



NATURAL GAS AT THE BORDER – WILL IT FULFIL ITS DESTINY?

Report of the APGAS Forum 2007

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1. Introduction

The main barriers to expansion of natural gas trade in the Asia-Pacific region are the barriers that continue to impede investment in new capacity. In this regard, APGAS 2007 provided an unique facility for frank discussion, in an atmosphere of goodwill, of the challenges of accelerating natural gas trade and overcoming barriers to investment.

The APGAS Forum has evolved in an exciting way. Unlike commercially driven “summits” and other conferences, where delegates listen to speakers who make speeches and disappear, APGAS brings together, from the public and private sectors, experts and others with responsibility for some aspect of cross-border natural gas trade to share information and develop consensual views. The APGAS approach is appreciated by governments, regulators and industry alike.

From the time that APGAS 2007 delegates found their way to a seat at the round-table, informal format in San Diego, the message was "let's talk". There was certainly a lot to talk about and an animated buzz of conversation permeated the corridors as well as the sessions themselves. The number of speakers from the first two forums was halved to facilitate this.

India was again a guest economy at APGAS 2007. Several important APEC economies were not represented, including China, Indonesia, Peru and Russia. However, Russia's Gazprom attended the preceding APEC Business Summit in Sydney and affirmed its enthusiasm to play an active part in future forums.

In preparing for APGAS 2007, the board of APGAS reviewed what happened at APGAS 2006, what had been achieved in the meantime and what impact APGAS has had on government policymaking.

During 2007, APGAS instituted a dialogue with kindred organizations including the International Gas Union, the Society of International Gas Tanker and Terminal Operators (SIGTTO), the International Group of Liquefied Natural Gas Importers (GIIGNL), the American Gas Association, the US Center for LNG, the US Energy Association, the Russian Gas Society and the World Energy Council.

In May 2007, APGAS conducted a workshop in Tokyo for Japanese utilities, trading companies and government officials. A draft issues paper was discussed, which provided the basis for a final issues paper for all delegates at APGAS 2007. The main issues identified are summarized in table 1 overleaf:



Table 1: Main Issues in APEC Natural Gas Trade in 2007
Global energy demand is continuing to expand, bringing heightened energy security concerns with it. Expansion of natural gas trade in the APEC region is now more widely recognized as one of the key responses to this expanding demand
Expansion of LNG trade is almost entirely dependent on investments being made in production capacity, liquefaction capacity, shipping capacity, terminal capacity, re-gasification capacity and storage capacity
Long-term "take or pay" contracts remain pivotal for upstream LNG investment, as they are for long distance cross-border natural gas pipelines
The current major challenges for LNG projects are rising costs and the shortage of skills and materials
Uncertain environmental standards are making risk management difficult and are acting as a dampener on investment
To reduce front-end risk and to accelerate development, investors need legal assurance at the earliest possible stage that their projects can go ahead subject to compliance with appropriate and ascertainable standards
Timeliness, reasonableness and consistency are essential features to be observed in the process of project approvals

A shared commitment to addressing these issues united APGAS 2007 delegates in San Diego and resulted in the conclusions set out in table 4 at the end of this report.

For those who stayed for the post-Forum site visit to the Energia Costa Azul LNG terminal in Mexico, much more was in store – delegates were treated to an intriguing case study of Sempra's LNG terminal and regasification plant nearing commissioning. Delegates were informed of the short and long term commercial aims of the project. They heard first-hand about the project development challenges, how Sempra are overcoming them, how Sempra are caring for the environment and how Sempra, by maximizing local procurement and localizing their workforce, are managing their government and community relations. This site visit added greatly to the value of the discussions at the Forum.

The cross-border natural gas market in the Asia-Pacific region is at a very challenging stage of development and APGAS now occupies a key place in influencing the process of policy formulation in this important market.



There is a need for APGAS to constantly reinforce the messages that it sends to governments. In particular, governments need to be reminded that the large scale of LNG projects does not automatically equate to high profitability, that investors remain as risk-averse as ever and that good policy settings remain essential.

The circulation of this report is another step in the process of developing consensual views about the significance of expansion of cross-border natural gas trade in the Asia-Pacific region. However, there remains a lot more to talk about and there are other issues that are emerging.



