



FINAL DETERMINATION

2ND ADDENDUM TO INFORMATION PAPER ON POLICY ON GAS IMPORT CONTROL

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2ND ADDENDUM TO INFORMATION PAPER ON POLICY ON GAS IMPORT CONTROL

Background

EMA had on 2 Mar 2011 issued an Addendum to Information Paper on Policy on Gas Import Control (“Addendum”). Pursuant to the Addendum, power generation companies (“gencos”) may, with effect from 2 Mar 2011, be allowed to use New PNG¹ for commercial power generation in the interim period before the arrival of LNG (“bridging period”), subject to the following conditions:

- The flow of New PNG must commence and terminate before 1 Apr 2013; and
- The flow of New PNG must not circumvent the spirit and intent of the Policy on Gas Import Control (“Policy”).

2 EMA had decided then that the flow of New PNG for commercial power generation on a bridging basis must terminate before 1 Apr 2013 on the consideration of the industry feedback that more certainty is required on the end date of the bridging period.

Consultation on Extension of the Bridging Period

3 Some gencos had provided feedback to EMA that the “gap” between the termination date of the bridging period and the commencement date of commercial operation of the LNG Terminal (if it is later than 1 Apr 2013) would disrupt their operations.

4 To address this concern, EMA issued a consultation paper on 19 Nov 2012 which proposed to revise the termination date of the bridging period for the use of New PNG for commercial power generation before the arrival of LNG. The proposal allows New PNG for commercial power generation on a bridging basis to flow up to and including the day before the Target Commencement Date (TCD)² of the LNG Terminal. EMA had indicated in its proposal that it would endeavour to provide timely updates on the LNG Terminal’s TCD.

Industry Comments and Feedback

5 EMA received comments and feedback from seven stakeholders, namely Gas Supply Pte Ltd, Tuas Power Generation Pte Ltd, ConocoPhillips Singapore Operations Pte Ltd, Senoko Energy Pte Ltd, YTL PowerSeraya Pte Ltd, SembCorp Cogen Pte Ltd and SembCorp Gas Pte Ltd.

¹ PNG under gas sales agreements that were entered or are going to be entered into by gas importers after 21 Aug 2006.

² As defined in the Terminal Use Agreement.

6 Stakeholders are mostly in favour of the proposed change in the termination date of the bridging period for the use of New PNG for commercial power generation before the arrival of LNG. Senoko Energy highlighted the possibility of a situation whereby development of gas pipeline capacity could be delayed beyond the commercial operation date (COD) of the LNG Terminal, such that the delivery of the LNG contracted with BG Singapore Gas Marketing Pte Ltd (BGS GM) is not technically feasible. Senoko Energy proposed that, in such cases, EMA could consider extending the termination date of the bridging period for the relevant volumes of New PNG and for the relevant period of the gas pipeline capacity shortfall.

7 Tuas Power Generation raised the point that a gas user may have contracted with BGS GM for LNG, but may need gas in advance of such contracted start date due to early completion of its facilities. In such cases, if BGS GM is unable to advance/align the start date of the LNG contract, then the end user may need New PNG to bridge this requirement.

8 SembCorp Gas has also indicated in its feedback that as it is not a party to the Terminal Use Agreement, it would be difficult to administrate the contracts for bridging PNG without clarity on the COD of the LNG Terminal.

9 The detailed stakeholders' comments and feedback and EMA's responses are shown in the Appendix.

EMA's Assessment and Decision

10 EMA has assessed the feedback provided. To minimise operational disruptions to the gencos, EMA will extend the bridging period i.e. allow New PNG for commercial power generation up to and including the day before the TCD of the LNG Terminal. Prior to this, EMA would provide industry players with timely updates on the status of the LNG terminal.

11 Subsequent to the LNG terminal commencing commercial operations, there could be instances where a company, after contracting with BGS GM for supply of regasified LNG (for commercial power generation, non-commercial power generation or other uses) and with the Gas Transporter for gas pipeline capacity to deliver the regasified LNG, may need to use New PNG in the interim period due to:

- a) Delay in the completion of the gas pipeline capacity to deliver the contracted regasified LNG to the company; or
- b) Early completion of the company's facilities which require regasified LNG and BGS GM is unable to bring forward the contracted start date.

12 Under these circumstances, EMA is prepared to consider allowing, on a case by case basis, the use of New PNG by a company, provided:

- i. The New PNG supply does not extend beyond the date on which the regasified LNG could be fully delivered to the company;

- ii. The quantity of the New PNG supply does not exceed the shortfall in the volume of LNG contracted with BSGSM; and
- iii. The company has demonstrated that it has used its best endeavours to avoid the need for New PNG.

