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Jakarta targets distributors in bid to cut gas prices

An offshore rig in the Mahakam block. Indonesia's oil production is in decline. (SKKMigas)

Damon Evans / Jakarta

THE INDONESIAN GOVERNMENT will introduce new regulations governing the downstream gas sector next month that will help boost demand for gas by limiting distribution fees to make pricing more competitive, Wiratmaja Puja, the director general of oil and gas at the Ministry of Energy and Mineral Resources, told delegates at the IndoGAS conference on Wednesday.

"We will manage the middle men to make prices fairer. Upstream producers sell the gas for $5/MMBtu yet the end user pays [as much as] $14/MMBtu [...] Downstream and transport get nearly $10/MMBtu benefit, but the risk is in the upstream – it's not right," Puja said.

"We will manage it in a very simple way. It will be based on a maximum internal rate of return of 12% [...] although frontier areas will be allowed up to 15%. Downstream prices will be fairer," he added.

Although fixed tariffs are starting to be introduced in an attempt to quickly push down the country's gas price, analysts and industry experts believe the controls will not be sustainable in the long run – especially as Indonesia becomes more interconnected with global markets if it starts importing LNG later this decade as planned.

Despite the rising criticism, Indonesia's upstream sales price relative to its regional neighbours "is not too bad – comparable with Malaysia [which is] around $5.8/MMBtu [and] lower than Thailand at $6.4/MMBtu and Singapore at $8.1/MMBtu", Arividya Noviyanto, president of the Indonesian branch of French major Total, told delegates.

"Our piped gas prices are fixed, [so] when the oil price is high our gas price is relatively very low. At $100 per barrel for oil, our piped gas still sells for around $6/bbl, but with oil at $50/bbl it's comparable with other oil-linked gas pricing. With many upstream gas sellers it makes pricing harder to standardise," he added.

"Our midstream cost is the highest in the region, at $1.6/MMBtu versus $0.8/MMBtu in Malaysia, Thailand and Vietnam. This is the area we need to tackle with more concern [...] lower[ing] the midstream costs via open-access pipelines and increased utilisation," Noviyanto stressed.

Better efficiency in the midstream will be crucial, rather than increasing the pressure on upstream producers to cut prices – which would make projects less economic when it is already challenging to revive upstream investment, he warned.

Transition to gas

Indonesia's government aims to transition its expanding economy to gas because the country's oil production is in decline. However, there is little downstream or midstream infrastructure in most parts of the archipelago.

Indonesia, which is Southeast Asia's biggest economy, will need more than

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$48 billion of investment to build the necessary infrastructure by 2030, said Puja. "Pipelines need to be built to connect Java, Sumatra, Kalimantan and Bali, while 'virtual pipelines' using FSRUs will be needed in eastern Indonesia," he added.

More than $25 billion of the planned investment will be needed for liquefaction plants and just over $6 billion is needed for regasification facilities to help connect reserves with markets.

Meanwhile, $1.2 billion will be spent on building pipelines and nearly $2 billion needs to be spent developing gas stations to help Indonesia's plans to shift its transport sector away from oil. Another $2 billion will be needed for city gas.

While Puja admitted there will be many challenges in achieving this roadmap, Edi Saputra, an Indonesian gas expert at energy research firm Wood Mackenzie, told *Interfax Natural Gas Daily* there are clearly investment opportunities in power and gas – particularly independent power projects – as well as FSRUs.

"The power sector will grow in Indonesia. PLN's power development pipeline has to be completed," he said.

Indonesia has an ambitious plan to develop 35 GW of new power generation capacity, of which 30% will be gas-fired, opening plenty of opportunities for investment, said Puja. The ambitious electrification plan was initially slated for completion by 2019, but is way behind schedule. Only 19.7 GW of capacity will be added to the grid by 2019, most of which will be coal-fired.

A new ministerial regulation, released in January, is intended to ease state utility PLN and independent power producers' progress in developing gas-fired power plants. Decree No.11/2017 caps the price that gas investors can sell electricity to producers at 8% of the Indonesian crude price per MMBtu for wellhead power plants and 11.5% for non-wellhead power plants.

