



# AGH Bulletin

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## WORLD NEWS

### **Thailand's LNG Import Surge As Economy Bounces Back**

1. PTT, Thailand's largest oil and gas conglomerate, is planning to import up to 6 million tonnes of LNG this year due to surge of demand. The drop in the LNG spot prices is also one of the factors which likely to bring down the cost of electricity in the country.
2. This import exercise will be 2 millions tonnes higher than the amount imported last year and about 4 million tonnes has been ordered at less than US\$20 per million BTU, which was 50% cheaper than previous year. Approximately 100 ships are been assigned for deliveries of these 6 millions tonnes.
3. Apart from the surge demand and low spot prices, the company also wants to maintain its competitiveness in the hydrocarbon-based business and establish new high-value products to keep up with the rest of the world.

#### **AGH Commentary**

The active LNG spot purchases by PTT will not drive-up spot prices. All the spot purchases are done by close tender, and it is uncertain if it reflects the market prices.

### **Qatar's US\$30 billion LNG megaproject on track to complete construction by 2027**

1. The main contractors of Qatargas' massive North Field Expansion (NFE) project Technip Energies and Chiyoda are progressing construction activities.
2. The project involves four liquefaction mega-trains at 8 mtpa each, resulting in 32 mtpa of new LNG production. North Field East will be the largest NG project by liquefaction capacity undertaken to date by the industry.
3. For 12 years from 2005 to 2017, the North Field had been under a development moratorium. With the lifting of moratorium, Qatar announced an aggressive new development plan to expand LNG export capacity from the current 77 mtpa to 110 by 2026.
4. The Qataris selected ExxonMobil, Eni, Total Energie and ConocoPhillips as project partners.

Source: Oil&Gasmiddleeast.com, 22 May 2023

#### **AGH Commentary**

Post 2027, Qatar is ready to be the number one LNG producer/exporter. It is heard various discussions are on going between Qataris and some long-term buyers especially from China.



## WORLD NEWS (cont'd)

### **As LNG investment booms, a tanker glut is on the horizon**

1. The world could be facing a glut of giant LNG tanker ships set to be built this decade even as nations shift away from fossil fuels to reach global temperature goals.
2. That could mean the tankers could become stranded assets, causing large losses for shipbuilders and shipowners hoping to cash in on a surge in new LNG production capacity coming online before 2030 and Europe's dash for gas triggered by the war in Ukraine.
3. A number of nations, including Qatar, the United States, the United Arab Emirates and Australia are building large amount of new LNG capacity that some analysts say is not needed. Europe's recent appetite for LNG is expected to be temporary as energy efficiency, green energy investment and the shift to electrification curb gas use.
4. Long term gas demand in Asia is also in doubt as the momentum behind natural gas growth in developing economies had slowed, notably in South-East Asia.
5. There were around 700 ships in the global LNG fleet as of the end of 2021 and a further 34 LNG carriers were added in 2022 and another 335 LNG carriers were set to be delivered between 2023-2028.

Source: The Strait Times, 25 May 2023

#### **AGH Commentary**

Post 2030, long term charter rate for LNG vessels is expected to be lower due to the glut of LNG vessels in the market.

## HOME

### **Shell stepping on the sweet gas offshore Malaysia**

1. Shell is forging ahead with its Timi deep-water sweet gas project offshore Sarawak, with production start-up still on the cards for later this year.
2. The Timi field development features Shell's first wellhead platform in Malaysia to be powered by a solar and wind hybrid renewable system.
3. Current work on the offshore field development includes the installation of the fibre optic cable and the phase two pipeline installation work between the Timi and F23 fields.
4. Two development wells also form part of the Timi project, which is expected to produce 50,000 barrels oil per day equivalent at peak in 2025.
5. The Wellhead Platform (WHP) was installed last year, and installation of the 80 kilometer main gas pipeline from Timi to the F23 hub was also performed during 2022.
6. The Timi field which was discovered in 2018, is located about 200 km off the Sarawak coast on the SK 318 production sharing contract where water depths range up to in excess of 3000 feet.
7. Sarawak Shell operates Block SK318 equity and its co-venturer are Malaysia's PETRONAS Carigali (20% and Brunei Energy Exploration (10%).

