



**4th LNG Producer-
Consumer Conference**

Coping with market transformation

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CPC CORPORATION, TAIWAN



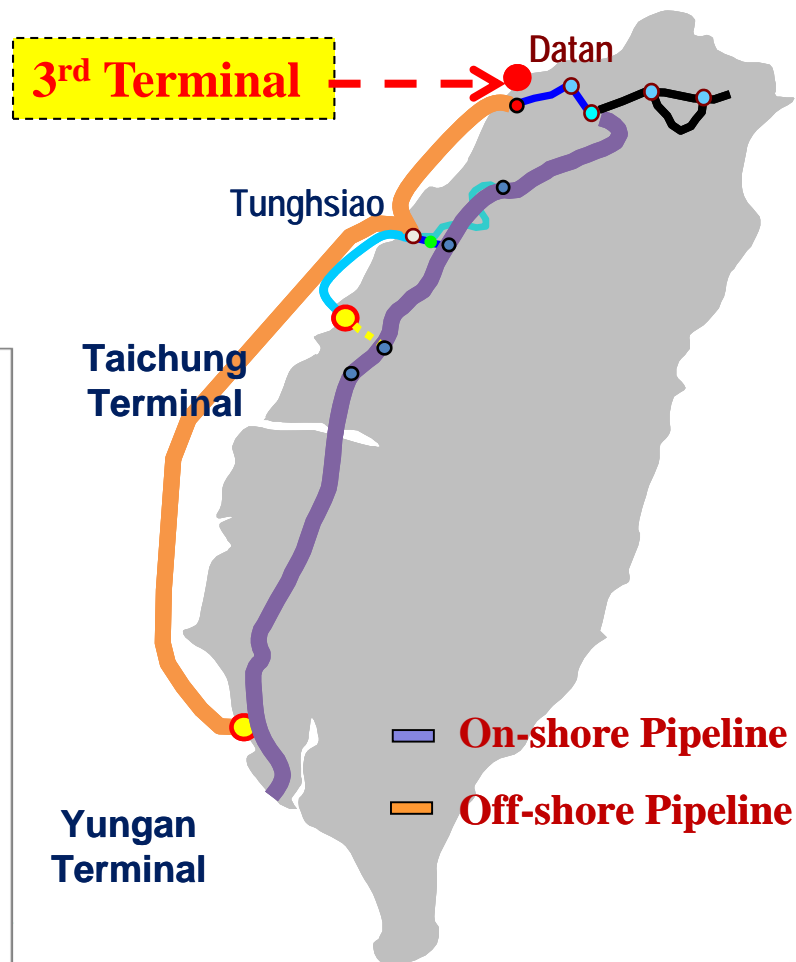
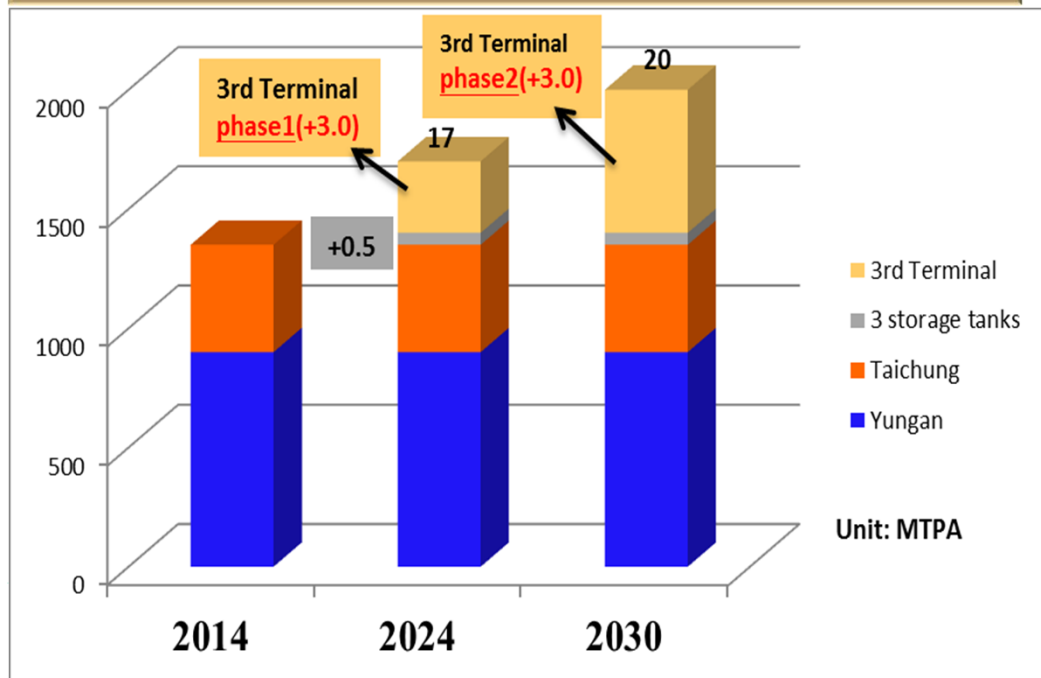
CPC's natural gas supply network