Based on the regulation, power producers are allowed to import LNG if domestic gas prices are higher than the set cap. The government is yet to clarify whether other sectors can do the same. ■

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Further reading

- Indonesia may face gas shortages by 2019
- Indonesia seeks more LNG import deals
- Price tag for domestic gas has increased in Indonesia

Energy front-month futures

	Closing date	Close	High	Low	% change
Brent Crude, $/bbl	8 Feb	55.12	55.68	54.44	0.13
WTI Crude, $/bbl	8 Feb	52.34	52.67	51.22	0.33
Henry Hub, $/MMBtu	8 Feb	3.13	3.16	3.06	-0.13
NBP, p/th	8 Feb	53.35	56.00	52.98	-5.91
TTF, €/MWh	8 Feb	20.18	20.18	20.18	-5.15
Gaspool, €/MWh	8 Feb	19.89	–	–	-4.69
NCG, €/MWh	8 Feb	20.45	–	–	-5.19
CSX Coal, $/t	8 Feb	58.75	–	–	0.26
Newcastle Coal, $/t	8 Feb	79.40	–	–	-1.24
South China Coal, $/t	8 Feb	66.15	–	–	-1.49

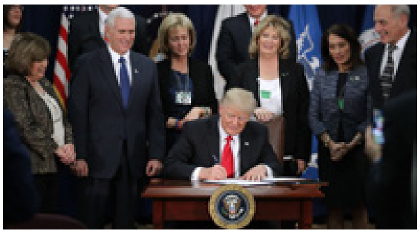
Prices provided by GlobalView.
GlobalView provides benchmark pricing, news and analytics for the commodities and energy sector. For more information, please contact sales.london@marketview.com.

On interfaxenergy.com

Editor's choice

IPP dispute spells gloom for Tanzanian power

The government's reluctance to raise power prices and its growing debts to IPPs could leave Tanzania struggling.



Donald Trump vs Henry Hub

Experts warned this week that the fallout from a US-Mexico trade war could be a gas price shock. The warning should be taken seriously.

Trending

1. Indonesia seeks more LNG import deals
2. IPP dispute spells gloom for Tanzanian power
3. Ireland mulls FSRU solution to counter Brexit
4. Edison plans for small-scale LNG in Italy
5. Shell to consolidate LNG assets in 2017

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EU import dependence here to stay – IEA

Andreas Walstad / Brussels

Energy efficiency drives and the expansion of renewables will do little to reduce Europe's reliance on imported gas, experts say.

The first pipes for the Nord Stream 2 pipeline arrive in Rügen, Germany, October 2016. (Nord Stream)

EUROPE'S DEPENDENCE ON imported gas seems likely to grow despite moves to increase the share of renewables and boost energy efficiency, MEPs heard on Monday.

Peter Fraser, head of the gas, coal and power markets division at the International Energy Agency, told a workshop in the European Parliament's Industry, Research and Energy committee that this dependence was likely to grow in the coming years as domestic gas production is declining and demand is expected to remain flat.

"You are going to get much more import-dependent in the next several years. It is fortunate that you have LNG to complement Russian gas to give you some more diversity of supply," Fraser said.

Europe's dependence on imported gas has grown substantially over the past few decades. In spite of the limited increase in the region's overall energy consumption, imports accounted for more than 69% of Europe's gas supply in 2015, up from around 62% in 2010 and 49% in 2000, according to Eurostat data.

Brussels hopes the expansion of renewable capacity combined with increased energy efficiency will reduce growth in the EU's fossil fuel imports. The European Commission's proposed '30% by 2030' energy efficiency target could reduce gas imports by 12%, it has said.

"In the longer term, if you wish to reduce your import dependence, aggressive emission reduction policies will lead to lower demand and lower imports as a consequence," said Fraser.

He noted that European gas demand – after falling quite significantly in 2010-2014 – picked up again in 2015 and 2016. This was principally the result of higher demand in the power sector, helped by higher coal prices relative to gas. But this trend is now reversing, Fraser noted.

"As a result we don't see a large coal-to-gas switching in the next few years, particularly with the low carbon prices that we have today," Fraser said. He said carbon prices under the EU's Emissions Trading System would have to quadruple from the current level of around €5/t ($5.35/t) to encourage switching to gas.