2. The Role of APEC as a Multilateral Economic Forum

APEC operates as a cooperative, multilateral economic forum. It is unique in being the only intergovernmental forum in the world that is committed to reducing trade barriers and increasing investment but does not require its members to enter into legally binding obligations. APEC succeeds by promoting dialogue and equal respect for the views of all participants and by basing all of its decisions on consensus.

Since the inception of APEC in 1989, the APEC region has consistently been the most economically dynamic part of the world. Over the first decade of its history, APEC member economies generated nearly 70 percent of global economic growth and the APEC region consistently outperformed the rest of the world, even during the Asian financial crisis.

The 21 APEC member economies work together to sustain this economic growth through a commitment to open trade, investment and economic reform. By progressively reducing tariffs and other barriers to trade, APEC member economies have become more efficient and exports have expanded dramatically.

In 2007, APEC at the highest level seems to have more momentum than at any other time in its history. This was evident to attendees at the APEC Energy Business Summit, which preceded the 2007 APEC Energy Ministers Meeting in Darwin, and at the APEC Business Summit, which preceded the 2007 APEC Leaders Summit in Sydney.

President Putin of Russia shared his vision of APEC at the 2007 APEC Leaders Summit:

"APEC has entered the 21st century as an authoritative regional structure with a broad membership on both sides of the Pacific. Russia has been successfully cooperating within its framework. Due to the rapid development of the Asia-Pacific region, APEC can be called the most promising economic association on the planet.

....

Active and multifaceted participation in the work of APEC is increasingly an important aspect of Russia's foreign policy on its eastern frontiers, and our interaction with the [APEC] forum has been growing every year."



3. What Happened Between APGAS 2006 and APGAS 2007?

In the opening session of APGAS 2007, 20 events or circumstances of particular relevance to APEC cross-border natural gas trade that occurred since APGAS 2006 were identified:

- (i) The growth in energy demand, for natural gas in particular, continued unabated throughout the year, largely underpinned by Chinese economic growth, highlighting yet again the issue of global energy security.
- (ii) Responding to this energy demand growth, oil and gas prices reached record highs and stayed there.
- (iii) LNG supply shortages continued, exacerbated most recently by the temporary shutdown of significant nuclear capacity in Japan.
- (iv) The capital costs of new LNG projects continued to rise and the order books of contractors became over-full, raising the question whether this could make future LNG supplies unaffordable for some potential customers.
- (v) Shortages of skills and materials continued to intensify, raising the question whether some projects might need to be put on hold.
- (vi) The international scramble for oil and gas resources, including by state-owned oil and gas companies from Russia, China and India, intensified.
- (vii) In Russia, Gazprom continued to build its already dominant domestic position and continued to spread its wings into international markets. As Gazprom's Deputy Chairman Alexander Medvedev said to the press in Sydney in June 2007, *"It's no secret that we want to be the biggest supplier of natural gas in the Asia-Pacific region."*
- (viii) In late 2006, the doubts over the development of the Sakhalin 2 Project in Eastern Russia were resolved with the announcement that Gazprom would become a majority shareholder in the project.
- (ix) In the Middle East, Qatar continued to further develop its LNG export capacity.
- (x) By contrast, Iran continued to falter in its efforts to develop any export capacity at all.
- (xi) In Australia, a joint Commonwealth-State enquiry of its natural gas supply policies was instituted as a result of the domestic market obligation that was the subject of controversy at APGAS 2006 in Perth.