Companies that wish to import and use New PNG for commercial power generation and/or non-commercial power generation and other uses in respect of new gas demand, must seek prior written approval from EMA on a case by case basis.

13 For the avoidance of doubt, other than the changes mentioned in paragraphs 10 to 12 above, there is no change to the Policy as set out in EMA's papers on "Policy on Gas Import Control" dated 26 Dec 2006 and "Addendum to Information Paper on Policy on Gas Import Control" dated 2 Mar 2011. Once the LNG terminal is in commercial operation, except as provided in paragraphs 11 and 12 above, all new gas demand will have to be met either through LNG or Existing PNG and 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 COD of the LNG terminal even if the Gas Sales Agreement is signed before that.

14 This Addendum will take effect immediately.

EMA's Response to Industry Feedback

Company	Comment	EMA's Response
Gas Supply Pte Ltd	GSPL does not object to the proposed extension of the Bridging Period provided that there will be no further extension beyond the day before the Target Commencement Date of the LNG Terminal	<p>Noted.</p> <p>Subsequent to the LNG terminal commencing commercial operations, there could be instances where a company, after contracting with BGSGM for supply of regasified LNG (for commercial power generation, non-commercial power generation or other uses) and with the Gas Transporter for gas pipeline capacity to deliver the regasified LNG, may need to use New PNG in the interim period due to:</p> <ul style="list-style-type: none"> a) Delay in the completion of the gas pipeline capacity to deliver the contracted regasified LNG to the company; or b) Early completion of the company's facilities which require regasified LNG <u>and</u> BGSGM is unable to bring forward the contracted start date. <p>Under these circumstances, EMA is prepared to consider allowing, on a case by case basis, the use of New PNG by a company, provided:</p> <ul style="list-style-type: none"> i. The New PNG supply does not extend beyond

		<p>the date on which the regasified LNG could be fully delivered to the company;</p> <ul style="list-style-type: none"> ii. The quantity of the New PNG supply does not exceed the shortfall in the volume of LNG contracted with BGS GM; and iii. The company has demonstrated that it has used its best endeavours to avoid the need for New PNG. <p>Companies that wish to import and use New PNG for commercial power generation and/or non-commercial power generation and other uses in respect of new gas demand, must seek prior written approval from EMA on a case by case basis.</p>
<p>Tuas Power Generation Pte Ltd</p>	<p>The proposed addendum attempts to address the “gap” between 1 April 2013 and an unknown commencement date of commercial operation of the LNG Terminal. In principle, we do not have any objections to the extension of the bridging period.</p> <p>However, the addendum fails to address the gas needs of certain users whose LNG offtake contracts start date may not be aligned with the commencement date of commercial operation of the LNG Terminal. For example, a user may have contracted with BGS GM for LNG and it may need gas once the LNG terminal is operational (e.g earlier than expected startup of new</p>	<p>The intention of the 2nd Addendum is to minimise operational disruptions to the gencos, by allowing New PNG for commercial power generation on a bridging basis to flow up to and including the day before the Target Commencement Date of the LNG Terminal.</p> <p>Subsequent to the LNG terminal commencing commercial operations, there could be instances where a company, after contracting with BGS GM for supply of regasified LNG (for commercial power generation, non-commercial power generation or other uses) and with the Gas Transporter for gas</p>

