

# **Strategic Panel: The Art of Regulation**

## **Impact of Down Stream Market Design on Upstream Investments**

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# Comparison of Gas Market Liberalization

## EU · US Model

### Supply

Abundant domestic sources

### Supply infrastructure

Well-established

Market deregulation implemented

## Japan

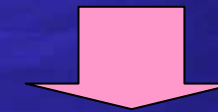
### Supply

High import dependency

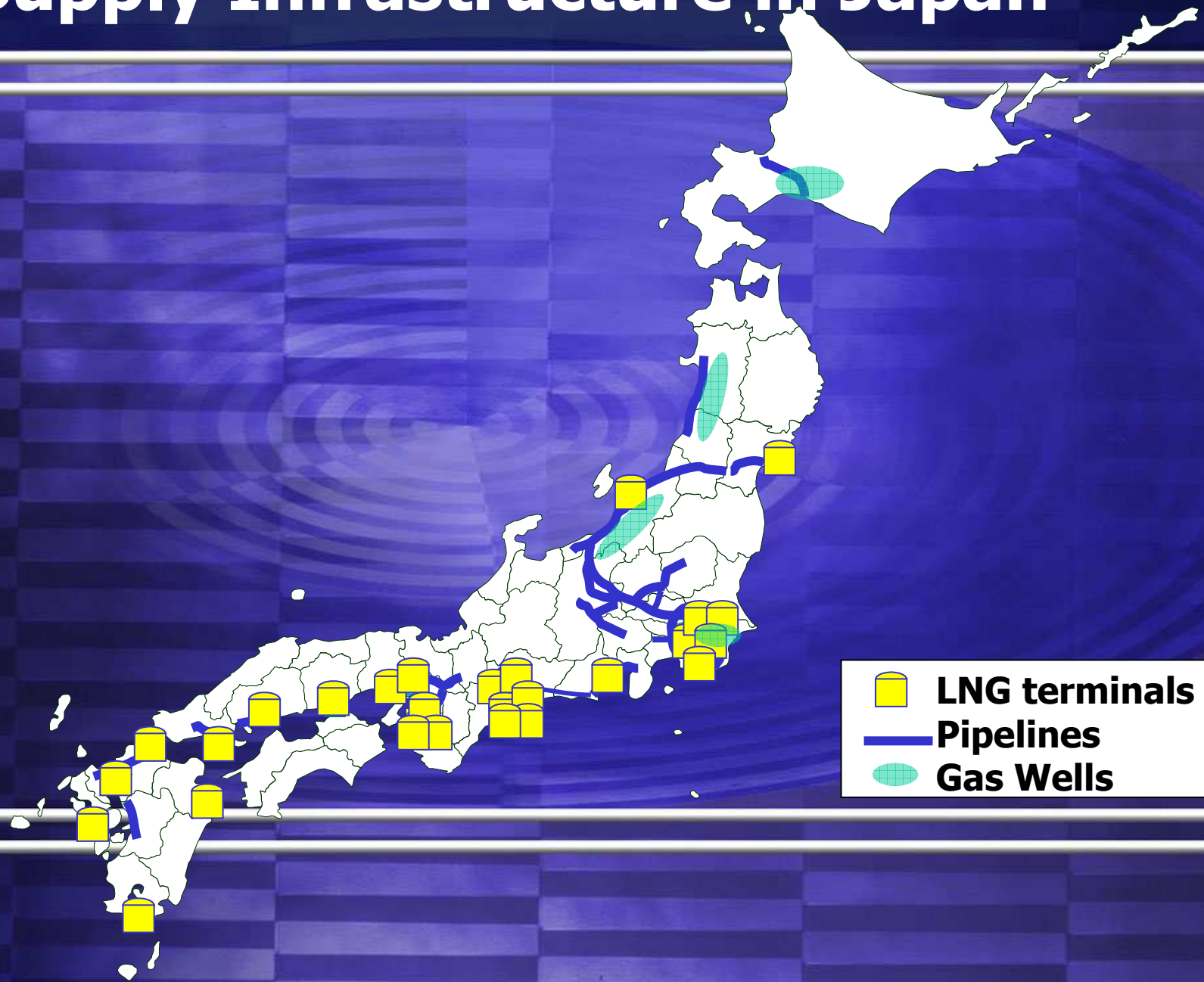