Operating Capacity

- ◆ Yungan Terminal: 9.0 MTPA
- ◆ Taichung Terminal: 4.5 MTPA

Planned Capacity (3rd Terminal)

- ◆ Planned capacity: up to 6.0 MTPA

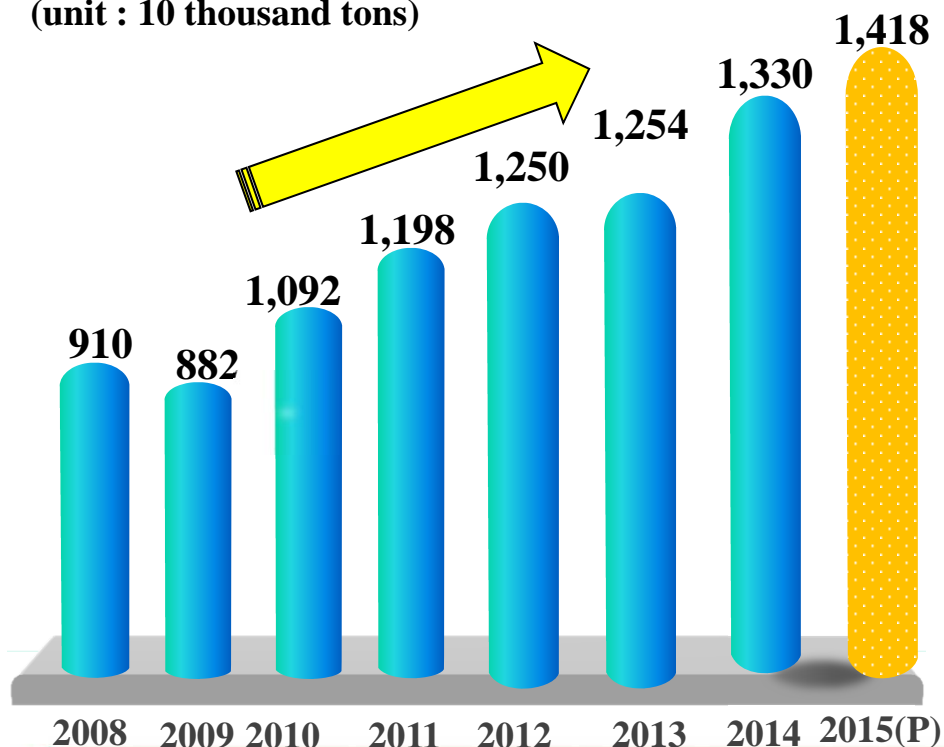




Increasing demand for LNG

- Taiwan imported **13.3 million tons** of LNG in 2014 – a **5.8%** share of global trade.
- The gradual year-on-year increase in Taiwan's LNG imports is a result of increasing demand for its use in power generation.

(unit : 10 thousand tons)