Russian imports

Europe's dependence on Russian gas – which supplies around 30% of Europe's overall demand – is a point of concern for Brussels as political relations between the EU and Moscow remain fragile.

However, Katja Yafimava, senior research fellow with the Oxford Institute for Energy Studies, said the European gas market was well diversified as a whole, with plenty of spare regasification capacity to absorb the global LNG glut.

However, the global LNG market could tighten beyond 2020, with cargoes potentially going to higher bidders in Asia. This could increase Europe's dependence on piped gas from Russia, Yafimava added.

"As the global LNG supply balance tightens [...] LNG will simply disappear to the places that need it the most and are prepared to pay more. In that timeframe – 2023 and beyond – dependence on Russian gas might come back and increase again," Yafimava said.

Around half of the Russian gas exported to Europe transits Ukraine. Fresh data from Naftogaz shows that 82.2 billion cubic metres of gas crossed Ukraine bound for European buyers in 2016, a 23% increase on the year before. However, the transit agreement between Moscow and Kiev is set to expire by 2020 and the EU is concerned Gazprom may seek alternative routes, such as the proposed Nord Stream 2 pipeline, to increasingly circumvent Ukraine.

Nord Stream 2 has been met with heavy opposition in the parliament, and its future remains uncertain as major European partners withdrew their applications to form a joint venture last year.

"Nord Stream 2 has been hampered by European companies pulling out of the project. Now the financing will have to be guaranteed solely by Gazprom. The question is: is the project really worth it? It seems like European companies do not believe it is worth the investment," MEP Krišjanis Karinš (EPP, Latvia) told *Interfax Natural Gas Daily*.

Despite concerns about Russia's market share, the commission has allowed Gazprom to increase flows on its OPAL pipeline, which links Russian gas with Germany and the Czech border. However, this decision has been challenged by Poland in the European Court of Justice, which is still considering its verdict. ■

We welcome your comments. Email us at comments@interfax.co.uk.

Further reading

- EU remains hopeful on East Med gas
- Europe sees sharp decline in renewables investment
- EU debate over future role of gas heats up

New Norwegian minister promises fiscal stability

Silvia Favasuli / London

Norway's new energy minister is planning to go all out in awarding new licences and is optimistic about his country's oil and gas sector.

Terje Søviknes, Norway's new minister of petroleum and energy. (Norwegian energy ministry)

TERJE SØVIKNES WAS appointed as Norway's minister of petroleum and energy in December 2016, replacing Tord Lien. A member of the neoliberal Progress Party, which governs Norway in coalition with the Conservative Party, Søviknes stated soon after his appointment he would be "on the offensive" in terms of awarding new acreage. The minister shared his optimistic view for the future of the Norwegian oil and gas industry with *Interfax Natural Gas Daily*.

Interfax Natural Gas Daily: *According to Statistics Norway, investment covering oil and gas, manufacturing, mining and quarrying, and electricity in 2016 is expected to be 12.1% lower than in 2015. The institute also expects that figure will be 13.5% lower in 2017 than in 2016, and has said the decline is mainly the result of a drop in activity in the oil and gas sector. What are your plans to attract new investment?*

Terje Søviknes: First of all, the activity level is now dropping from an extraordinarily high level to a more sustainable level. The main reason for the decline is that large development projects are now nearing completion, or have recently been completed, without new similar projects being commissioned. However, in historical terms the activity level remains high, partly due to the development of the Johan Sverdrup field.

Secondly, the cost-reducing initiatives that both the oil companies and the supply industry have carried out are materialising in more economically robust projects. We are seeing promising results in terms of companies sanctioning new projects on the [Norwegian Continental Shelf: NCS].

My role [in promoting] activity is to ensure a stable regulatory regime and offer new exploration acreage. This will also ensure a high activity level in the longer run.

INGD: *What's the current state of Norwegian gas production?*

TS: There has been a steady growth in Norwegian gas production since the mid 1990s – in 2016, gas sales were at about the same record level as in 2015. At the same time, only about one-third of the total estimated gas resources has been produced since [Norway] started in 1971. With current production plans and large remaining resources, the production levels will continue to remain high in the years ahead.