### Supply infrastructure

Underdeveloped, fragmented

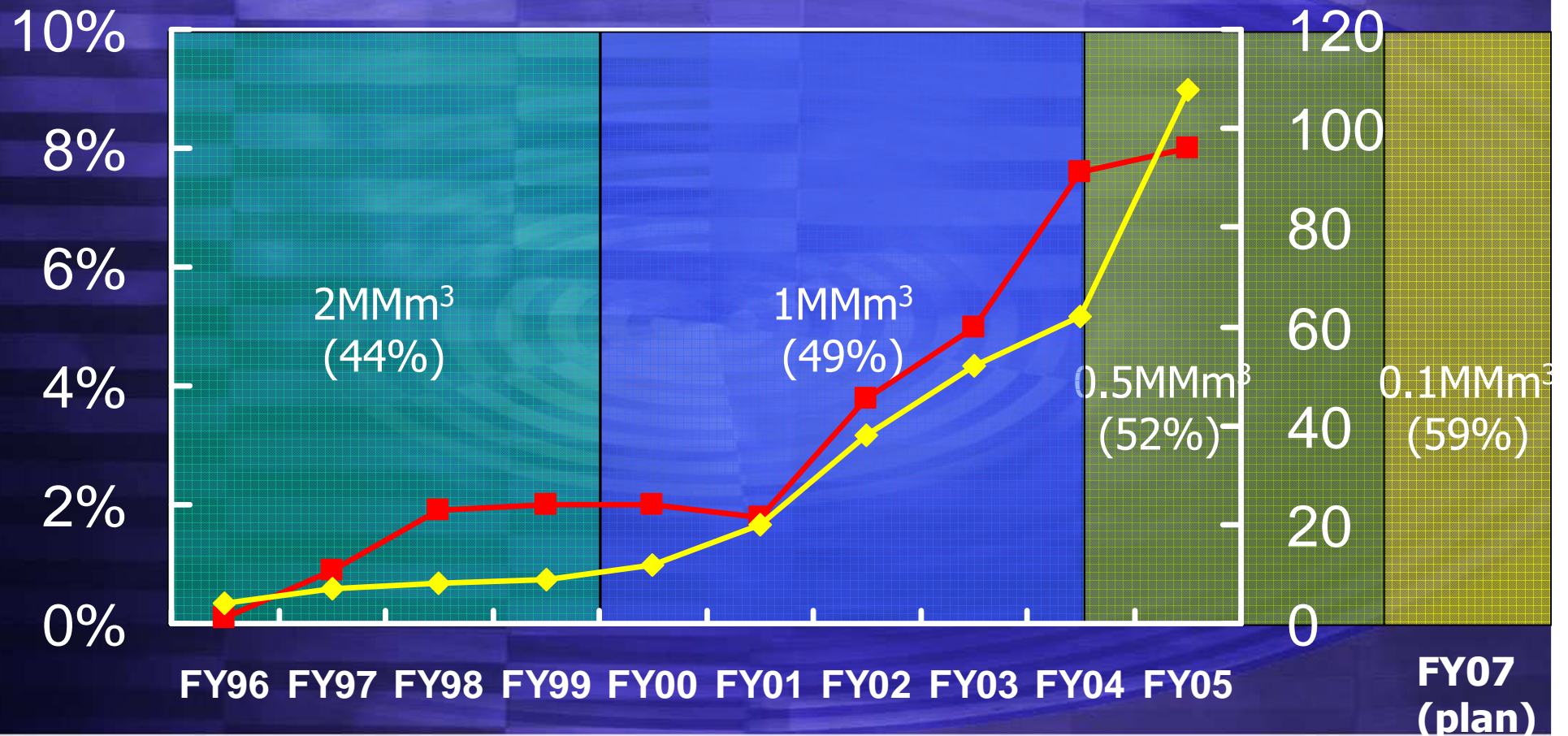
Physical constraints



# Gas Supply Infrastructure in Japan



# Gas Market Liberalization in Japan

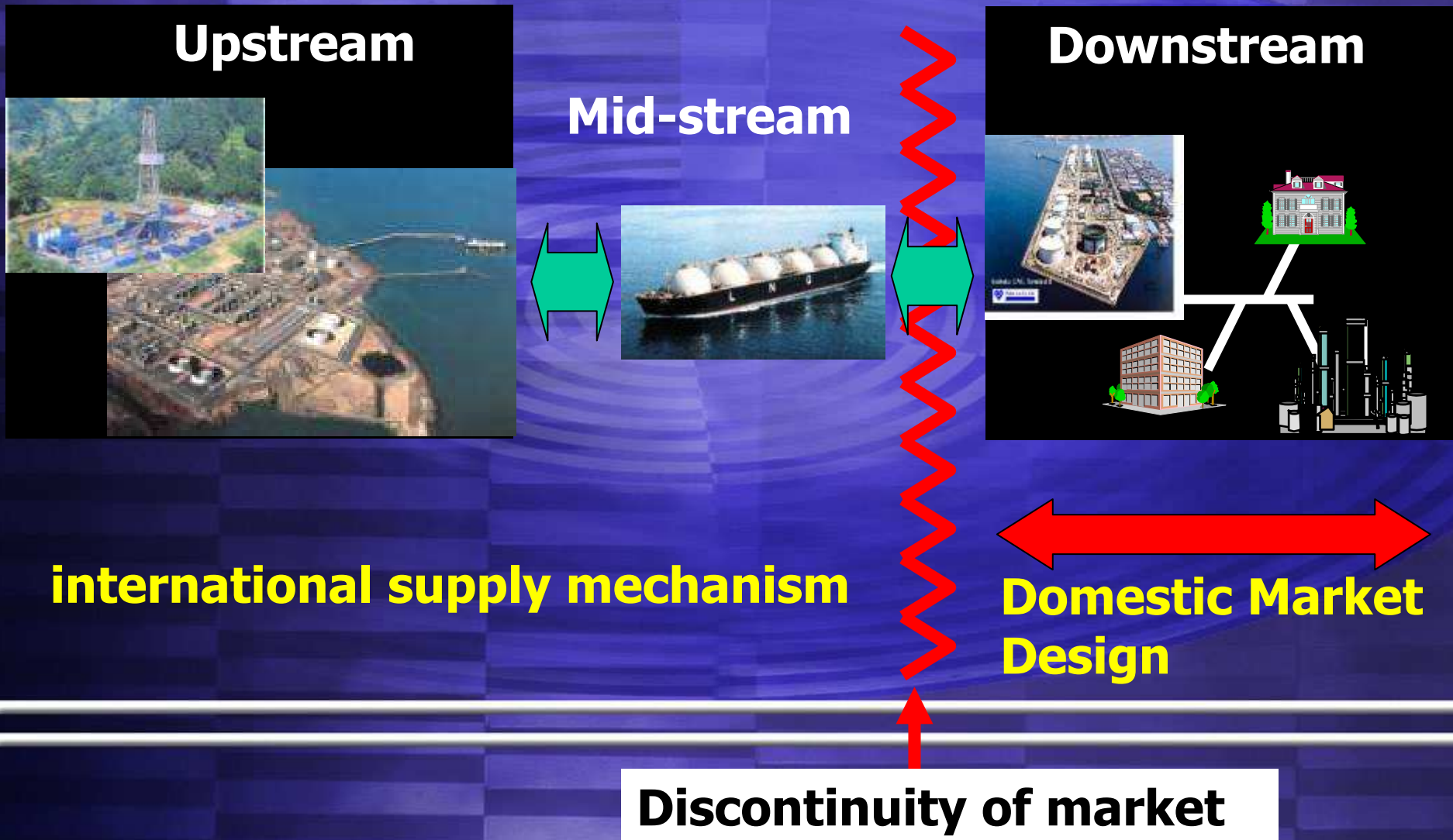


Threshold  
(Market Opening)

