

VIETNAM OPEN ITS DOORS TO STRATEGIC AND COMMERCIAL OPPORTUNITIES FOR LNG

EXTENSIVE DISCUSSIONS AND NETWORKING BETWEEN LOCAL AND INTERNATIONAL STAKEHOLDERS SET TO PAVE WAY FOR UPCOMING LNG SUPPLY NETWORK SETUPS AND DISTRIBUTION IN INDOCHINA'S MOST PROGRESSIVE MARKET – LED BY PETROVIETNAM



By: Stephanie Chan



Opening Ceremony

The inaugural, Petrovietnam-endorsed LNG Supply, Storage and Transport Vietnam Forum took place at the New World Saigon Hotel on 5-7 September 2013 with a mainly captive audience. Sponsored by French-based GTT, around 76 delegates attended the forum. With both Thi Vai, Ba Ria – Vung Tau and Son My – Binh Thuan LNG Terminal anticipated to be ready and operational by 2015, Vietnam is expected to fill more of the natural gas demand gap, especially when 90% of current supply goes into power generation with the remaining split into industries and fertilizer production.

Key local stakeholders that attended this event include decision makers from Petrovietnam, PV Gas Corp, PV Power Corp, CNG Vietnam, PV Gas South, PV Gas North, PV Engineering, EVN, Petrolimex, PV Power Project JSC, Institute of Energy, PV Power NT2, Hiep Phuoc Power Plant, Ministry of Trade and Industry, Ministry of Science and Technology, Ministry of Natural Resources and Environment among many others.

Two pre-conference workshops were also well attended. The morning workshop was led by Alexander Harsema-Mensonides, Senior Engineer Business Development from Marine Service GMBH. Alexander facilitated a timely topic on “Reviewing and Choosing Offshore Storage Options: Considering the Application and Business Case”. This was followed by another well attended 3-hour workshop – “Negotiating Successful LNG Contracts and S.PAS” – that was facilitated by Ben Smith, Partner at Hong Kong-based Fulbright & Jaworski L.L.P.



Pre Conference Workshop A: Alexander Harsema-Mensonides, Marine Service GmbH



Pre Conference Workshop B: Ben Smith, Fulbright & Jaworski LLP

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The main conference was opened by Quach To Dung, Deputy Director at the Ministry of Trade and Industry. She mentioned that Vietnam will have to eventually import natural gas for domestic use - namely fuel power generation, fertiliser production and other industrial sectors - despite its sizeable reserves of natural gas. Natural Gas now meets over 15 per cent of Vietnam's primary energy demand and 90 per cent is currently consumed by the power sector. Gas-fired generation accounts for 40 per cent of total electricity supply.

Following up to Ms Dung's opening remark, Ngo Ahn Hien, Deputy General Manager - Gas at Petrovietnam presented on "Vietnam Natural Gas Utilization Plans". He gave an overall overview of Vietnam's gas sector, mentioning existing gas infrastructures, gas consumption, orientation for development and key projects.

Total LNG's Anton Safronov delivered an engaging presentation on "LNG Sourcing for Emerging Importers". Anton started with the recent natural gas market "imbalances" citing some causes including the Fukushima aftermath, increasing LNG appetite from China, UK and India, the emergence of new LNG buyers and political problems in exporting countries. He also touched on mid to long-term LNG price trends and highlighting some upcoming LNG projects that may benefit buyers.

Innovation Norway's Kjell Arne Nielsen took the podium after the coffee break. Kjell gave some suggestions on ways to bridge the increasing domestic demand gap for gas, coupled with recommendations to increase the planned volume of LNG imports. With higher volumes of gas, Vietnam could potentially replace coal and diesel for power generation, replace LPG for city gas and replace bunker oil for ship. In addition, Kjell recommended the floating terminal options, citing its practicality for Vietnam's needs.



Quach To Dung, Deputy Director Ministry of Trade and Industry



Ngo Ahn Hien, Deputy General Manager - Gas, Petrovietnam



Anton Safronov, Total LNG



Kjell Arne Nielsen, Innovation Norway



Dang Thanh Tung, Petrovietnam Gas Corp



Stéphane Maillard GTT



Tran Hoang Nguyen EVN Institute of Energy



Raj Rattanavich Poten & Partners

One of the most anticipated presentation was by Petrovietnam Gas Corp. A presentation entitled "Vietnam's LNG Terminal Import Plans And Terminal Development Prospects" was delivered by Dang Thanh Tung. With domestic gas demand increasing dramatically coupled with forecasted supply declining in the period of 2015-2020, PV Gas has to carry out the LNG import project to be ready for the anticipated gas shortfall. With gas shortages in southern Vietnam forecasted to be 3 billion m3 by 2015, LNG importation is inevitable and part of the national energy security plan. In addition, PV Gas also have Small Scale Transportation plans to distribute LNG across Vietnam.