INGD: *You recently said Norway should expect to live off its fossil fuel industry for "decades to come". Where does your optimism come from?*

TS: First of all, my optimism is based on our current production outlook. The overall picture for the years ahead is a combination of new large fields coming onstream and the continuation of production at aging fields with substantial remaining reserves. Moreover, the resource base for existing facilities continues to increase, with new small discoveries being tied up to existing infrastructure. Production is therefore expected to remain relatively stable in the years ahead.

In addition, there will be a high level of exploration activity in new interesting areas. We expect new commercially viable discoveries that will ensure the continuation of regular activities and production levels in the decades ahead.

Secondly, we have an internationally competitive service and supply industry with large market shares in both the domestic and the international markets. How the industry has adapted to recent market turmoil makes me confident that this industry will continue to be an important factor in the Norwegian economy in terms of revenues, employment and R&D.

INGD: *Which areas will you focus on when awarding new frontier acreage? When will you be announcing it?*

TS: We have two types of licensing rounds on the NCS. The first is the annual awards in predefined areas [APA] round, which focuses on our most explored and matured areas. The APA follows an annual schedule, with an announcement during first quarter, a deadline in the third quarter and awards made in the first quarter of the following year. We recently awarded the APA 2016, and are expecting to announce the APA 2017 soon.

The second type are the numbered licensing rounds, which focus on the more frontier areas of the shelf. After more than 50 years of activities, our frontier areas mainly include deepwater areas of the Norwegian Sea and large parts of the Barents Sea. The numbered licensing rounds follow a schedule, with awards made every other year. We awarded the 23rd licensing round before summer last year, and are [getting] ready to announce the 24th licensing round before summer this year, with awards planned for 2018. ■

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India's LNG imports boosted by low prices

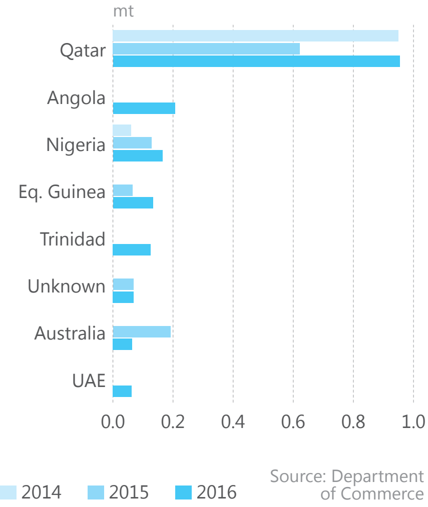
Andrew Walker / London

INDIAN LNG IMPORTS, NOVEMBER 2016

Country	Volume, tons	Value, $ million	Cost, $/MMBtu	Cost in 2015, $/MMBtu	Cost in 2014, $/MMBtu
Qatar	954,003	246.33	4.98	10.40	13.86
Angola	206,348	63.70	5.96	–	–
Nigeria	164,658	58.80	6.89	7.10	13.99
Eq Guinea	132,857	44.26	6.43	8.16	–
Trinidad	125,432	39.18	6.03	–	–
Unknown	68,673	22.95	6.45	8.28	–
Australia	64,335	19.07	5.72	7.17	–
UAE	62,245	19.14	5.94	–	–
Total	1,778,550	513.43	–	–	–
Average	–	–	5.57	9.04	13.76