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- (xii) In May 2007, the APEC Energy Ministers met in Darwin, Australia, preceded by an APEC Energy Business Forum. APGAS made a presentation to APEC Energy Ministers on the conclusions of APGAS 2006, reaffirming the need, on economic, energy security and environmental grounds, to expand APEC natural gas trade. The APGAS presentation was well received by Energy Ministers.
- (xiii) At the Darwin meeting, the Executive Director of the IEA made his view very clear to APEC Energy Ministers that the world was not on a sustainable path so far as its future energy supply was concerned.
- (xiv) In June 2007, the G8 Leaders held their annual summit in Heilegendamm, Germany, when the dual challenge of energy security and climate change moved right to the top of the international political agenda.
- (xv) In early September 2007, the APEC Leaders held their annual summit in Sydney, Australia when, again, the dual challenge of energy security and climate change was at the top of the political agenda. In Sydney, APEC Leaders adopted an aspirational target of reducing the emissions intensity of energy use by 25% by 2030, using 2005 as the base year.
- (xvi) In late September, 2007, US President Bush convened a climate change summit of 15 of the largest greenhouse gas emitters in Washington.
- (xvii) Following the discontinuance of the planned PNG to Australia gas pipeline project, Papua New Guinea announced its intention to establish itself as a player in the LNG industry.
- (xviii) In the weeks prior to APGAS 2007, Woodside announced its final investment decision for the Pluto project. Announcements were also made that two other Australian LNG export projects, Gorgon and Browse, had secured agreements with Japanese and Chinese customers, enabling these projects to make further progress towards final investment decision.
- (xix) At a meeting attended by APGAS in Los Angeles two days before APGAS 2007, the Asia-Pacific Partnership on Clean Development and Climate (AP6) established a gas committee. The committee will initiate, with funding provided by the Australian and US Governments, a project on how to increase the utilization of natural gas in the Asia-Pacific region. This project will focus particularly on expanding APEC's best practice principles for LNG trade.
- (xx) Overall, 2007 was a watershed year for the industry. It was an extraordinarily busy and demanding year, with companies working to tight deadlines, managerial time being at a premium, skills being in short supply, mass recruitment going on and people everywhere working under considerable pressure.



4. Natural Gas Markets

The broad theme that emerged at APGAS 2007 was that, the more that natural gas markets were opened up, the greater would be security of supply for all APEC economies.

(a) The US NPC Global Oil and Gas Study

In 2007, the National Petroleum Council of the US completed a Global Oil and Gas Study. In the first plenary session of APGAS 2007, Joseph Caggiano of Chevron Energy Technology Company presented the results and emphasized to delegates that certain "hard truth" conclusions must be addressed, including the reality that coal, oil and natural gas will remain indispensable to meeting total energy demand growth to the 2030 time horizon chosen for the study. Further, the world was facing a gas supply shortage unless additional supplies were brought on stream quickly. Caggiano made the following observations in relation to projected natural gas supply:

- all projections are above the historical trend
- gas is less developed than oil
- meeting mid-range demand to 2030 will:
 - consume 50% of existing reserves
 - require significant new infrastructure
- natural gas demand in a carbon-constrained world is likely to be significantly higher than in a business-as-usual future
- LNG demand is projected to grow faster than historical or future global gas and energy demand
- the natural gas reserve base can support the projected expansion of LNG supply over the next 25 years
- major uncertainties surround the scope and pace of LNG development in key supply countries
- GTL is projected to grow quickly from a very low base, but not enough to significantly affect oil product or natural gas markets.

Caggiano suggested that Australia was one of the few economies that had the potential to plug the supply gap, although he expressed concern that this could not happen quickly enough.



(b) The North American Single Market in Natural Gas

A workshop on the North American Single Market was chaired by Barry Worthington of the US Energy Association, with a panel of experts comprising Paula Gant of the American Gas Association, John Foran of Natural Resources Canada and Alejandro Brena of the Comision Reguladora de Energia of Mexico.

The panel affirmed that there is indeed a North American Single Market, today dominated by Canadian natural gas exports into the US. However, as Gant described it, there is a prolonged tightness in the natural gas market. In response, Foran made the point that, in a tight LNG market, firm contracts would have first priority in obtaining supply.

The North American market will further mature with the completion of LNG terminals in Canada and Mexico. Currently, in each country, one terminal is nearing completion of construction and a significant proportion of the throughput is likely to help satisfy US demand. LNG, both direct imports into the US as well as volumes flowing through Canadian and Mexican import terminals, could represent as much as 20% of US consumption over the next 20 years or so.

Based on existing business-as-usual forecasts, natural gas utilization for power generation will remain a driver of overall natural gas demand, particularly in the US and Mexico. In Canada, natural gas utilization for oil sands production is likely to grow.

In the US, additional generating capacity through the 2030 time frame is forecast to include a mixture of pulverized coal; integrated gasified combined cycle units; new nuclear; gas turbines including combined cycle units; and a modest percentage of renewable generation. The cost of each of these options is increasing, due to rising commodity prices, including steel and cement and labor costs.

The panel was of the view that climate change legislation, in any of the forms currently being debated, is certain to increase the demand for natural gas in North America, particularly for LNG. This increase in demand could be dramatic, depending on the form of the carbon control regime.

