

For immediate release

Media Release

19 October 2021

Pre-emptive Measures to Enhance Singapore's Energy Security and Resilience

Singapore imports almost all our energy needs. Having a secure and reliable energy supply is critical to Singapore's survival and economic competitiveness. In view of the developments in the global energy sector, Singapore will be taking temporary pre-emptive measures to safeguard our energy security and resilience.

Developments in the Global and Domestic Energy Sector

2. A confluence of increased gas consumption from recovering economic activity, severe weather events and a series of gas production outages have disrupted supplies and sent global market prices to new highs¹. This has been compounded by low inventory levels in the major economies for the coming winter season. The tight gas market has also created ripple effects on electricity markets, pushing prices up and driving fuel substitution in favour of coal and oil. Governments around the world are taking measures to secure sufficient fuel supplies.

3. Domestically, around 95% of electricity is generated from imported natural gas. The higher fuel prices will push up electricity prices. In addition, the risk of supply disruptions has also risen. Upstream production issues in Indonesia's West Natuna gas field have resulted in reduced output, which is likely to last until end-2021. Gas pressure from South Sumatra has decreased due to higher demand from gas users both upstream and in Singapore. The global energy crunch has made it significantly more expensive for the power generation companies (gencos) to secure additional spot liquefied natural gas (LNG) to make up for the drop in piped natural gas supplies.

4. Most consumers have been cushioned from the price volatility as they are either on standard price plans with retailers or the regulated tariff rate. Those on retail rates may however, see an increase in electricity prices at the point of contract renewal, which reflects the increased costs of electricity production. Electricity retailers who have under-hedged their positions may be exposed to the volatility in the wholesale electricity market. They may now find it challenging to sustain their operations and may choose to exit the market. For retailers that are exiting the market, the Energy Market Authority (EMA) will ensure a smooth transition for their affected customers. They will not face any electricity supply disruption and retailers will not be

¹ <https://www.iea.org/reports/gas-market-report-q4-2021>

allowed to charge an early termination fee. Household consumers will have their security deposits returned to them after outstanding charges are offset.

Pre-Emptive Measures to Enhance Energy Security and Resilience

5. Singapore's overall gas supplies remain sufficient. Earlier this year, EMA appointed two new term LNG importers, on top of the existing two, to provide gas users in Singapore with more options to procure the gas they require. Nevertheless, given the developments in the global energy sector, EMA is working with industry stakeholders on three pre-emptive measures to further secure our fuel and electricity supply:

6. First, we will establish standby fuel facilities which gencos can draw upon if needed to generate electricity. We are working closely with all gencos to track their fuel supply levels and generating capacity, and will provide the standby fuel to them if gas supplies are affected or there is a need to ensure reliable electricity supply to consumers in Singapore.

7. Second, to complement the standby fuel facilities, EMA has informed gencos to contract sufficient fuel to at least meet the demands of customers of their retail arms. To help gencos who have not contracted enough gas, EMA has informed gencos which are looking to sell their excess natural gas supply to provide other gencos and EMA with the first right of refusal, before they can divert or onsell the excess gas to other parties.

8. Third, EMA has been working with gencos and will direct them to generate electricity using fuel from the standby facilities if needed to maintain system stability. EMA is monitoring the Singapore Wholesale Electricity Market closely and will intervene if necessary.

Conclusion

9. These pre-emptive measures are extraordinary but necessary to secure our fuel and electricity supply. We will review if these measures are still needed by 31 March 2022. During this period, we urge consumers to conserve energy where possible. EMA will continue to monitor developments in the global and domestic energy sector closely and will introduce further measures if necessary.

-- End --

About the Energy Market Authority

The Energy Market Authority (EMA) is a statutory board under the Singapore Ministry of Trade and Industry. Through our work, we seek to forge a progressive energy landscape for sustained growth. We aim to ensure a reliable and secure energy supply, promote effective competition in the energy market and develop a dynamic energy sector in Singapore. Visit www.ema.gov.sg for more information.

Instagram: [@EMA_Singapore](https://www.instagram.com/EMA_Singapore) | Facebook: [facebook.com/EnergyMarketAuthority](https://www.facebook.com/EnergyMarketAuthority) |
Twitter: [@EMA_sg](https://twitter.com/EMA_sg) | LinkedIn: [linkedin.com/company/energy-market-authority-ema/](https://www.linkedin.com/company/energy-market-authority-ema/)