

6TH ASIA GAS PARTNERSHIP SUMMIT

KEYNOTE ADDRESS

BY

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22-23 March, 2010

Taj Palace Hotel, New Delhi, India

Excellencies,
Distinguished Guests,
Ladies and Gentlemen,
Very good morning.

First of all, let me take this opportunity to record my heartfelt thanks and appreciation to the Organising Committee for inviting me to participate at this 6th Asia Gas Partnership Summit.

1. Brief Overview of IGU

- 1.1 For the benefit of those who are not too familiar with the International Gas Union (or IGU), IGU has been addressing and will

continue to address gas-related contemporary issues which are of great interest in several ways through study groups, seminars and conferences and in co-operation with international institutions such as the International Energy Agency (IEA), the International Energy Forum (IEF), World Petroleum Council (WPC), World Energy Council (WEC) and other similar institutions.

1.2 Due to increased focus on the risk of climate change and the need for sustainability, natural gas offers practical immediate solution in mitigating climate change.

- It is clean, efficient, versatile and environmentally friendly;
- It is available in large quantities;
- It will continue to play a substantial role in global energy demand; and,
- It is the basis for a more sustainable economic growth.

1.3 IGU had launched a special gas event at the UN Climate Change Conference (COP 15) in Copenhagen last December 2009 to inform the COP 15 delegates and decision-makers about the crucial role of gas in the climate debate.

1.4 Together with IEF, IGU will jointly organise the 2nd IEF – IGU Ministerial Gas Forum in Qatar this year.

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- 1.5 IGU co-sponsors the hosting of the LNG Conferences and the forthcoming LNG 16 will be held in Oran, Algeria in April 2010.
- 1.6 By bringing IGU Research Conference (IGRC) under the auspices of the Union, research areas relating to the environment, rational and efficient use of natural gas and safety are being undertaken. After the successful organisation of IGRC in Paris 2008, the next one to come up will be IGRC in Korea 2011.

2. Key Messages on Natural Gas

- 2.1 Fossil fuels, i.e. oil, gas and coal, will continue to dominate the global energy mix during next few decades unless there is a major technological breakthrough that would allow renewable energy to be a competitive, affordable and reliable alternative energy source. The penetration of new and renewable energy into the global energy market is thus far relatively small and gradual, despite having invested substantially in R&D to commercialise new and renewable energy.
- 2.2 However, we believe that gas offers almost immediate and pragmatic solution to address both the growing needs for more

affordable and reliable energy supplies; and the need to address the global concerns on climate change. Taking into consideration of the external costs to health and environment and being the cleanest of the fossil fuels, gas has to be a clear choice as the preferred fuel as compared to coal and oil.

2.3 As we are all aware, the recent technological breakthrough in the development, production and commercialization of unconventional gas in USA have had created new dynamics in the global gas landscape. Contrary to the views of many analysts that there will be an increasing gas supply–demand gap in USA and that USA will have to import LNG to bridge the gap, this is no longer true. Many LNG exporters and energy analysts were caught by surprise. Today shale gas is primarily a US phenomena but the prospects are more global.

2.4 The increase in shale gas and unconventional gas production USA has reduced significantly the window of opportunity for LNG exports from Middle East, Africa and Russia to USA. Thus, the LNG supplies that were initially planned to be exported to USA will have to be redirected to the gas markets in Europe and Asia.

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- 2.5 Besides seeing the softening of gas prices at the Henry Hub, we are also seeing changing global LNG business landscape as LNG prices from world largest LNG exporter, Qatar, to UK in July 2009 fell to as low as \$75 per thousand cubic metres as compared with gas prices of between US\$ 210 to US\$ 220 per thousand cubic metres for countries in European Union under long-term contracts. Gas price is now more affordable and the abundant conventional and unconventional gas resources would pave the way for greater utilisation of gas in the energy consuming sectors.
- 2.6 For Asia, India and China, as the two fast emerging gas markets in this region, these can contribute towards promoting wider utilisation of gas in the energy mix. India has the advantage as there were recent major gas discoveries in India and that India is located relatively much closer to the centres of gas supplies of Iran, Qatar and Turkmenistan. Nevertheless, China is well positioned to import gas from Central Asia and Russia besides aggressively pursuing to secure energy and gas supplies from Middle East, Africa and South East Asia.
- 2.7 It has to be recognised that the development of natural gas resources requires huge upfront capital investments to develop

gas supply infra-structures from upstream to downstream, which may include gas processing plants, liquefaction plants, long distances gas pipelines, LNG export facilities and LNG tankers. Investors would not take unnecessary risk in putting these huge capital investments if the investment climate is not too conducive.

2.8 As such, although we are seeing increasing competition for energy security, it should be pursued based on “**energy-diplomacy**”, respecting the inter-dependencies of gas producers and consumers rather than taking the path that would create geo-political tension, market instability and greater price volatility.

3. CLOSING REMARKS

3.1 With this in mind and noting that “**Geo-politics of Gas**” is an important subject matter for the industry, a special study being undertaken by a special Task Force created by IGU under the Malaysian Presidency to address the issue. The other studies by undertaken by special study Task Forces include the “**Building Strategic Human Capital**” and “**Nurturing Future Generations**”. The findings of the studies will be presented during the next 25th

World Gas Conference, scheduled in Kuala Lumpur from 4th –8th June 2012.

3.2 The relentless pursuits to reduce carbon emission and the need to address issues on climate change nevertheless calls for greater collective efforts to promote wider use of this relatively clean, efficient, versatile and environmental friendly fuel. It is available and abundant. It will continue to play substantial role in the global energy demand and it will be the basis for a more sustainable economic growth. Natural gas will continue to play a major part of the long term energy solution.

3.3 Ladies and Gentlemen, thank you for your kind attention and congratulations on the success of the 6th Asia Gas Partnership Summit 2010.