The forum's main sponsor, GTT presented on "Developing an LNG Chain for Vietnam - Membrane Systems Open Up New Opportunities". Stéphane Maillard mentioned that LNG storage solutions should provide flexibility to customers and compatibility of the whole LNG chain should be ensured. He dwelled into land storage tanks and the importance of safety before an in-depth focus on land storage technology and its applications for Vietnam.

Tran Hoang Nguyen from EVN Institute of Energy discussed Vietnam's Power Masterplan and the role of natural gas for Vietnam's power sector. He stressed that the current supply of gas to the industries is not stable, thus LNG will be an effective option as it will bring stability of supply to the industries and gas power plants. According to him, the potential for use of LNG in Vietnam has not been properly exploited, thus opening up many opportunities in Vietnam.

Australian-based Raj Rattanavich from Poten & Partners gave a timely presentation entitled "Niche LNG Strategy for a Tight Market". The current market dictates a very limited supply to meet increasing Asian demand thus LNG pricing could remain high for Asian buyers. As Vietnam is expected to

face fierce competition – with existing and upcoming regasification terminals – in the region, Raj outline and gave recommendations on how Vietnam can effectively strategize its LNG strategy.

The final presentation of the day was by LMG Marin. Carl Johan Svendrup gave a detailed explanation on the Gravifloat Technology, suitable for small scale port storages in Vietnam. Carl described various scenarios comparing Gravifloat against land-based terminals and FSRU. He also touched on the economics of using such a technology.

Day two began with Viktor Snegir, an independent consultant from Russia who discussed on Russia's role in global LNG market. Viktor gave an overview on Russia's role including Russia's gas resource base, its energy strategy towards 2030, LNG Infrastructure development especially for its Eastern Program, Potential LNG projects in Russia and up-to date Russia –Vietnam Energy cooperation in relations to LNG. The next presenter, Ben Smith, Partner at Hong Kong-based Fulbright & Jaworski L.L.P gave an in-depth presentation on "Issues for the Developers of New LNG terminals to consider". He stressed on the legal and developmental Issues to be looked at including timelines, demand, supply, funding, technology, threats and possible mitigation.

Petrolimex's Le Minh Hai gave an overview of Petrolimex's LNG import and distribution project. He also highlighted small scale projects which are suitable for Vietnam, as the industrial market is small and dispersed. He gave various distribution network scenarios which is suitable for Vietnam. Being the main distribution channel of fuels in Vietnam, Hai highlighted many opportunities for investors to take part within the LNG distribution value chain. Petrovietnam Power NT2's Tran Thien Khiem gave an overview of Vietnam's power market and potential use of LNG for power generation. Tran mentioned that LNG will eventually be as a source existing and new power plants in Vietnam but pricing may be a potential issue as LNG will cost more than domestic gas.



Networking Lunch Break



Q&A Session



Carl Johan Svendrup
LMG Marin



Viktor Snegir
Russia



Le Minh Hai
Petrolimex



Nga The Hung
Hiep Phuoc Power Plant



Chairani Rachmatullah
PT PLN



Alexander Harsema-
Mensonides, Marine Service

Hiep Phuoc Power Plant's Head of Development, Nga The Hung presented on "Potential Use of LNG to produce Electric Power". He said that the use of natural gas to produce electric power in power plant has proven to increase its overall efficiency with reliability and readiness rating of 97%-99%. He concluded that by potentially utilizing LNG to produce electric power will improve investment cycle, plant life cycle and reduced polluting emission in comparison to power plants running on coal or diesel.

An Indonesian case study by PT PLN's Chairani Rachmatullah took place after the coffee break. Speaking on the topic "Utilizing Natural Gas and LNG to Meet Increasing Electricity Demand in Indonesia", Chairani focused on areas including the procurement of LNG from the new FSRU facility, implementation of Mini LNG for medium size power plants, implementation of Marine CNG for small power units and business potential for investors to provide LNG FSRU at PLN's Power Plants.

Alexander Harsema-Mensonides, Senior Engineer Business Development from Marine Service GMBH provided the final presentation of the forum with a topic "A Closer Look at LNG FSRU Concepts & Arrangements". He started by addressing the advantages of converting an LNGC into LNG FSRU over an onshore LNG terminal including quicker implementation, cheaper to build and fewer onshore planning procedure issues among many others. He gave an overview of various FSRU arrangements which interest the local and international stakeholders.

The event brought together Vietnam's Natural Gas industry in one room, one platform. The extensive networking opportunities within the forum open many doors. Navigating in an environment like Vietnam is challenging but the event has given the delegates access to the right people at the right time. With LNG anticipated to "arrive" in Vietnam by 2014, business opportunities along the LNG value chain is plentiful and abundant.