	<p>built plant). However its LNG offtake contract with BGS GM start at a later date but BGS GM is unable to advance/align the start date of the LNG contract to the terminal commencement date. Cheaper PNG may be available to bridge this requirement rather than more expensive spot LNG or that minimum spot LNG volume may be mismatched with the gas requirement.</p> <p>The proposed addendum would only result in forcing such gas users (who have already contracted for LNG) to buy gas at a higher price/more volume than what he needs when a cheaper alternative or better matching supply exists. This will thereby ultimately increase costs which will be passed on to consumers of electricity.</p> <p>We note that the Policy on Gas Import Control is to reduce investment risks for the LNG terminal and allow buildup of the LNG demand. We believe that the above scenario does not undermine the stated objective in that LNG has already been contracted for. Under the circumstances, in addition to extending the bridging piped gas period to the Target Commencement Date of the LNG Terminal, EMA should also allow the user to bring in bridging PNG, subject to EMA approval, on a case by case basis e.g. where a user has signed up long term LNG contracts with BGS GM but BGS GM was not able to advance the LNG commencement date when requested to do so by user where user's commercial operation date for the new plant intended to use LNG has been advanced. As the user has already signed up long term LNG contracts with</p>	<p>pipeline capacity to deliver the regasified LNG, may need to use New PNG in the interim period due to:</p> <ul style="list-style-type: none"> a) Delay in the completion of the gas pipeline capacity to deliver the contracted regasified LNG to the company; or b) Early completion of the company's facilities which require regasified LNG <u>and</u> BGS GM is unable to bring forward the contracted start date. <p>Under these circumstances, EMA is prepared to consider allowing, on a case by case basis, the use of New PNG by a company, provided:</p> <ul style="list-style-type: none"> i. The New PNG supply does not extend beyond the date on which the regasified LNG could be fully delivered to the company; ii. The quantity of the New PNG supply does not exceed the shortfall in the volume of LNG contracted with BGS GM; and iii. The company has demonstrated that it has used its best endeavours to avoid the need for New PNG. <p>Companies that wish to import and use New PNG for commercial power generation and/or non-commercial power generation and other uses in respect of new gas demand, must seek prior</p>
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	<p>BGSGM and only requires additional gas for bridging purposes (i.e. commissioning and a few months of commercial operation) over a short period of time, this does not add any risks to the LNG terminal investment.</p>	<p>written approval from EMA on a case by case basis.</p>
<p>ConocoPhillips Singapore Operations Pte Ltd</p>	<p>ConocoPhillips Indonesia operates several PSCs in Indonesia from which gas is produced and supplied to Singapore under Existing PNG. ConocoPhillips Indonesia has used EMA's Addendum document dated as a supportive reference to present to its Upstream Partners that gas market demand of its GSAs under Existing PNG will not be eroded by New PNG after 1 April 2013 and, on this basis, ConocoPhillips Indonesia and its Upstream Partners agreed to support long-term capital projects necessary to supply gas under the Existing PNG. While we understand the purpose of EMA's Gas Import Control policy is to provide a diverse source of gas for Singapore, we believe that fairness dictates that the significant long-term investments expended by the Existing PNG suppliers in support of the Existing PNG must continue to be recognized. Therefore, ConocoPhillips Indonesia proposes that should the COD of the LNG Terminal be delayed beyond 1 April 2013, any unmet demand for gas should first be supplied by Existing PNG. Any gap in gas demand remaining thereafter would then be met by the New PNG. This balanced approach is consistent with the EMA's Addendum in which New PNG was limited and to mitigate the investment risk undertaken by the Existing PNG suppliers.</p>	<p>Under the Policy, there are no restrictions on the use of Existing PNG i.e. Existing PNG can be used for commercial generation, non-commercial generation and other uses.</p>

<p>Senoko Energy Pte Ltd</p>	<p>1. Can EMA provide further details on how it will provide updates on the Target Commencement Date? Will such communication be identical to the window mechanism as defined in paragraph 8.3 of the LNG Terminal User Agreement (“TUA”)?</p> <p>2. Apart from being dependent on the start of commercial operations of the LNG terminal, the start of supplies under Senoko’s LNG GSA with BG (and/or any future LNG supply arrangements) also requires availability of sufficient transportation capacity from the LNG Terminal to Senoko. If the availability of relevant pipeline capacity were to be delayed beyond the date when the LNG terminal starts commercial operations, and/or if insufficient pipeline capacity were to be available at any given point in time for delivery of regasified LNG to Senoko, then we would request EMA to consider further extending the bridging period, for the relevant volumes (i.e. the shortfall in available transportation capacity through P3 and/or P4 when compared with the volumes of LNG contracted or to be contracted) and for the relevant period of transportation capacity shortfall.</p>	<p>EMA would provide timely updates to industry players on the LNG Terminal’s Target Commencement Date.</p> <p>Subsequent to the LNG terminal commencing commercial operations, there could be instances where a company, after contracting with BGSGM for supply of regasified LNG (for commercial power generation, non-commercial power generation or other uses) and with the Gas Transporter for gas pipeline capacity to deliver the regasified LNG, may need to use New PNG in the interim period due to:</p> <ul style="list-style-type: none"> a) Delay in the completion of the gas pipeline capacity to deliver the contracted regasified LNG to the company; or b) Early completion of the company’s facilities which require regasified LNG <u>and</u> BGSGM is unable to bring forward the contracted start date. <p>Under these circumstances, EMA is prepared to consider allowing, on a case by case basis, the use of New PNG by a company, provided:</p> <ul style="list-style-type: none"> i. The New PNG supply does not extend beyond the date on which the regasified LNG could be fully delivered to the company;
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		<p>ii. The quantity of the New PNG supply does not exceed the shortfall in the volume of LNG contracted with BGS GM; and</p> <p>iii. The company has demonstrated that it has used its best endeavours to avoid the need for New PNG.</p> <p>Companies that wish to import and use New PNG for commercial power generation and/or non-commercial power generation and other uses in respect of new gas demand, must seek prior written approval from EMA on a case by case basis.</p>
YTL PowerSeraya Pte Ltd	<p>YTLPS would like to request EMA to approve any Firm Capacity Application for the "gap" between the termination date of the current bridging period which is before 1 April 2013 and the Target Commencement Date as the "gap", if any, is expected to be less than one year. Under para 2.2.2(d) of Section B of the GNC, the application for the Firm Capacity Right has to be for a period of not less than one year or such shorter period as may be approved by the Authority.</p>	<p>EMA has no objections to firm capacity bookings (of less than one year and up to the Target Commencement Date) to cover any bridging gas on a case by case basis.</p>
SembCorp Gas Pte Ltd	<p>1. Para 3 - We are agreeable and supportive because this is the same principle as the previous bridging gas paper and to the benefit of the electricity and gas market in Singapore. It does not affect SLNG terminal</p>	<p>Noted.</p>