Principal LNG importers

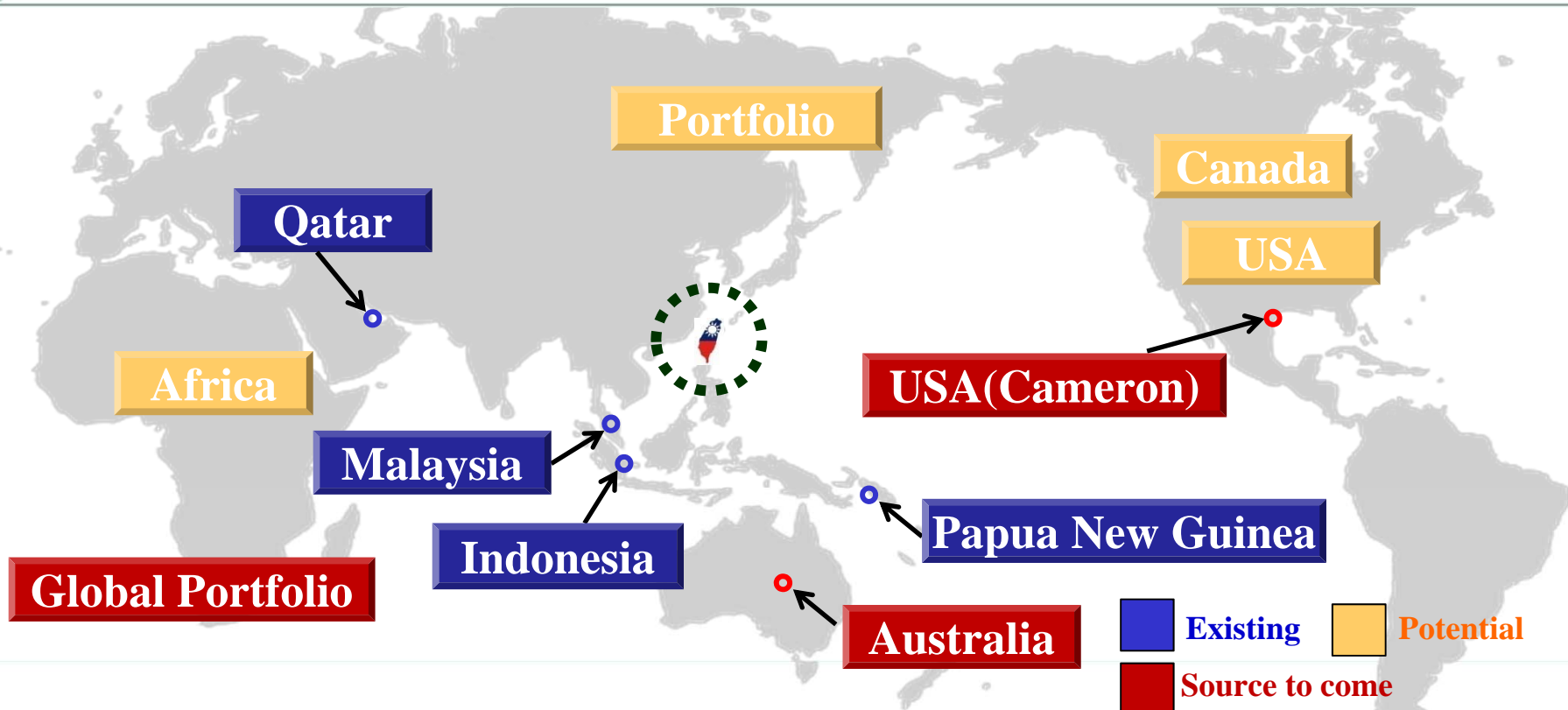
Country	Volume (Million tons)	Global share
Japan	89.20	37.3%
S. Korea	37.62	15.7%
China	18.98	7.9%
India	14.54	6.1%
Taiwan	13.45	5.8%
UK	8.4	3.5%
Spain	7.9	3.3%
Mexico	6.58	2.8 %

Source: The LNG Industry in 2014, GIIGNL



Diversifying our sources

- ✚ CPC has signed long-term LNG contracts with diverse suppliers.
- ✚ CPC bought LNG from 14 out of 20 exporters in 2014.
- ✚ Source diversification is an ongoing aim for CPC.





Uncertainties in Taiwan's energy market

- Taiwan's power generation mix target for 2026:

	2014	2026
LNG	37.4%	43.2%
Coal	26.2%	30.6%
oil	8.1%	0.5%
Renewable	9.3%	?
Hydro	6.4%	
Nuclear	12.6%	

Source: Taipower's 10405 long-term power generation plan

Nuclear policy

- Debating whether or not to extend the lifespan of the existing 3 nuclear plants.
- Debating whether or not to bring the No.4 nuclear power plant into operation.

Renewables development

- Bureau of Energy has raised its target for renewables capacity by 2030 from 10,858 MW to 17,250MW.
- Subject to technology development and cost.

Power Industry Deregulation

- Draft plan for Power Industry Deregulation has been submitted to the Executive Yuan.
- Potential positive impact on natural gas industry can be anticipated.



