

## International Gas Union Programme Committee (PGC) D “LNG”



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Japan is the biggest LNG importing country in the world and has over 35 years experience on LNG. In the 2006- 2009 triennium, Japan has become a Committee chairman country of Program Committee D “LNG” in the International Gas Union (IGU). There are four Programme Committees in IGU, which deal with topics which are external to the gas chain, but intimately related to the gas industry.

LNG industry has experienced rapid and enormous growth in recent years because of its environmental friendliness and economical advantage. In this situation, PGC D will address the versatile aspects of LNG industry except environmental and economical issues on LNG to contribute further development of this industry.

PGC D monitors the LNG business closely by issuing a report, which will provide statistics as well as highlight the trends of the LNG trade and LNG shipping. This report will also address LNG Chain developments providing an update on perspectives in the future. PGC D also performs, during this triennium, studies on LNG topics of interest to gas industry.

For this triennium, following three topics have been selected to be studied and will be presented in the 24th World Gas Conference in Argentina 2009.

### Study Group D.1 “LNG quality and interchangeability”

Qualities of LNG differ considerably from the various markets around the world, Asia-Pacific, Europe and USA. To avoid unnecessary and expensive processing at the LNG export plants and import terminals, we should promote flexible LNG trading and lower LNG cost. This study continues the 2003-2006 triennium study to fill in some of the gaps by extending the work to more countries, review issues highlighted by some more recent projects, and propose for harmonization, following the recommendations in the former study group report.

### Study Group D.2 “LNG contracts clauses for more flexible global LNG Market”

There are several barriers to obstruct the sound growth of LNG Market. One of them is ‘LNG Contracts.’ Such a circumstance was acknowledged among sellers and buyers and there was almost no alternative before early 2000. However, LNG Market itself has changed more rapidly than we expected these days. If these conditions continued for several years, we should meet the huge troubles which will wither the growth of LNG Market in the world. One of the most important objectives is to make LNG world trade more active. We have to study the LNG contracts clauses in detail such as destination clause, take or pay clause, the restriction of flexibility in quantity.

### **Study Group D.3 “Creative solutions for new LNG facilities”**

New LNG projects will find it increasingly hard to meet the key criteria of profitability and public acceptability. LNG plants are likely to be in more remote locations, involve more difficult gases, or not have economy of scale – and they will be challenged by high construction costs. LNG terminals are subject to increasing public opposition, and schemes may have to include new ways of providing buffer capacity in markets with large variations. This study group will explore various alternatives (such as new onshore and offshore technologies, and different construction approaches) that can address these issues and provide some promising ideas and guidance.

PGC D will also lead the LNG activities of IGU, in cooperation with other international LNG organizations such as LNG Conferences, International Group of Liquefied Natural Gas Importers (GIIGNL), Society of International Gas Tanker and Terminal Operators (SIGTTO) in an attempt to exchange information and develop synergies on the ongoing activities.