

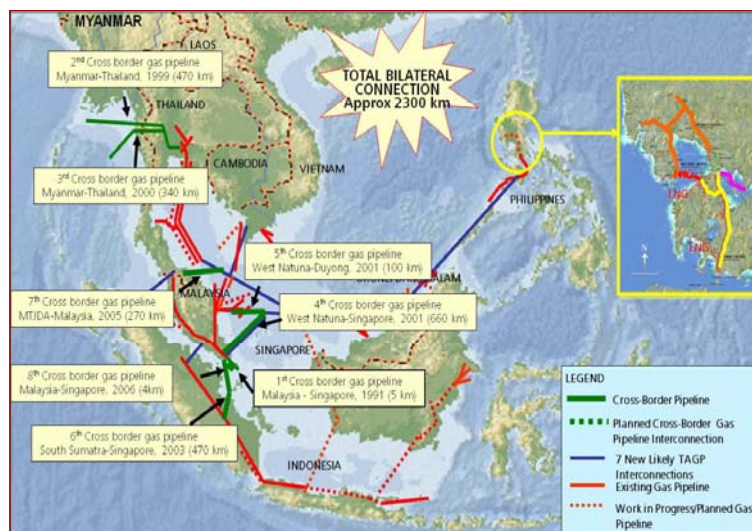


# International Gas Union



## TAGP: ACCELERATING GAS MARKET INTEGRATION IN ASEAN

Trans ASEAN Gas Pipeline (TAGP) is a regional initiative that will eventually connect various gas markets in the South East Asian region





## Main Drivers



- Energy Security
  - Importing countries (Singapore, Thailand & Philippines) wanting to have access to more energy sources and diversify its sources of energy
  - Exporting countries (Indonesia, Myanmar & Malaysia) wanting security of demand to support development of energy project
- Monetization of Excess Gas Resources
  - Foreign exchange earnings through gas export
  - Create local gas infrastructures and other economic spin offs
- Promote Usage of Cleaner and Efficient Fuel
  - Availability of gas supply through market integration reduces harmful emissions and enhance efficiency of energy usage
- Promote regional cooperation and reduce reliance on energy import outside the region

**Each countries have different drivers and priorities but almost every country in ASEAN has energy security as one of their key drivers in moving toward regional gas market integration**



## Main Challenges



- Imbalance in economic conditions
  - Size of the individual country's economy and level of per capita impacted the size of gas market and ability to pay for gas supply
- Different stages of gas market development
  - Extensive harmonization efforts are required to streamline the rules, regulatory framework, standards, procedures etc
- Funding of cross border gas infrastructures
  - Substantial upfront investments are required and can only be recouped over a long period to ensure that the throughput fee is kept at acceptable level
- Availability of sustainable gas reserves
  - For long term sustainability of gas supply, gas reserves of substantial sizes needs to be discovered and developed (in addition to existing gas reserves)

**Challenges faced by ASEAN such as varying economic conditions, gas market development, funding of gas infrastructures and availability of sufficient gas reserves are similar to those previously encountered by European gas market**



## Main Policy Options



- Market Liberalization Policy
  - Gradual liberalization of gas markets allows relevant parties to make appropriate adjustment and ensure sustainable progress towards market liberalization
- Market Oriented Gas Pricing
  - Phased introduction of market based gas pricing and elimination of subsidies
- Harmonizations of Rules and Regulations
  - Rules and regulations are to be clearly laid out to ensure transparency and predictability

- **Extensive study needs to be carried out to determine the most suitable policies to be implemented**
- **During policy implementation, it is important to maintain a stable business environment as well as predictable and consistent application of the policies**



## Main Benefits



- Benefits to the Government/Nation
  - Security and diversification of energy sources
  - Foreign earnings
  - Economic Spin Offs
- Benefits to the society
  - Accessibility to cleaner and affordable energy sources
  - Security of energy supply
  - Environmental preservation through lower harmful emissions
- Benefits to shareholders/investors
  - Clarity and predictability in terms of policy formulation and implementation (continuity of business activities)
  - Involvement in policy formulation and implementation (ability to shape policy)
  - Flexibility to conduct business activities based on market driven principles
  - Enhance industry wide operational efficiency and cost effectiveness

**Generally, most parties will benefit from gas market integration. The extent of benefits enjoyed varies according to country specific factors**



## Conclusions and lessons learnt



- Extensive Communication
  - “Buy In” from relevant parties is needed so that each parties can play positive role (individually and collectively) in realizing gas market integration
  - Seamless coordination in formulating and implementing policies
- Diligence
  - Comprehensive evaluation of country specific factors
  - Careful selection of policies
  - Practical and expedient implementation plans
- Resolve
  - Consistency in policy interpretation and application
  - Perseverance in implementing the selected policy

**Each player can play a positive role in gas market integration efforts. Diligence is required to ensure that all relevant factors has been taken into consideration. Resolve is critical in progressing towards realization of gas markets integration**