Authority (“**EMA**”) regulates the Terminal tariffs that SLNG may charge to users of its throughput services (“**Throughput Users**”). Under the economic regulation framework, the Terminal tariff is set to recover from Throughput Users the cost associated with the portion of the Terminal capacity that is required to serve their throughput demand (“**Operating Capacity**”).
3. The terminal caters for more capacity than Operating Capacity. The additional capacity (“**Strategic Capacity**”) provides system-wide benefits to all gas users i.e. both LNG and piped natural gas (“**PNG**”) users in terms of greater security, reliability and optionality of gas supply. Compared to LNG users, PNG users will also benefit relatively more from Strategic Capacity which provides access to alternative gas supply in the event of a PNG supply disruption. EMA has therefore decided to introduce the policy to recover the cost associated with Strategic Capacity from all gas users via a Gas System Charge (“**GSC**”) based on their LNG and/or PNG usage.
4. For gas users who offtake regasified LNG and/or PNG via the gas transportation network of PowerGas Ltd (“**PowerGas**”), the GSC will be collected as part of the Transmission Usage Charge in PowerGas’ gas transportation tariff.<sup>1</sup> The GSC collected by PowerGas will be passed through in full to SLNG.<sup>2</sup>

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<sup>1</sup> Some gas users off-taking gas via PowerGas’ gas transportation network may also use gas that they import directly from overseas and not supplied through PowerGas’ gas transportation network. EMA will separately review the mechanism to collect the prevailing GSC from such gas users in respect of their direct gas import.

<sup>2</sup> Both (i) PowerGas; and (ii) Gas shippers that pass through PowerGas’ Gas Transportation Tariff to their gas end users should provide clarity in their invoices to the gas shippers and end users respectively on the breakdown between GSC and non-GSC components within the Gas Transportation Tariff, including SLNG’s GST registration number (200911659N) in respect of the GSC component.

5. The Terminal expansion to 11.25 Mtpa was completed in 2018. In view of the challenging market conditions currently faced by the electricity generation companies (which are the major gas users), EMA has deferred introducing the policy and will only introduce it with **effect on and from 1 Nov 2019 at a nominal rate until 31 Mar 2024**. The nominal GSC rates for 1 Nov 2019 to 31 Mar 2024, and the indicative GSC rates for 1 Apr 2024 to 31 Mar 2029, are as set out in **Table 1**. EMA will review in 2023 the GSC rates for 1 Apr 2024 onwards, taking into consideration the market conditions at the time.

**Table 1: Gas System Charge Rates for LNG and PNG Users Off-taking Gas via PowerGas' Gas Transportation Network**

	<b>FY19 to FY23</b> 1 Nov 2019 to 31 Mar 2024	<b>FY24</b> 1 Apr 24 – 31 Mar 25	<b>FY25</b> 1 Apr 25 – 31 Mar 26	<b>FY26</b> 1 Apr 26 – 31 Mar 27	<b>FY27</b> 1 Apr 27 – 31 Mar 28	<b>FY28</b> 1 Apr 28 – 31 Mar 29
	<b>\$/mmBtu</b>					
<b>PNG users</b>	0.02	0.20	0.22	0.23	0.23	0.25
<b>LNG Users</b>	0.01	0.02	0.03	0.04	0.04	0.05

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