Source: Department of Commerce

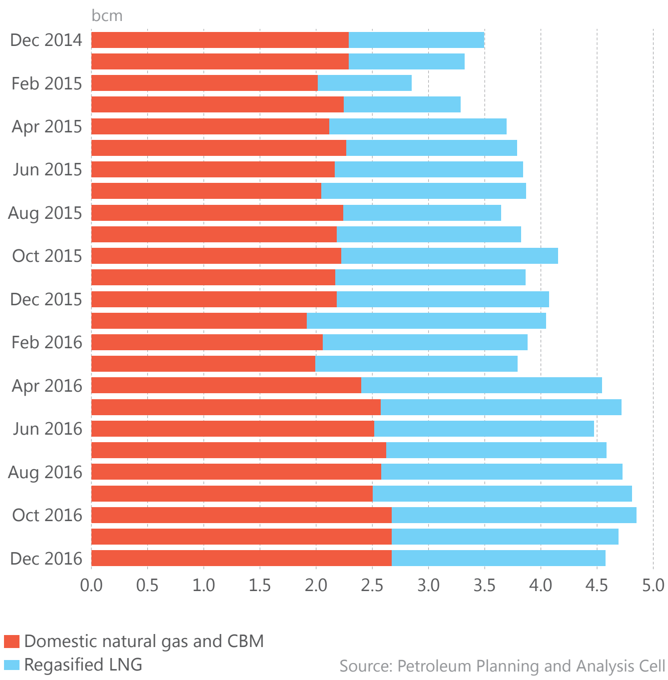
INDIAN LNG IMPORT VOLUMES, NOVEMBER



Source: Department of Commerce

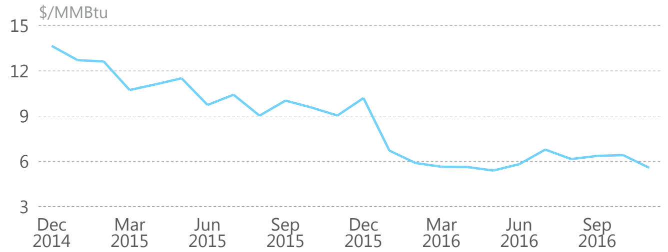
INDIA'S LNG IMPORTS continued to grow in November as the country made the most of low LNG prices. Imports were up by 45% year on year during the month, bringing the total imports between January and November 2016 to 15.9 mt, according to data from the Department of Commerce. This was 32% higher than the same period in 2015. India's gas consumption declined in November and December, according to statistics from the Petroleum Planning and Analysis Cell.

INDIAN DOMESTIC GAS CONSUMPTION



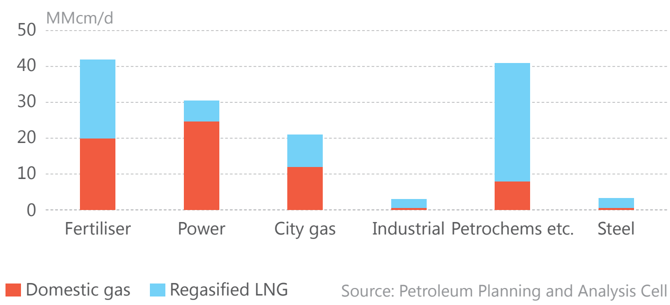
Source: Petroleum Planning and Analysis Cell

AVERAGE COST OF INDIAN LNG IMPORTS



Source: Department of Commerce

GAS CONSUMPTION BY SECTOR, DECEMBER 2016



Source: Petroleum Planning and Analysis Cell

The average price India paid for LNG fell by $0.84/MMBtu month on month in November. This was a large fall and brought prices close to what India was paying in the spring and summer. The country plans import LNG from a wider range of sources in 2017 than in previous years as it is looking to secure more LNG from the spot market. However, there are still significant volumes of LNG arriving from the Atlantic Basin, including Angola, Equatorial Guinea, Nigeria and Trinidad & Tobago.

Customs duties on imported LNG will be halved in the 2017-2018 financial year, according to last week's budget announcement. This is expected to increase LNG demand, particularly from the fertiliser and petrochemical sectors. These industries each consume more than 40 million cubic metres per day of gas and account for around 60% of all gas consumption in the country.

Queensland pilots gas reservation as LNG ramps up

Sally Bogle / Perth

Reserving gas acreage for domestic consumption may be the only way to solve the supply crunch in eastern Australia's gas market.

A gas well in the Cooper Basin. Eastern Australia is suffering a supply crunch. (Beach Energy)

POLICYMAKERS IN QUEENSLAND are rallying to boost gas supplies for local users before increased amounts of exports tighten the eastern Australian market. Regional prices are climbing as three new LNG projects ramp up their exports and producers choose international buyers over local customers.

In an attempt to boost supply, the Queensland government has announced it will set aside 5,800 hectares in the Surat Basin for gas exploration, with all the gas produced there to be marketed to local users only. It is the first time such a step has been taken in eastern Australia and follows long-standing political resistance to the idea at a federal level.