Source : Upstream Energy Explored, 24 May 2023

#### **AGH Commentary**

Upon this project completion, Malaysia should have more gas for export from Bintulu.

## HOME (cont'd)

### **MISC sees steady LNG vessel revenue**

1. The shipping company says long-term charters for its LNG tankers and strong demand in the floating production storage and offloading (FPSO) market as well as steady charter rates for its oil tanker will overcome any weakness in the heavy engineering business.
2. The company has added revenue from LNG vessels business is expected to remain steady, supported by its portfolio long term charters.
3. MISC posted a 63% rise in earnings to RM613 millions or earnings per share of 13.7 sen for its first quarter 31 March 31 2023.
4. This was due to improved operating profit, coupled with a higher share of profit from joint-venture entities, despite higher recognition of impairment of non-current assets in the current quarter.
5. Revenue for the period grew by 7% year-on-year to RM3.08 billions. This was driven by improved freight rates in the petroleum and product shipping segment and rising revenue from ongoing projects, coupled with higher dry-docking and repair activities in the marine and heavy engineering segments.

Source : The Star, 25 May 2023

#### **AGH Commentary**

Current spot charter rate is lower compared to long term charter due to sluggish LNG spot demand.

### **Electricity tariff adjustment for T20 to be announced soon as coal, gas prices stabilise**

1. The government is expected to announce the electricity tariff adjustment for domestic consumers in the T20 income group soon. Various factors including the trend of coal and gas prices which have stabilised as compared to the past few years must be taken into account, before adjusting the electricity tariff.
2. The adjustment will be made on the Imbalance Cost Past - Through (ICPT) mechanism for a period of six months, starting from July to December this year.

Source: The Star, 23 May 2023

#### **AGH Commentary**

This is the first time that Malaysian government to adjust tariff specifically for T20 group. This signals the government seriousness in rationalizing Malaysian subsidiary especially for energy.

# GLOBAL HIGHLIGHTS – LNG & Natural Gas

## Snapshot as of 26 May 2023

### Asia Pacific/India <sup>1</sup>

- 1) Asian spot LNG prices dropped from USD9.80 MMBtu last week (week 19th), to USD9.35-USD9.40 MMBtu this week. Both indicated prices are for July's deliveries.
- 2) Market sources say this is the first time the price dropped below USD10 in two years.
- 3) It is believed the decline below USD10 may spur new buying interest from China as the Chinese utilities require spot below USD10 for LNG to be competitive in the domestic market.
- 4) Buying interests can be seen from India and Thailand with more tenders opening up for July's spot deliveries.
- 5) New LNG importers like Vietnam and Philippines are also in discussion for potential spot deliveries into their new terminals July onwards.

#### **AGH Commentary**

It is likely that the decline in LNG spot prices boosted demand for the second half of July deliveries onwards.

### Europe <sup>2</sup>

- 1) The Dutch TTF front-month contract (June) ended yesterday (25 May) at 25.15 € MW/h, equivalent to USD6.86/MMBtu or RM31.72/MMBtu.
- 2) On the week 19th, the contract was ended at 30.30 € MW/h, equivalent to about USD9.62 MMBtu or RM42.31/MMBtu
- 3) LNG inventories in Europe is still healthy 60% of storage capacity. In addition, expected mild winter and reduce gas demand by European Commission result in low purchasing interest currently.

#### **AGH Commentary**

The lower spot prices in Asia potentially will boost buying interest in Europe.

