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Growing LNG trade bodes well for Singapore as energy trading hub

By Jeana Wong, Channel NewsAsia | Posted: 07 September 2007 2325 hrs

SINGAPORE: Liquefied natural gas (LNG) is growing in popularity as a commodity because it's seen as the cleanest fossil fuel available today and it is abundant.

Industry players say that bodes well for Singapore as an energy trading hub.

Japan, Korea and Taiwan in the Pacific Basin have been the traditional major importers of Liquefied-Natural-Gas but industry experts say they are seeing rising demand from countries in the Atlantic Basin.

Tony Teo, LNG business manager at Det Norske Veritas (DNV) classification, explained: "Today, you're seeing an expansion in the US, UK and Europe. So you're looking at LNG from Middle East to the U.S. via more hostile environmental oceans. This includes the Russian project, which is coming from the Barents Sea. Although these are very hostile environments, these are achievable with technology. I can see the future for Singapore being a trading hub simply because of its strategic position. LNG is a very seasonal thing. The price will go up and down depending on whether it's summer or winter."

Global energy players are expecting trade in LNG to be increasingly commoditised.

According to BP, the business is now growing at 12 per cent a year.

Although spot trading is now rare, it says LNG markets in Asia and Western Europe are becoming more interconnected.



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Christof Ruhl, Group Deputy Chief Economist of BP, said: "We invest in LNG because we think that over the next 10 to 15 years, it would be a growing market and one that would continue to integrate itself. Many of the divisions which we've seen historically between Asia and the Atlantic bases have already disappeared. With the flexibility of the market and increasing integration, many restrictions like spot prices would soon disappear. This would benefit a trading hub such as Singapore."

Based on today's usage, the estimated demand for the fossil fuel could easily double to 400 million tonnes a year by 2015.

Industry experts say LNG is already an economically viable source of clean fuel today.

It costs US\$6 dollars per million British Thermal Unit (BTU), which works out to be about 290 kilowatts. The factors driving its demand growth include high crude oil prices, improved technology and a general rising demand for energy worldwide.

Singapore is building a LNG terminal to receive and store three million tonnes of gas a year when it is ready in six years.

Beyond generating power, industry players say the project could well serve as a base for Singapore to trade LNG in the future.- CNA/vm

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