Uncertainties in the global market

Oil price trends

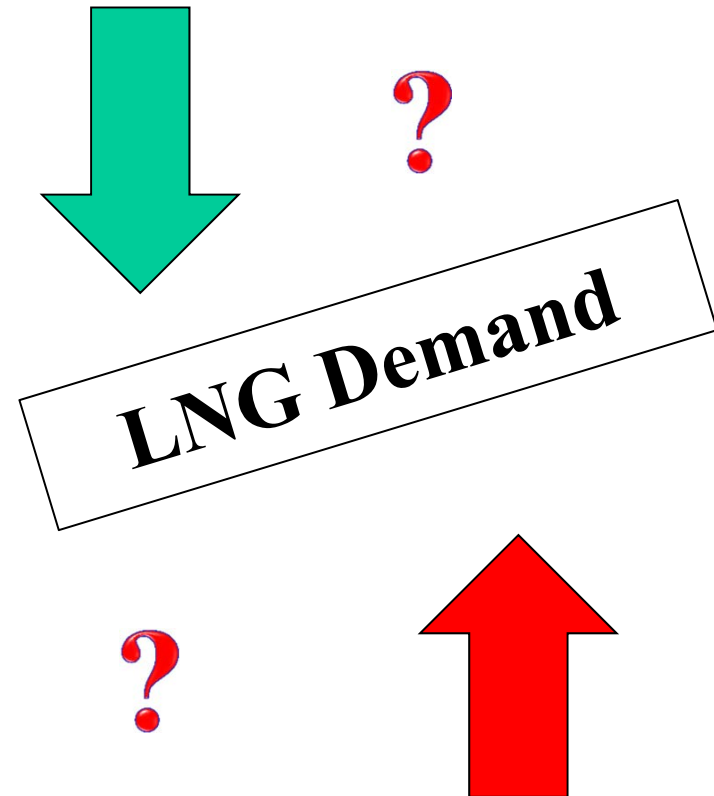
Projection in the EIA's Annual Energy Outlook 2015 is lower than that in 2014.

The dilemma for oil producers

To reduce production - and earn less revenue - to support the oil price, or not?

Economic growth

Global economic growth is slowing:
IMF forecast for 2015 revised from 3.8% to 3.3%.



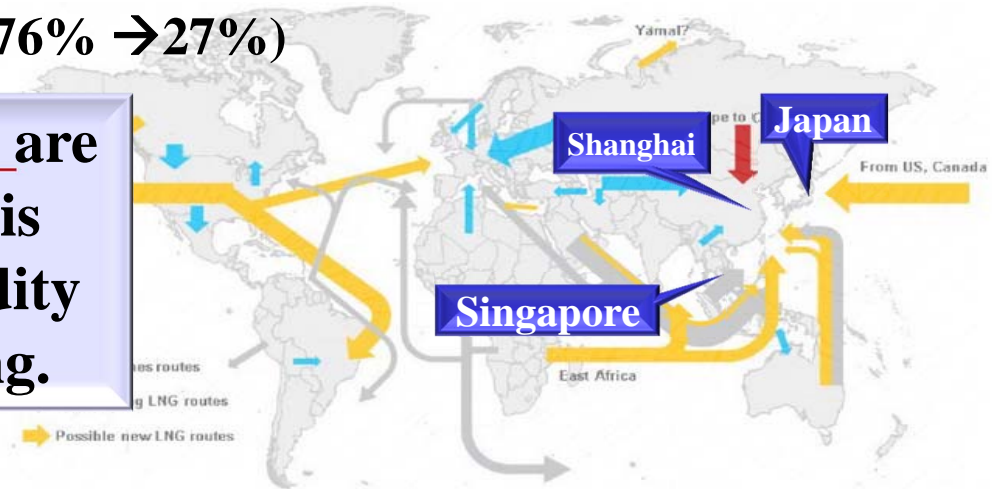


The market will find its own way to cope

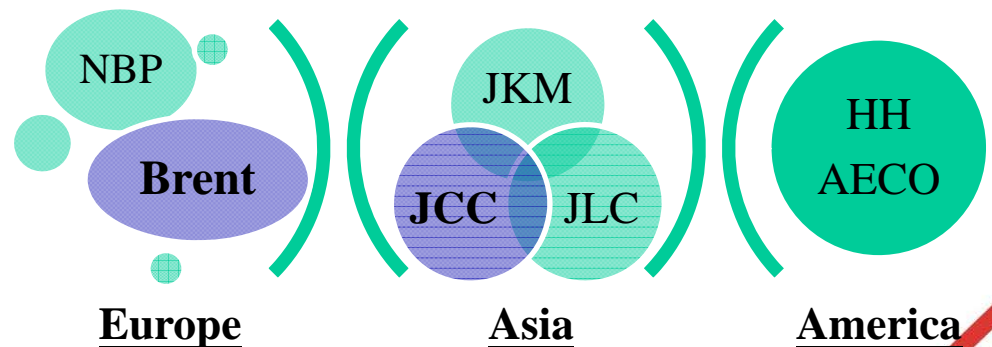
Ratio of **short-term transactions** is increasing.