Pipeline gas, particularly from the McKenzie Delta and Alaska gas pipelines, is not considered a threat to LNG imports. The panel was of the view that both of these pipelines (if constructed) will complement, not substitute for, LNG supplies. One panel member questioned whether either pipeline, particularly the Alaska gas pipeline, would ever be built. It was observed that the same global economic pressures that are pushing up commodity and labor costs for infrastructure construction will affect the economies of these pipelines.

Significant uncertainty was expressed as to the degree of impact that LNG imports will have on North American natural gas prices. Will LNG be a price taker or a price setter? Will supplies be adequate to



reduce volatility, particularly recognizing the differences of seasonal supply and demand patterns and given the role of storage?

Questions were raised regarding the ability to continue to meet North American supply needs at reasonable prices, particularly given the climate challenge. The prospect of reducing demand through efficiency, conservation and demand side management were noted, although it was pointed out that “low hanging fruit” was already picked relative to end-use natural gas.

It was noted that the North American Energy Working Group, now under the auspices of the Security and Prosperity Partnership, continued to meet regularly and to identify areas for policy coordination, information sharing and data analysis.

Regulators at the federal level meet periodically, as FERC Chairman Kelliher emphasized elsewhere in the program. However, different regulatory models are utilized, recognizing the difference in industry structure and the multiplicity of jurisdictions. The panel was of the view that differing regulatory approaches should not interfere with natural gas and LNG trade so long as regulators continue to coordinate cross-border pipeline siting and construction.

Safety was seen in all three countries as an issue that influences public acceptance of LNG terminals and tankers. In Mexico, international standards and third party audits are used to monitor the safety issue.

The workshop ended with the reminder of how much uncertainty was still hanging over the North American market, for instance: How can investors predict what a carbon regime in North America will look like? How will that affect natural gas utilization? How will LNG imports into all three economies affect broader LNG supply and pricing trends? What impact will the North American appetite for natural gas have on other economies in the APEC region?

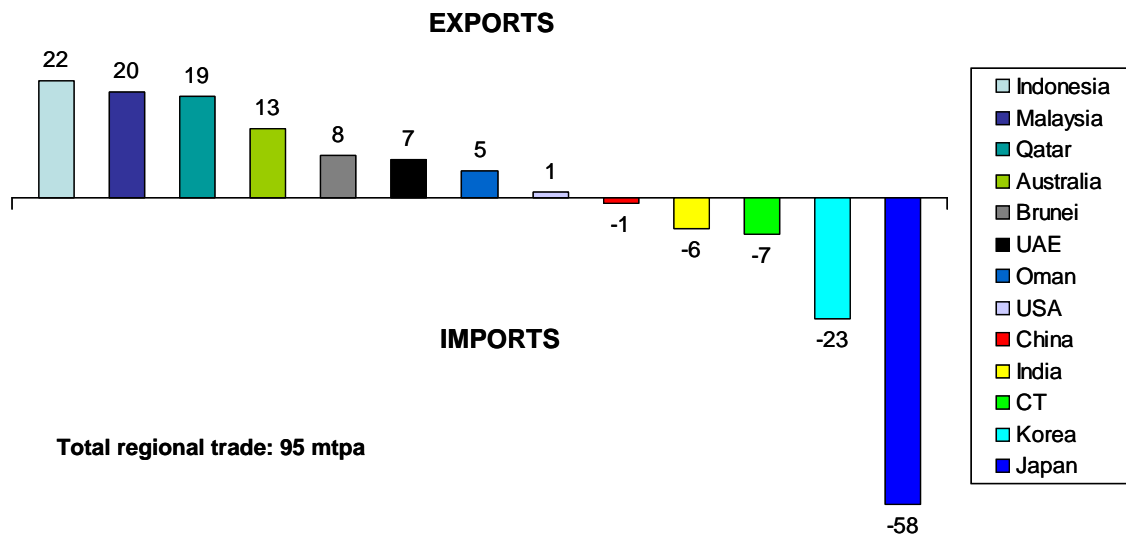
(c) The Interplay of the Asia Pacific and Atlantic Basin Markets

There are two largely discrete LNG markets in the world, the Asia-Pacific market and the Atlantic Basin market, which includes Europe. Of course, the focus of APGAS is on the former.



Table 2 depicts LNG exports and imports in the Asia-Pacific market in 2006.