Queensland's Department of Natural Resources and Mines will release the acreage to competitive tender "in the next few days", a spokesperson for the department told *Interfax Natural Gas Daily*. She stressed it will be a pilot project designed to free up supply rather than lower prices. The move "has the backing of Australian manufacturers and the Queensland Resources Council", she said, adding that "we will gauge response to the pilot before deciding how to proceed".

Bruce Robertson, of the Institute for Energy Economics and Financial Analysis, is sceptical the initiative will have much of an impact on market dynamics. Unless an amount greater than current east coast Australian demand is reserved, it will make little difference to price or availability because it will simply free up existing domestic gas capacity for export, he told *Interfax Natural Gas Daily*.

"A market for gas on the east coast of Australia does not exist. We have a cartel of producers controlling price by restricting supply to domestic consumers. Where there is total market failure, as there is in east coast Australian gas, it is the government's role to either create a market or regulate prices and volumes," Robertson said. "I am a believer in markets; however, all attempts to create a market in east coast Australian gas have failed," he added.

Meanwhile, Australia's coalition government is looking at a similar option. In what appears to be a major policy shift, Prime Minister Malcolm Turnbull said this month that he may also be open to reserving some of eastern Australia's gas production for the domestic market.

Details so far are scant, but the plan could also involve setting aside onshore acreage that can only be developed for local consumption as is happening in Queensland. The idea is part of Turnbull's energy supply security plan, which envisages using gas and clean coal-fired power plants as baseload generation to handle the shift to renewable energy.

Significant reservations

Although the gas reservation option is already being used in Western Australia and has often been mooted by large industrial consumers, it has long been rejected by eastern Australia's gas industry, which argues that shortages can only be alleviated if states such as Victoria and New South Wales remove restrictions on fracking for unconventional gas onshore.

The Australian Petroleum Production & Exploration Association (APPEA) said it welcomed the Queensland government's release of acreage, but does not support the restrictions on gas marketing being trialled.

"More acreage for exploration and lower regulatory costs will help bring new supply to the market. More restrictive regulations will not," APPEA Chief Executive Malcolm Roberts said. "Producing more gas from Queensland fields is essential for both the LNG export industry and local customers. The best – indeed the only – way to put downward pressure on local prices is to expand supply," Roberts added.

Meanwhile, Wood Mackenzie believes the Queensland LNG facilities could become an important source of gas supply flexibility for eastern Australia, diverting gas to the domestic market in response to price signals rather than exporting them as LNG.

But the group warned that technical and commercial arrangements are needed before domestic gas diversions can happen. Woodmac forecasts that the domestic gas supply situation on the east coast will remain tight, with the risk of a material shortfall as early as 2019.

"With Bass Strait running hard already, and core maintenance spend in the Cooper Basin being pushed back, there is little supply flexibility left [...] The risks to reliable energy supply will increase unless additional gas supply or alternatives are found. Policies restricting gas drilling, and the retirement of coal power generation without a strategy for capacity replacement, will exacerbate the problem," Woodmac's Saul Kavonic said.

LNG exports from Queensland rose to a record 1.75 mt in December 2016 as the state's new facilities continued to increase their output, with Origin's Australia Pacific LNG ramping up faster than expected. But critics have warned that the volume of gas needed to run the facilities could mean supplies are diverted from the local market, pushing up domestic prices. ■

We welcome your comments. Email us at comments@interfax.co.uk.

Gas-focused wells increase share in Argentina

Chris Noon / Barcelona

GAS-FOCUSED DRILLING IS showing signs of life in Latin America. There were 24 rigs drilling for gas in the region in January 2017 according to Baker Hughes data, up from 21 in December 2016 and 19 in November 2016. Argentina added two rigs in January, taking its total to nine. Gas-focused exploration in the country grew in 2016, according to a report released by Buenos Aires-based Hub Energía last week. A total of 269 oil and gas wells were drilled in Argentina in 2016, 69 fewer than in 2015. However, the number of gas-focused wells drilled increased from 172 in 2015 to 191 in 2016. This raised the share of gas-focused wells from 51% in 2015 to 71% in 2016.