Sources:

<sup>1</sup> Industry

<sup>2</sup> Reuters, 22 May 2023

# GLOBAL HIGHLIGHTS – LNG & Natural Gas Outlook as of 26 May 2023 (cont'd)

## Global Gas Future Index

Month 2023	JKM Platts Future		TTF Natural Gas Future		CME HH Future	
	USD/ MMBtu	RM/ MMBtu	USD/ MMBtu	RM/ MMBtu	USD/ MMBtu	RM/ MMBtu
May	-	-	-	-	-	-
June	-	-	▼ 6.86	31.72	▲ 2.28	10.56
July	▼ 9.52	44.02	▼ 7.01	32.42	▲ 2.45	11.31
Aug	▼ 10.05	46.46	▼ 7.59	35.11	▲ 2.53	11.70
Sep	▼ 10.95	50.65	▼ 8.30	38.38	▲ 2.52	11.67
Oct	▼ 12.31	56.91	▼ 9.38	43.37	▲ 2.62	12.11
Nov	▼ 14.23	66.29	▼ 11.73	54.26	▲ 3.06	14.17
Dec	▼ 15.96	73.79	▼ 12.85	59.40	▲ 3.53	16.31
Jan 24	▼ 16.47	76.19	▼ 13.09	60.53	▲ 3.80	17.58
Feb 24	▼ 16.82	77.76	▼ 13.10	60.59	▲ 3.72	17.21
Mar 24	▼ 14.38	66.47	▼ 12.89	59.58	▲ 3.42	15.83

Source: ICE Energy Report, CME Group Market Data

## Global Crude Future Benchmark Snapshots in RM per MMBtu

Month 2023	Brent (ICE)	WTI (NYMEX)	JCC (ICE)
April	-	-	-
May	▲ 62.56	-	▲ 70.99
June	▲ 62.79	-	▲ 66.95
Jul	▲ 62.54	▲ 59.28	▲ 64.94
Aug	▲ 62.21	▲ 59.35	▲ 64.53
Sept	▲ 61.83	▲ 59.20	▲ 64.18
Oct	▲ 61.39	▲ 58.91	▲ 63.79
November	▲ 60.91	▲ 58.61	▲ 63.36
December	▲ 60.59	▲ 58.25	▲ 62.94
Jan24	▲ 60.24	▲ 57.92	▲ 62.54
Feb24	▲ 59.81	▲ 57.72	▲ 62.23
Mar24	▲ 59.59	▲ 57.33	▲ 61.94

Source: CME Group Market Data, ICE Energy Report

# GLOBAL HIGHLIGHTS – LNG & Natural Gas

## Outlook as of 26 May 2023 (cont'd)

### Regional Coal Future Index

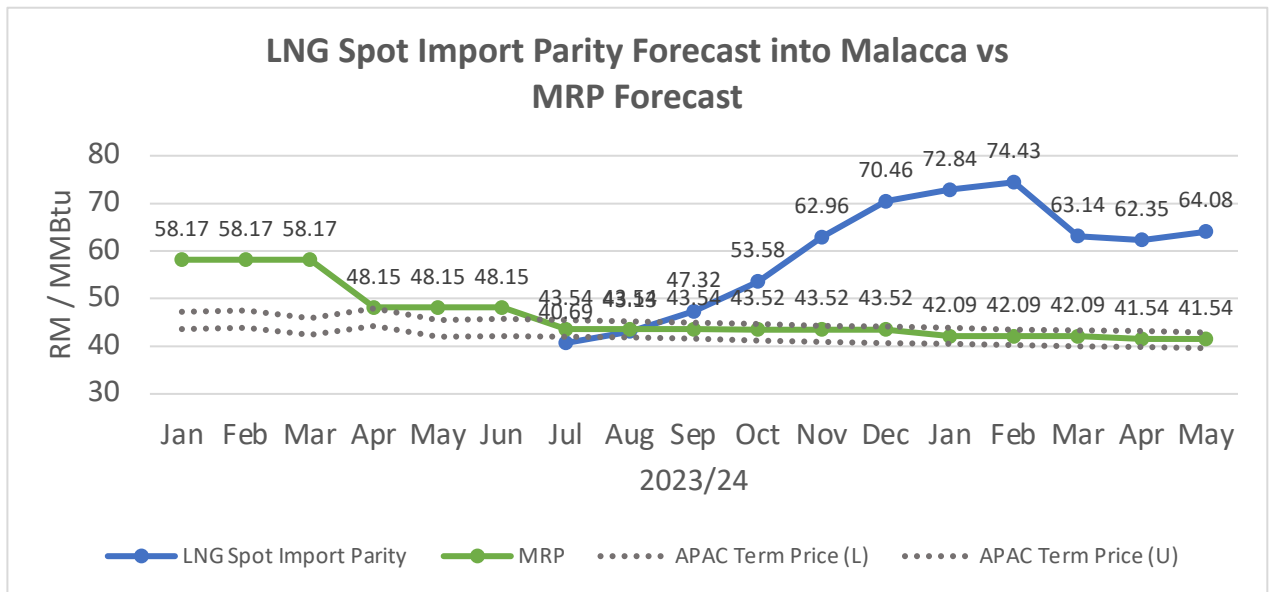
Month 2023	Indonesia Coal Index (ICI) 4		ICE Newcastle Coal Index	
	USD/ MMBtu	RM/ MMBtu	USD/ MMBtu	RM/ MMBtu
Apr	3.07	13.69	-	-
May	3.07	13.69	▼ 5.76	26.65
June	3.07	13.69	▼ 5.06	23.40
July	2.99	13.33	▼ 5.01	23.15
Aug	2.99	13.33	▼ 5.07	23.48
Sep	2.99	13.33	▼ 5.14	23.78
Oct	2.97	13.25	▼ 5.36	24.79
Nov	2.97	13.25	▼ 5.41	25
Dec	2.97	13.25	▼ 5.40	24.99
Jan 24	2.52	11.24	▼ 5.49	25.39
Feb 24	2.52	11.24	▼ 5.41	25
Mar 24	2.52	11.24	▼ 5.30	24.52