	<p>or the uptake of the 3MTPA franchise volume by BG.</p> <p>2. Para 4 – Main issue is the uncertainty of the LNG COD date. We are not a party to the TUA and therefore not sure how to get access to “official” TUA COD date and therefore difficult to administrate the contracts for bridging gas PNG. One way is to set the end date to be 31 Jul 2013, or to provide a “grace period” e.g. 14 days after the LNG COD date so that parties can manage the contracts accordingly e.g. nominations, billing, bank guarantees, etc.</p> <p>The other advantage of setting the date to be 31 Jul 2013 is to provide the gencos a transition period from PNG to LNG (teething period). Once LNG Terminal has achieved COD, gencos will have their respective obligations to BG. This does not circumvent the spirit and intent of the Policy.</p> <p>With the extension of the Bridging Period which is less than one year, we would also like to request EMA to facilitate waiver of GNC so that shippers can apply for short term capacity booking in year 2013.</p>	<p>EMA will provide timely updates to industry players on the LNG Terminal’s Target Commencement Date.</p> <p>Subsequent to the LNG terminal commencing commercial operations, there could be instances where a company, after contracting with BGSGM for supply of regasified LNG (for commercial power generation, non-commercial power generation or other uses) and with the Gas Transporter for gas pipeline capacity to deliver the regasified LNG, may need to use New PNG in the interim period due to:</p> <ul style="list-style-type: none"> a) Delay in the completion of the gas pipeline capacity to deliver the contracted regasified LNG to the company; or b) Early completion of the company’s facilities which require regasified LNG <u>and</u> BGSGM is unable to bring forward the contracted start date. <p>Under these circumstances, EMA is prepared to consider allowing, on a case by case basis, the use of New PNG by a company, provided:</p> <ul style="list-style-type: none"> i. The New PNG supply does not extend beyond the date on which the regasified LNG could be fully delivered to the company; ii. The quantity of the New PNG supply does not exceed the shortfall in the volume of LNG
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		<p>contracted with BGSGM; and</p> <p>iii. The company has demonstrated that it has used its best endeavours to avoid the need for New PNG.</p> <p>Companies that wish to import and use New PNG for commercial power generation and/or non-commercial power generation and other uses in respect of new gas demand, must seek prior written approval from EMA on a case by case basis.</p> <p>Hence, SembCorp Gas' proposal to set the end date on 31 Jul 2013 is not acceptable.</p> <p>EMA has no objections to firm capacity bookings (of less than one year and up to the Target Commencement Date) to cover any bridging gas on a case by case basis.</p>
SembCorp Cogen Pte Ltd	<p>A floating end date could affect the negotiation and pricing of the bridging gas. Also, upstream may not be able to offer base on uncommitted capacity and floating contracting period. As such, we would like to request for a fixed date for the end of the bridging period. Propose to fix it to 31 July 2013.</p>	<p>The LNG Terminal's Target Commencement Date is currently estimated to fall within 2Q 2013 and will be further narrowed down via the windowing mechanism as set out in section 8.3 of the Terminal Use Agreement. Parties to the Terminal Use Agreement would receive notifications from the Terminal Operator as the dates are narrowed down.</p> <p>Notwithstanding the above, EMA would provide timely updates to industry players on the LNG</p>

		Terminal's Target Commencement Date.
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