LATIN AMERICAN RIG COUNT (TARGETING GAS)

	Jan 2017	Dec 2016	Nov 2016	Jan 2016	Jan 2015
Argentina	9	7	8	9	13
Bolivia	4	5	3	4	4
Brazil	1	1	1	2	0
Chile	2	4	2	2	2
Colombia	1	1	1	0	0
Ecuador	0	0	0	0	1
Guyana	1	1	1	0	0
Mexico	1	0	1	3	7
Peru	1	0	0	0	1
Trinidad and Tobago	3	2	2	4	2
Venezuela	1	0	0	0	1

Source: Baker Hughes

Eni Chief Executive Claudio Descalzi is among those being investigated over alleged corruption in Nigeria. (Eni)

Explosion at EDF's Flamanville nuclear plant

An explosion hit EDF's Flamanville nuclear plant in France on Thursday morning. According to *AFP*, five people were injured by inhaling the fumes from the blast. Olivier Marmion, a local government official, has excluded any nuclear risk as the explosion "happened outside the nuclear zone" and "is in the process of being circumscribed", *AFP* reported. Production at reactor 1 has been halted. The Flamanville nuclear plant has two pressurised water reactors that were built in the 1980s.
A third reactor has been under construction for years after receiving the greenlight from the French government in 2005.

Macron pledges renewables tender

French presidential candidate Emmanuel Macron has announced plans to launch a tender for 26 GW of renewable energy, if elected, according to *Reuters*. Macron said he would close all coal power plants and put an end to oil and gas exploration in the country. The centrist candidate will stick to the current government policy of reducing the amount of energy produced by nuclear plants to 50% by 2025.

Russia to wait for EU support on second Turkish Stream line

Russia does not plan to build a second line of the proposed Turkish Stream pipeline to Europe without guarantees and approval from the European Commission. "Certainly, no one will build anything blindly today because it is linked with certain losses. And today no one will allow oneself to depend on some whims, politicised decisions carrying serious risks," Alexander Botsan-Kharchenko, director of the Russian Foreign Ministry's Fourth European Department, said in an interview with *Interfax*. "The European Commission's stance is of crucial significance," he said.

Dana Gas halts Egyptian investments over uncertainty

Dana Gas has put its investments in Egypt on hold because of delayed payments for gas deliveries, according to Chief Executive Patrick Allman-Ward. "As uncertainty remains we must therefore be rigorous in balancing any additional capital investment in Egypt with actual collections," he told reporters. The company posted a $7 million net profit for the fourth quarter of the year, down from $134 million in the last three months of 2016 when its figures were buoyed by a one-off payment.

Bukhary to study Iranian offshore gas fields

National Iranian Oil Co. (NIOC) has signed a memorandum of understanding with Malaysia's Bukhary International Ventures to study two gas fields off the coast of Iran, said state-run *Shana* news agency. Bukhary will submit its proposals for the Golshan and Ferdowsi gas fields to NIOC within seven months.

DNO boosts drilling in Middle East

Norwegian oil and gas company DNO has stepped up its drilling campaign in Iraqi Kurdistan and Oman. It plans to spend $100 million in 2017. The company has posted an interim operating profit of $6 million for 2016, reversing a loss of $174 million in 2015.

Descalzi sent to trial over alleged corruption in Nigeria

Eni Chief Executive Claudio Descalzi has been put on trial by the Attorney of Milan. The two prosecutors, Fabio de Pasquale and Sergio Spadaro, asked for the indictment of Descalzi, Eni and 10 other people over alleged corruption in Nigeria. "Descalzi was not involved in any way in the conduct under investigation," Eni said in a statement on Wednesday. Among those investigated there are former chief executive Paolo Scaroni, former head of the exploration division Roberto Casula, former vice president of Eni Nigeria Vincenzo Armanna, and two mediators, Luigi Bisignani and Gianluca Di Nardo.

Novatek to mull Chinese regas

Novatek may invest in LNG terminals in China, Russian businessman and major Novatek shareholder Gennady Timchenko told journalists. He said that after the company builds its Yamal LNG and depending on how much gas Chinese companies buy from the plant, the company would be interested in investing in Chinese regasification capacity. Timchenko said the company had already received approval from China's government, but the specifics were not discussed.