Sources: ICI, [www.cmegroup.com](http://www.cmegroup.com); ICE Newcastle Coal index, [www.barchart.com](http://www.barchart.com)

### Liquid Petroleum Gas (LPG) Future Index (Saudi Aramco)

Month 2023	Argus Propane Future Index		Mini Argus Butane Future Index	
	USD/ MMBtu	RM/ MMBtu	USD/ MMBtu	RM/ MMBtu
May	-	-	-	-
June	-	-	▼ 7.40	34.21
July	▼ 7.46	34.49	▼ 7.36	34.01
Aug	▼ 7.47	34.56	▼ 7.45	34.43
Sep	▼ 7.59	35.09	▼ 7.47	34.53
Oct	▼ 7.77	35.91	▼ 7.72	35.71
Nov	▼ 7.91	36.58	▼ 7.88	36.42
Dec	▼ 8	37	▼ 7.97	36.86
Jan 24	▼ 7.98	36.90	▼ 8.09	37.43
Feb 24	▼ 7.90	36.54	▼ 7.95	36.78
Mar 24	▼ 7.60	35.14	▼ 7.66	35.41

# LOCAL HIGHLIGHTS – Domestic Forecast for MRP & LNG Import Parity as of 26 May 2023



Source: AGH Market Analysis

Month	Import Parity - MRP Spread	Change	APAC Term Ave - MRP Spread	Change
May-23				
Jun-23			-4.19	▲ 2.10
Jul-23	-2.85	▼ -7.64	0.23	▲ 2.22
Aug-23	-0.41	▼ -7.41	0.00	▲ 2.23
Sep-23	3.77	▼ -7.86	-0.26	▲ 2.23
Oct-23	10.06	▼ -7.32	-0.54	▲ 2.19
Nov-23	19.44	▼ -10.27	-0.88	▲ 2.11
Dec-23	26.94	▼ -11.24	-1.11	▲ 2.05
Jan-24	30.76	▼ -12.04	0.15	▲ 0.03
Feb-24	32.35	▼ -10.39	-0.22	▼ -0.02
Mar-24	21.05	▼ -11.92	-0.37	▼ -0.06
Apr-24	20.81	▼ -10.40	0.03	▼ -0.22
May-24	22.54	▼ -8.80	-0.29	▼ -0.31

Source: AGH Market Analysis

## Commentary

July and August are ideal months for LNG importers to bring spot cargo to Malaysia as import parity prices are below the MRP level.