- ST volume signed for in Q1 2015 totaled 2.5 million tons.
- LT ratio is gradually decreasing. (76% → 27%)

A number of **LNG trading hubs** are being established in Asia, which is expected to lead to greater liquidity and more transparency in pricing.

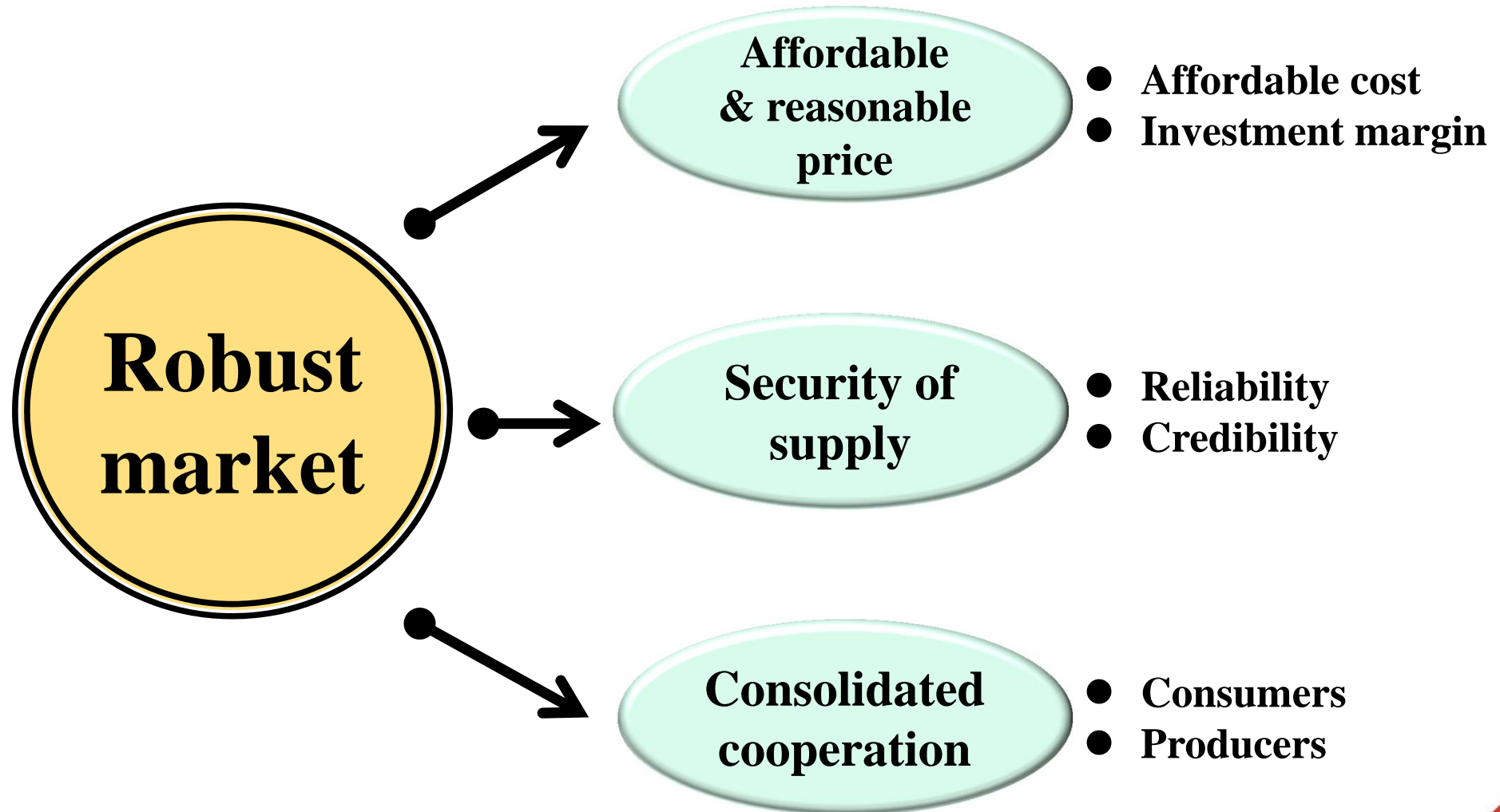


New price indexation formulae, including hybrids, are being adopted alongside the traditional oil-linked pricing methodology.





Getting to a robust market



Thank you for your attention

