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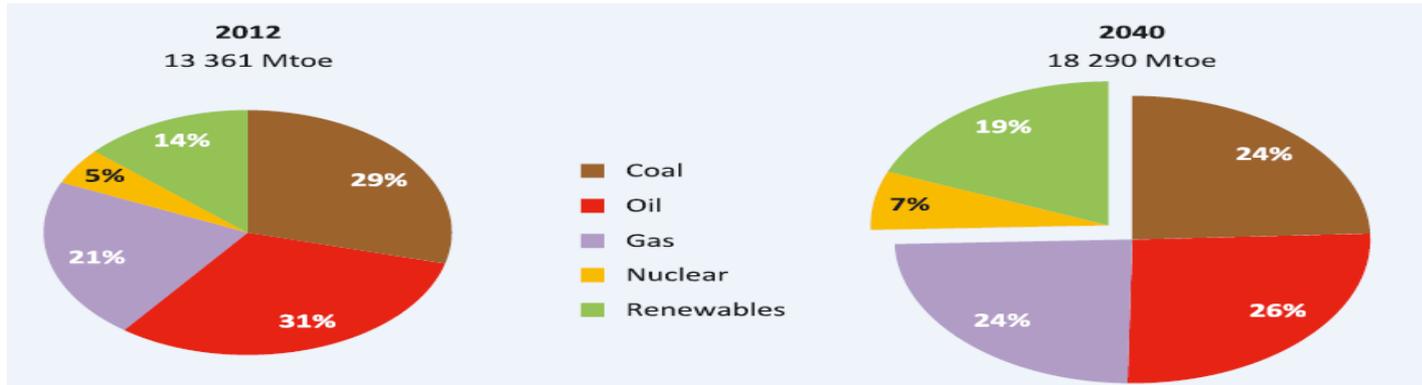
LNG a Key Factor

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Share of Gas in Primary Energy is expected to grow, but...

- ◆ Majority of energy think tank including IEA forecasts that **Gas will gradually increase its share in fossil fuel in coming decades.**



- ◆ However, the gas industry is exposed to **new uncertainties.**
 - *US turning to LNG exporting country/ Europe's drastic demand decrease, / Asian market entering the phase of stagnation or slow-down of the demand growth, etc.*

Expand boundaries of LNG market is more important.

- ◆ **Capturing the fundamental of the current LNG market, we believe it is more important to focus on expanding LNG market size rather than figuring out the way to share the value created within the existing market.**

Price competitiveness and Flexible Supply will be the key.

- ◆ The size of the LNG market will continuously grow **only when LNG wins price competition** against other fuels, and at the same time it **achieves flexible supply** corresponding sudden movement of the market demand.
- ◆ And those will be impossible unless **parties directly and indirectly involved in the LNG value chain provide mutual cooperation.**
 - *SPA prior to FID for risk hedge of huge investment*
 - *Floor-ceiling and s-curve mechanism for suppliers at low oil price*
 - *Buyers' participation in project equity*

Way forward.

◆ **Governments to introduce policies for tax benefit and incentives.**

- *LNG supplying countries should provide favorable fiscal system on upstream and supportive tax regime on LNG export. And in line with global goal of environmentally friendly energy, LNG consuming countries should come up with relatively low tax policy on LNG- the low carbon fossil.*
- *Governments should provide incentives to new LNG markets such as LNG bunkering and on-shore transportation, and provide investment support for those new businesses and infrastructures.*
- *Considering LNG as a bridge to renewable, policy makers should provide LNG industry with favorable tax and incentives. In doing so, LNG will also work as a back up to renewables when their stability of supply is not secured or in question.*

Way forward.

- ◆ **Companies involved in upstream and/or mid stream should target lowering down the cost.**
 - *through continuous investment into advanced technologies and enhancement of EPC market efficiency.*
- ◆ **Suppliers should consider customers' aspects of the business.**
 - *should provide pricing mechanism for LNG to be competitive enough,*
 - *should try to allow flexible supply system to stimulate trading activities.*
- ◆ **Buyers should be trying to pay the commodity price for sustainability of project, and they also need to keep investing in the LNG projects.**



Thank you