MRP = Malaysia Reference Price used for domestic market



# LOCAL HIGHLIGHTS – Peninsular Gas Utilities (PGU) Gas Volume Updates as of 26 May 2023

There is no change in available capacity from last week

Northern Region			
State	Exit CITY GATE (CG)/Metering Station (MS)	Available Capacity	
		MMscf/d	MMBtu/d
Perlis	Tambun Tulang CG	10.97	11375.89
	Ayer Puteh CG	30.92	32064.04
	TTPC MS	55.86	57926.82
Kedah	Pondok Labu CG	19.21	19920.77
	Kulim Hi Tech CG	75.18	77961.66
	Sungai Petani CG	20.44	21196.28
	Pokok Sena CG	20.86	21631.82
	PFK MS	16.25	16851.25
	NUR MS	200.97	208405.89
	Prai CG	24.97	25893.89
Penang	TNB Prai MS	98.28	101916.36
	TNB Gelugor MS	23.35	24213.95
	Prai Power MS	110.22	114298.14

Eastern Region			
State	Exit CITY GATE (CG)/Metering Station (MS)	Available Capacity	
		MMscf/d	MMBtu/d
T'gaganu	Kerteh CG	0.89	922.93
	Teluk Kalong CG	8.68	9001.16
	Kerteh 3 CG	96.3	99863.1
	Kerteh 2 CG	3.79	3930.23
	TNB Paka MS	208	215696
	YTL Paka MS	139.16	144308.92
	CUF Kerteh MS	105.52	109424.24
Pahang	CUF Gebeng MS	125.84	130496.08
	Gambang CG	0.49	508.13
	Gebeng CG	29.51	30601.87
	Gebeng 2 CG	68.6	71138.2
	PCMSB MS	8.46	8773.02
	PCASB MS	7	7259
	Aromatic KR2 MS	3.3	3422.1
	PCOGD MS	50.51	52378.87
	PERWAJA MS	50.88	52762.56
	MTBE NG MS	11.6	12029.2
	PDH MS	8.4	8710.8
	BASF Fuel	8.29	8596.73
	BASF Feedstock	2.1	2177.7
	Idemitsu MS	9.83	10193.71
	Titan MS	37.78	39177.86
Genting Sayen MS	47.95	49724.15	

Source: PETRONAS Gas Berhad



## IBR Base Average Tariff of GMD Natural Gas Distribution System

Year	2023	2024	2025
Rebate RM/GJ/Day	0.038	N/A	N/A
RM/GJ/Day	1.535	1,573	1.573

IBR : Incentives Based Regulation

GMD : Gas Malaysia Distribution (owner & operator of gas distribution line)

GJ : Gigajoules

RM : Ringgit Malaysia

# LOCAL HIGHLIGHTS – Peninsular Gas Utilities (PGU) Gas Volume Updates as of 26 May 2023 (cont'd)

There is no change in available capacity from last week

Central Region			
State	Exit CITY GATE (CG)/Metering Station (MS)	Available Capacity	
		MMscf/d	MMBtu/d
Klang Valley	KLIA CG	0.06	62.22
	Dengkil CG	71.6666	74318.2642
	Puchong CG	14.64	15181.68
	Batu Tiga CG	37.76	39157.12
	GB3 MS	93.48	96938.76
	Connaught Bridge MS	186.77	193680.49
	GDC KLIA MS	1.9	1970.3
	PNGV KLIA 1	0.47	487.39
	PNGV KLIA 2	0.7	725.9
	PNGV KLIA 3	0.41	425.17
	Venator MS	7.6	7881.2
	S'gor	Serdang CG	76.4
Shah Alam CG		80.37	83343.69
Kapar CG		9.07	9405.59
Meru CG		95.42	98950.54
Bestari Jaya CG		8.74	9063.38
Kuala Langat Power Plant MS		50.35	52212.95
Serdang MS		174.67	181132.79
N.Sembilan	Kapar MS	268.04	277957.48
	Seremban CG	15.91	16498.67
	Seremban 2 CG	10.29	10670.73
	Bandar Baru Nilai CG	10.66	11054.42
	Tebong CG	25.23	26163.51
	Port Dickson MS	230	238510

