LNG mainly compensate for the decline of nuclear power.

Energy Mix in Japan — before and after Fukushima

Electricity Generation by Fuel

Source: Compiled by METI based on “Outline of Electric Power Development in FY 2010” etc.
Japanese LNG cost nearly doubled after Fukushima

- After the Great East Japan Earthquake, Japan’s LNG demand has increased by 30% due to the shut down of nuclear power plants. (2010fy 70million tons → 2012fy 90million tons)
- In addition, Japan’s LNG import price, linked to crude oil import price, has soared.
- As a result, the overall cost of LNG imports to Japan has increased from 3.5 trillion yen a year to around 6 trillion yen. ※1 trillion yen = $10.7 billion

Natural Gas price trend (unit: US dollar/MMBTU)

- Petroleum and crude oil price (JCC)
- Japanese LNG import price
- Henry Hub price

$19.1/MMBTU
$15.8/MMBTU
$3.5/MMBTU

2001 2003 2005 2007 2009 2011 2012
Developments in Japan/World to addressing Asian premium

**New area / Business/Technology**
- US, Russia, Mozambique
- Japanese companies in the upstream (Australia)
- Methane Hydrate

**Utilities changing**
- Stringent assessment on raising electricity tariff, focusing on fuel cost cut
- Electricity market reform: direction and roadmap released in February
- Nuclear re-start: new safety standard by NRA in July 2013
- Taking into consideration of the best use of coal-fire power generation, including new construction

**Supporting policies and International cooperation**
- 1 trillion yen loan guarantee program for cheaper LNG projects
- 2nd LNG Producer / Consumer Conference @Tokyo, fall 2013
- Cooperation with consumer country
  - (Korea) Japan and Korea Gas Dialogue
  - (India) Joint study on “Pricing of LNG in the Asia pacific market”
The shifting balance of supply & demand points to a more globalised market

Rising supplies of unconventional gas & LNG help to diversify trade flows, putting pressure on conventional gas suppliers & oil-linked pricing mechanisms

Source: IEA, World Energy Outlook 2012