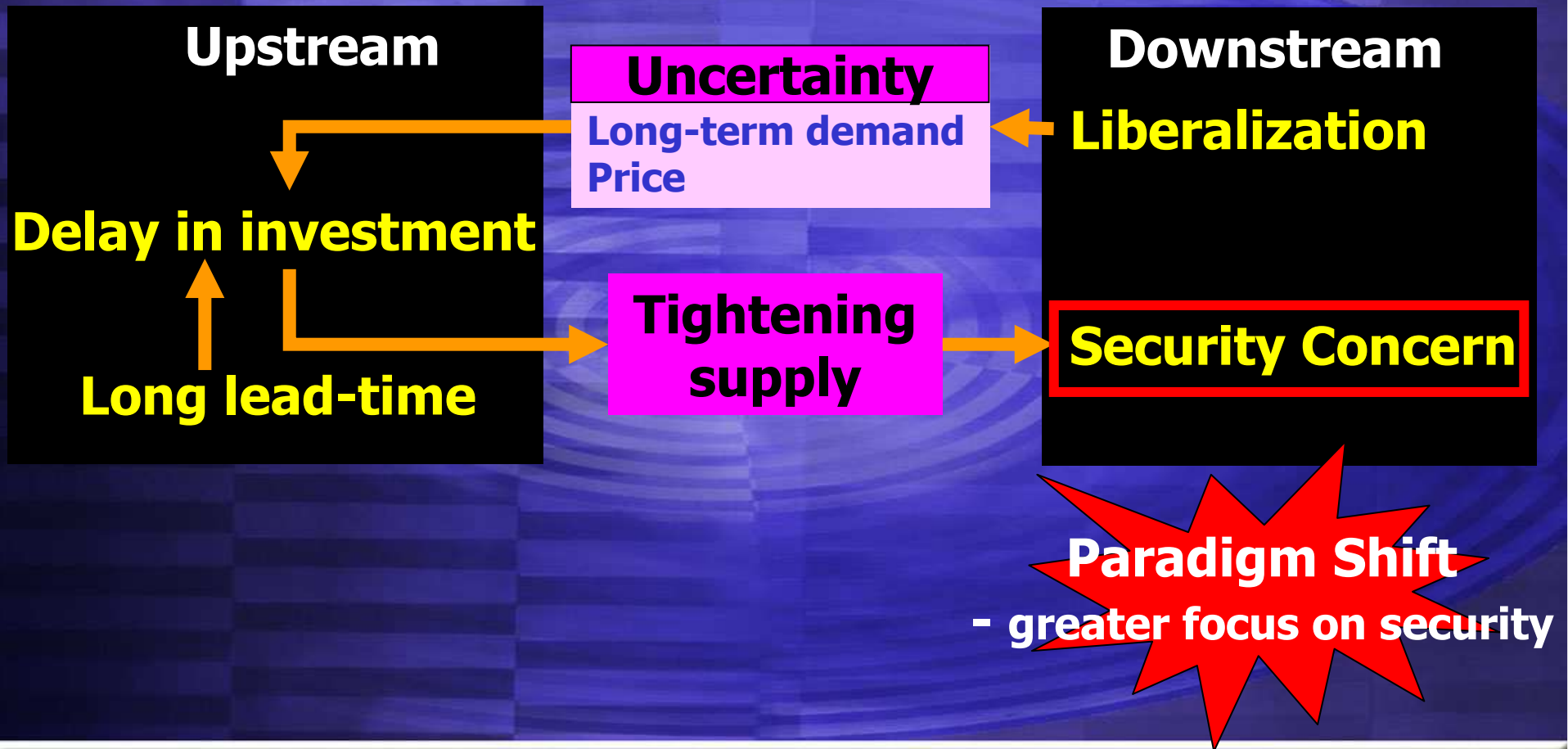
**% of market share held by new entrants (left axis)**  
**Number of customers acquired by new entrants (right)**

Source :METI(2005.12)

# LNG Supply Chain Model and Regulation of Importer



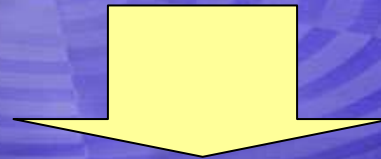
# Impact of Down Stream Market Design on Upstream Investment



# Conclusion

## Japanese market features

- **near total dependence on imports**
- **underdeveloped pipelines**  
i.e. different environment



## Disciplined Deregulation

- **establishing realistic demand outlook**
- **encouraging foreign upstream investment**