AGL Energy planning LNG terminal in southeast Australia

Australia's second-largest power and gas retailer AGL Energy is progressing with plans to build an LNG terminal in southeastern Australia to help alleviate the gas supply shortage in the region, according to *World LNG News*. The country is shipping large volumes of LNG abroad while moratoriums on onshore gas development are creating supply shortages and raising prices. The company is considering investing up to $300 million to build a floating or onshore LNG terminal to supply retail markets in New South Wales, Victoria and South Australia. The company expects to take an FID on the project in June 2018.

Japanese spot LNG price hits two-year high

The average price Japan paid for spot LNG hit a two-year high in January, according to the Ministry of Economy, Trade and Industry. The average price of LNG last month was $8.40/MMBtu.

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Japanese consumers switch suppliers following liberalisation

Japanese utilities have seen 2.5 million customers switch supplier in the 10 months since the sector was liberalised, according to data from the Organisation for Cross-regional Coordination of Transmission System Operators. Tepco has experienced the largest number of people switching, losing 1.4 million customers, although this accounts for just over 6% of its total customer base. Market liberalisation is forcing Japanese utilities to become more competitive in the prices they set and services they offer. The retail gas market will be opened up to competition in April. Power companies, including Tepco, are keen to enter this market as they have experience of securing low-cost gas for their power operations. If they can encourage customers to switch to them for their gas supply, it could compensate for a reduced customer base for their electricity.

Thai transit authority scraps gas bus plans

Thailand's Bangkok Mass Transit Authority (BMTA) has decided to scrap a contract to procure 489 gas-powered buses awarded to the Bestlin Group because of delays to delivery and a tax avoidance scandal surrounding the company, according to the *Bangkok Post*. Bestlin had delivered 390 buses to the BMTA as of the beginning of February, of which 274 have been examined and have started the registration process. The Transport Ministry is also reconsidering its order for 200 electric buses.

TransCanada hold talks to beat US shale to Ontario

Energy infrastructure company TransCanada is holding a second round of negotiations with producers in Calgary to deliver gas from Western Canada to Ontario. The company aims to halt plans for Dallas-based Energy Transfer Partner's Rover pipeline to deliver shale gas from the United States to the Dawn hub in Ontario, local news has reported. The 99 million cubic metres per day Rover project was recently approved by the US Federal Energy Regulatory Commission and is planned to come onstream by November. Last autumn, TransCanada's plan to reduce its tolls by 40% failed to gain commitments from producers. TransCanada's renewed offer includes lower tolls on its existing mainline system to protect its market share in Ontario. "We have resumed discussions to find a long-term fixed price proposal for the Canadian Mainline, and until an agreement is reached, we are not in a position to provide more details," TransCanada spokesperson Shawn Howard told reporters. "We are always interested in what our shippers have to say and we indicated that if they came back to us with other proposals, we would listen to what they bring forward," Howard added.

Grupo Bolognesi given deadline to prove power plants' viability

Brazilian authorities have given the Grupo Bolognesi conglomerate until August to prove the financial viability of two gas-to-power plants with a combined capacity of 2.5 GW, *Business News Americas* reported on Wednesday. The Porto Alegre-based company said in 2014 it would invest almost BRL 6 billion ($2.3 billion) to build one plant in the southern state of Rio Grande do Sul and the other in the northeast region of Pernambuco. The fuel for the power plants – originally scheduled to come online in 2019 – will come from up to 48 extra LNG cargoes per year. However, the proposed startup date has been pushed back amid doubts over financing for the project.

REN buys stake in Chile's gas grid

Portuguese state-owned energy giant REN has bought a 42.5% stake in Chilean gas grid Electrogas for $180 million from Enel Generacion Chile, a subsidiary of Italian power utility Enel, *Natural Gas World* reported on Wednesday. Electrogas owns 165.6 km of reversible gas pipelines linking the Quintero LNG terminal to Chile's capital, Santiago, as well as several power plants in the region. REN said in a statement earlier this week that its acquisition marked "an important step towards its internationalisation".

Bolivia aims to boost gas exports to Argentina

Bolivia is seeking to boost its gas exports to neighbouring Argentina to 20.03 million cubic metres per day (MMcm/d) in 2017, according to local press. Bolivian Energy Minister Luis Alberto Sanchez will soon meet with his Argentine counterpart Juan José Aranguren to discuss future export volumes. Exports in early February ranged from 17.8- 18.5 MMcm/d. ■

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