Table 2: LNG Exports and Imports in the Asia-Pacific Market 2006 (mt)

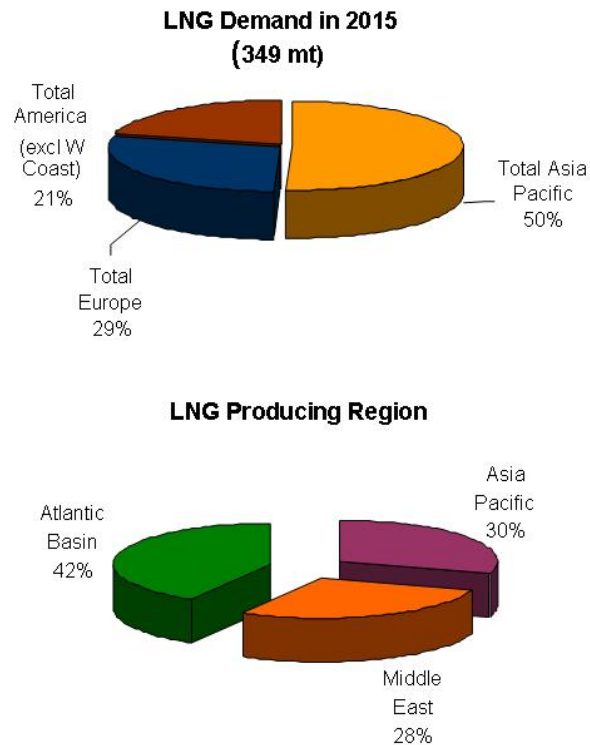


Source of data in this table: BP Statistical Review 2007. All figures are rounded to the nearest million.

The above table does not depict the surging demand for additional LNG supplies in the region. The table could look very different in a few years from now, particularly with China and the USA becoming significant importers.

Fereidun and Shahriar Fesharaki of FACTS Global Energy Group elaborated on the interplay between the Asia Pacific and the Atlantic Basin LNG markets. Their projection of the structure of the global LNG market in 2015 is set out in table 3.



Table 3: Structure of the LNG Market in 2015

The Fesharakis summarized their views of the current market situation as follows:

- Japan, Korea and Taiwan are "hooked" on gas
- crude oil indexed price formulas are likely to drive higher returns for LNG sellers than the Henry Hub and UK National Balancing Point (NBP) prices
- with global LNG tightness, the question remains whether American West Coast terminals will see any LNG imports
- increased price affordability in China and India will have potentially tremendous impacts on global LNG market and
- because of lack of supply, many receiving terminal projects will be abandoned or delayed.

Presentations were also made on market issues by Yasuo Ryoki of Osaka Gas, Japan and by Deepak Mahurkur of PricewaterhouseCoopers, India.



Ryoki was of the view that the interplay of the two regional LNG markets was still not efficient, with disproportionate margins being extracted for LNG diversions. Ryoki also presented the results of a Japanese study indicating that LNG receiving terminals are not regarded as unsafe in the eyes of local communities in Japan.

Mahurkur emphasized that end-use sector reforms as well as gas sector reforms are imperatives for gas market development in India. He generally believed that, although gas sourcing remains first on the government and companies' priority, both LNG and pipeline gas are a challenge for the immediate future.

Mahurkur suggested that India needed to be more proactive in planning its gas sector development and its installation of necessary infrastructure in order to become competitive in the Asia-Pacific natural gas market.

(d) SPA Contracting Practices in Asia-Pacific LNG Markets

A workshop on supply and purchase agreement (SPA) contracting practices was chaired by Rex Holmes of Ernst and Young, with a panel of experts comprising Peter Cleary of Australian North West Shelf LNG and Paul Foxall of Shell Eastern in Singapore. Some very frank discussion under Chatham House rules was appreciated by everyone in the room.

It was generally emphasized that the major LNG players were developing a global presence but that long-term relationships still mattered.

It was also emphasized that vertical integration is continuing to be the main structural trend in the LNG market.

Workshop participants considered the absence of regulation to be a virtue of Asia-Pacific LNG markets. Because customers cannot always be sure of their volume requirements, they may wish to transfer surplus cargos to another market. Customers have the ability to negotiate with their suppliers for downward contractual flexibility in their surplus volumes. However, this contractual entitlement can be expected to have a commercial price attached to it.



