



## INFORMATION PAPER

### POLICY ON GAS IMPORT CONTROL

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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 capacity<sup>1</sup>. 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 uses<sup>2</sup>. 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 arrangements for such additional PNG, and any other information as EMA may reasonably require to be provided.

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

<sup>2</sup> This includes industrial feedstock and embedded generation for own use.

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 import<sup>3</sup> or otherwise. In the meantime, all current and potential importers of PNG are advised to comply strictly with the above requirements.

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<sup>3</sup> Whether in the form of LNG, PNG, Compressed Natural Gas or otherwise.