Removing destination clauses: The implications on long-term LNG demand in APEC

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The Asia-Pacific Economic Cooperation (APEC) was established in 1989, a regional economic forum in the Asia-Pacific, with 21 member economies.

The Asia Pacific Energy Research Centre (APERC) was established in 1996, following the directives of APEC Leaders.

The APEC Energy Demand and Supply Outlook is designed to provide a basic point of reference for anyone wishing to become more informed about the energy choices facing the APEC region. The business-as-usual projections illustrate the risks of the development path the APEC region is now on. Alternative scenarios examine options for improving sustainability. APERC normally prepares a new version of the Outlook every 2 or 3 years.

Recent editions of the Outlook have been published in two volumes. Volume 1 discusses the outlook for the APEC region as a whole, and compares the outlook for the various APEC economies. Volume 2 has provided an ‘Economy Review’ (chapter) discussing the outlook for each APEC economy.

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Fossil Fuel Report
Total primary energy supply by fuel, 2010-2050
A destination clause
a clause that designates a list of unloading terminals as destination ports of LNG ships. In other words, the clause prevents buyers from reselling LNG to other users.

Japan’s survey
Japan Fair Trade Commission (JFTC) released a report *Survey on LNG Trades: Ensuring of fair competition in LNG trades*. It concludes destination clause is *highly likely to breach Antimonopoly Act*.

Possible factors of the inclusion of destination clause
1) For buyers: to ensure stable supply when there were few suppliers
2) For sellers: to restrain competition; to ensure recouping their investment (for equity holders as well); to include as a guarantee to get approval from authorities and obtain a lower interest rate loan
3) For buyers and sellers: minimize the delay or interruption of a supplier’s operation; to serve to guarantee the trade as distance may create various uncertainties

EU cases
- NLNG (Nigerian LNG Ltd) 2002
- Gazprom-ENI, 2003
- Sonatrach 2003, 2007
- GDF-ENI, GDF-ENEL 2004
- Qatar Petroleum 2018 (ongoing)
Projected natural gas supply gap in APEC, 2015-2050 (Mtoe)
Gas is projected to grow the most rapidly in APEC among all the fuels, which implies LNG demand continues to grow.

The projected gas supply gap in APEC economies presents opportunities for LNG exporters.

US is the most promising LNG exporter to fill up the supply gap, given the US LNG exporters do not have the legacy issues of a destination clause, which makes them very flexible options for importers in APEC.
Thank you

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