5. The APGAS 2007 Open Debate on Project Approvals Processes

In many respects, this open debate, which occupied the whole of the first afternoon, was the highlight of APGAS 2007. The Forum was honored to have Chairman Kelliher of the US FERC chair this debate in a most accomplished manner. Included in the panel of experts were Rowland Harrison QC of Canada's National Energy Board, Peter Glass of Chevron Global Gas, Tom Giles of Sound Energy Solutions and Joe Desmond of Northern Star LNG.

It would have been easy for delegates to complain about governments being the cause of unwarranted project delays. However, all delegates evinced a considered, mature attitude. Most were satisfied that proponents and governments would be well-served by pursuing what Rowland Harrison called a "partnership approach" towards project approvals as it is practised in Canada.

Timeliness

Timeliness was seen as the crucial requirement of investors.

Judicial review as a safety net

Certainty and stability of the approvals process was also seen as crucial, with Chairman Kelliher emphasising that a process of judicial review provided a "safety net" for proponents.

The concern of virtually all delegates was that approvals processes had no place for capricious or arbitrary treatment of anyone and that there was a key role for judicial review of decisions that were not based on objective, fair criteria.

Pre-filing

Pre-filing was suggested as a valuable procedure – in order to "front-end load" as many decisions as possible.

The need for a code of best practice

Delegates supported the proposition that a draft code of best practice should be put forward by APGAS for consideration by APEC governments. This is seen as especially relevant to governments at the sub-national or provincial level, where many of the important decisions are required to be made about whether to grant project approvals and what conditions are appropriate to impose. For example, whether to impose a domestic gas obligation on LNG exporters is a matter for each economy concerned. However, any domestic gas obligation should not be imposed on a discriminatory basis and should not be retrospective.



6. Environmental Issues and Greenhouse Gas (GHG) Emissions Trading

Delegates heard from Cindy Tuck, Under Secretary of the Californian Environmental Protection Agency, how environmental policies were paramount and how they were likely to affect energy choices in California, the world's eighth largest economy.

A workshop on GHG emissions trading was chaired by Graeme Martin of Shell, with a panel of experts comprising Ronald Ripple of Australia's Macquarie University, who spoke on emissions trading systems, and Todd Jones of AgCert, who spoke of the unrealized potential of carbon offsets.

Prior to the Forum, APGAS commissioned a paper by John Daley of Businesscertainty.com of Australia on the impact of carbon markets and carbon prices on power generation investment decisions. In his paper, Daley emphasized that carbon prices would change the relative competitiveness of both energy sources and generation technologies:

"The pricing of 'carbon' emissions in Asia Pacific economies will add to the cost of generating electricity – and add significantly if prices as high as those expected in Europe from next year are realised. The pricing of carbon will also change the relative competitiveness of different energy sources and different electricity generation technologies, since it will alter the ratios between fixed and variable costs for all the fossil fuels.

The extent to which this occurs (and its timing) will depend on which jurisdictions take action to impose prices on emissions and the stringency of their action. Developed country economies are likely to take earlier and more costly action than developing countries. Irrespective of those stringency and timing considerations, the location and size of greenhouse gas emissions across the whole cycle of energy exploitation, processing, transport and combustion in a power station will influence the choice of fuels and technologies."

Daley foreshadowed to delegates that:

"At some point, the price of carbon emissions would push the variable cost of coal-fired stations above the variable cost of gas stations and, at that point, gas stations would be dispatched first (in effect, as baseloads), their energy efficiency would also improve and coal stations, by contrast, would be relegated to a load following role. In that scenario, new investments in baseload would be gas-fired CCGTs; new coal stations would not be bankable."

There is considerable current uncertainty about both the nature of future emissions trading systems, regionally and globally (with great uncertainty about what will follow Kyoto after 2012), and the



eventual price of carbon. This lack of certainty continues to have negative effects on investment in both the power generation sector and the LNG supply chain.

With investment in power generation, there is not a great deal of sensitivity to changes in the supply price of feedstock fuels. This means that carbon prices will need to be relatively high to induce significant shifts from coal-fired to natural gas-fired generation.

Government policies that favor a substantial increase in natural gas-fired technology in the electricity generation sector may pose significant investment challenges. Such policies may also challenge the approvals processes of the regulatory bodies involved. Delays in approvals, regardless of the source, will have both financial and emissions consequences.

The Forum questioned a recent assertion in a US study that LNG-fueled natural gas-fired electricity generation in the US carried life-cycle CO₂-equivalent emissions comparable to that of coal-fired generation. Flaws in that analysis tend to unfairly and inappropriately disadvantage LNG. It was concluded that natural gas, including natural gas delivered via the LNG supply chain, constitute a clearly superior fuel choice on emissions bases relative to both coal and oil.