Western Region			
State	Exit CITY GATE (CG)/Metering Station (MS)	Available Capacity	
		MMscf/d	MMBtu/d
Perak	Kamunting CG	20.96	21735.52
	Parit Buntar CG	18.47	19153.39
	Ayer Tawar CG	16.19	16789.03
	Hutan Melintang CG	47.86	49630.82
	Merbau CG	78.5	81404.5
	Tronoh CG	4	4148
	SEV Lumut MS	180.42	187095.54

Southern Region				
State	Exit CITY GATE (CG)/Metering Station (MS)	Available Capacity		
		MMscf/d	MMBtu/d	
Johor	Kluang CG	39.24	40691.88	
	Kulai CG	18.2	18873.4	
	Senai CG	114.96	119213.52	
	Pasir Gudang CG	237	245769	
	Plentong CG	74.2	76945.4	
	Tg Langsat CG	17.66	18313.42	
	Paya Rumput CG	14.11	14632.07	
	TNB Pasir Gudang MS	279.57	289914.09	
	Pengerang COGEN Power MS	111.61	115739.57	
	Southern Power Generation MS	20	20740	
	Plentong (Senoko) MS	145	150365	
	Plentong 2 (Keppel) MS	118	122366	
	M'cca	Alor Gajah CG	9.25	9592.25
		Tanjung Kling MS	50.01	51860.37
Tanjung Gemok MS		38.93	40370.41	
Teluk Gong MS		111	115107	
Panglima MS		25.31	26246.47	
EDRA Energy Sdn Bhd		210.21	217987.77	
Tangga Batu Refinery MS		32.66	33868.42	
Tangga Baru Cogen MS	12.34	12796.58		

## IBR Tariff for Peninsular Gas Utilization

Year	2023	2024	2025
RM/GJ/Day	1.061	1.063	1.063

## IBR Tariff for Regassification Facilities

Facilities	RGTSU	RGTP
RM/GJ/Day	3.455	3.165

Source: PETRONAS Gas Berhad

IBR : Incentives Based Regulation

GJ : Gigajoules

RM : Ringgit Malaysia

RGTSU : Regas Terminal Sungai Udang, Malacca

RGTP : Regas Terminal Pengerang



# FUN FACTS

## 1 Natural Gas Infrastructure

Malaysia has all the facilities across the value chain

2,060 mmscfd

Gas Processing Plants

2,243 km

Gas Distribution Network

1,020 mmscfd

Regasification Terminal (Sg. Udang & Pengerang)

41

City Gates

2,623 km

Gas Transmission Pipeline

30 mtpa

Bintulu export terminal

Sources: PETRONAS, Gas Malaysia

## 2 ChatGPT Let's ask...

**Malaysia's LNG import is forecast to increase up to 20 MTPA by 2035. In line with TPA that was introduced and in practice since 2016, what governance strategies can Malaysia enforce to encourage third party suppliers to access the market?**

To encourage third party suppliers to access the Malaysian LNG market, Malaysia could implement several governance strategies:

- Establish transparent regulations: Malaysia could establish clear and transparent regulations that define the requirements and procedures for third party suppliers to enter the LNG market. This would provide clarity and certainty for potential suppliers and encourage their participation in the market.
- Promote competition: Malaysia could promote competition by creating a level playing field for all suppliers. This could be achieved by establishing a fair and transparent bidding process, promoting equal access to infrastructure and facilities, and ensuring that all suppliers are subject to the same regulatory requirements.
- Provide incentives: Malaysia could offer incentives to 3rd party suppliers to encourage them to enter the market. This could include tax incentives, subsidies, or other financial incentives to reduce the cost of entry into the market.
- Develop infrastructure: Malaysia could invest in developing the necessary infrastructure to support 3rd party suppliers. This could include expanding the capacity of existing LNG terminals or developing new terminals to accommodate new suppliers.
- Build partnerships: Malaysia could build partnerships with other countries or companies to increase the availability of LNG in the market. This could include partnerships with LNG producers or other countries to import LNG into Malaysia.

Overall, effective governance strategies will be crucial to encourage third party suppliers to access the Malaysian LNG market. By establishing transparent regulations, promoting competition, providing incentives, developing infrastructure, and building partnerships, Malaysia could attract a diverse range of suppliers and ensure a stable and secure supply of LNG for the country's energy needs.

**END OF REPORT**