7. The APGAS 2007 Conclusions

Whether natural gas at the border will fulfil its destiny and become a more widely-traded fuel in the Asia-Pacific region depends almost entirely on investments being made in new capacity. It was generally agreed that this was no time for complacency and that APGAS should intensify its efforts to devise and articulate ways of overcoming all of the barriers to cross-border trade and investment in natural gas. Many barriers remain in the way, as identified in the Forum's conclusions which are set out in table 4.

Table 4: The Conclusions of APGAS 2007
The Looming LNG Supply Shortage and the Need for New Capacity
The looming short and medium term shortage of LNG supply in the Asia-Pacific region is of particular and increasing concern to APEC energy importing economies. It is essential that investment in new LNG capacity be accelerated. Much greater policy priority should be given to facilitating this.
Competition with Coal
The abundance of supply of relatively low-cost coal remains the major competitive impediment to expansion of LNG trade.
Pricing of Carbon
A universally-accepted way of pricing carbon is essential in order to create a level inter-fuel playing field. For investors, clear policies on GHG emissions are essential for them to be able to manage their risks. Carbon prices will need to be relatively high to induce significant shifts to natural gas-fired generation.
Partnership-Building, Relationship-Building and Vertical Integration
Building on the foundations of the two previous APGAS Forums, APGAS 2007 showed a more sophisticated and realistic view of what needed to be done to facilitate cross-border natural gas trade and investment. The finger was not to be pointed at particular issues in isolation (although there were many that required attention) but at the broad spectrum of interrelated issues that required to be addressed. This could be pursued by: <ul style="list-style-type: none"> (i) partnership-building between investors and governments; (ii) relationship-building between suppliers and customers; and (iii) vertical integration, with suppliers moving downstream and customers moving upstream, which will blur the traditional distinction between sellers and buyers.
Domestic Barriers Inhibiting Natural Gas Trade and Investment
There remains a need, as previously identified at APGAS 2006, for APEC governments to review their policies and to identify and lower domestic, "behind the border", barriers to natural gas trade and investment. A prerequisite for expansion of trade is the need to provide a certain and secure investment environment for providers of capital to induce them to invest in new capacity.



Overheating of the Construction Market
The current overheating of the construction market is causing a rapid escalation of capital costs, and this is likely to persist for some time. There is a limit to what can be achieved to overcome this in the short term. There also are limits to the additional costs that can be passed through to customers. Some proposed projects might need to be put on hold or deferred.
Project Approval Processes
There is a need for an APEC code of best practice to address the lack of timeliness of project approval processes. The APGAS program committee is to prepare a draft for submission to governments based on the open debate that took place at APGAS 2007.
Domestic Gas Obligations
Whether to impose a domestic gas obligation on LNG exporters is a matter for each economy concerned. However, any domestic gas obligation should not be imposed on a discriminatory basis, and should not be retrospective.
The Asia-Pacific Partnership on Clean Development and Climate
The decision of the Asia-Pacific Partnership to establish a gas committee to facilitate the utilization of natural gas in Asia-Pacific markets, and the commitment of the Australian and US governments to provide funding for this project, is commended and supported by APGAS.
Funding of APGAS-related Activities
As previously identified at APGAS 2006, there remains a need for further funding of APGAS-related activities, including: <ul style="list-style-type: none"> (i) coordination of technical, commercial and policy research (ii) documentation and auditing of existing measures that constrain trade in natural gas (iii) development of best practices in market design and regulation and (iv) development of standards for many aspects of LNG trade-related activities.
Communications
APGAS itself should be continued as a mechanism for interaction, and for the development of consensual views, amongst governments, regulators, suppliers and customers in the Asia-Pacific region. The multiplicity of APEC events is confusing to the business sector. Delegates need to be kept informed by newsletter of what APGAS is doing and its schedule of activities between Forums.

Finally, special appreciation is expressed to the APGAS 2007 sponsors: Sempra LNG, Ernest & Young, Shell, Chevron and BHP Billiton. Appreciation is also expressed to the US Energy Association for its support of the Forum.

For further information about APGAS and for copies of presentations made at APGAS 2007, visit the APGAS website www.apgasforum.com.

Sydney

1 November 2007

