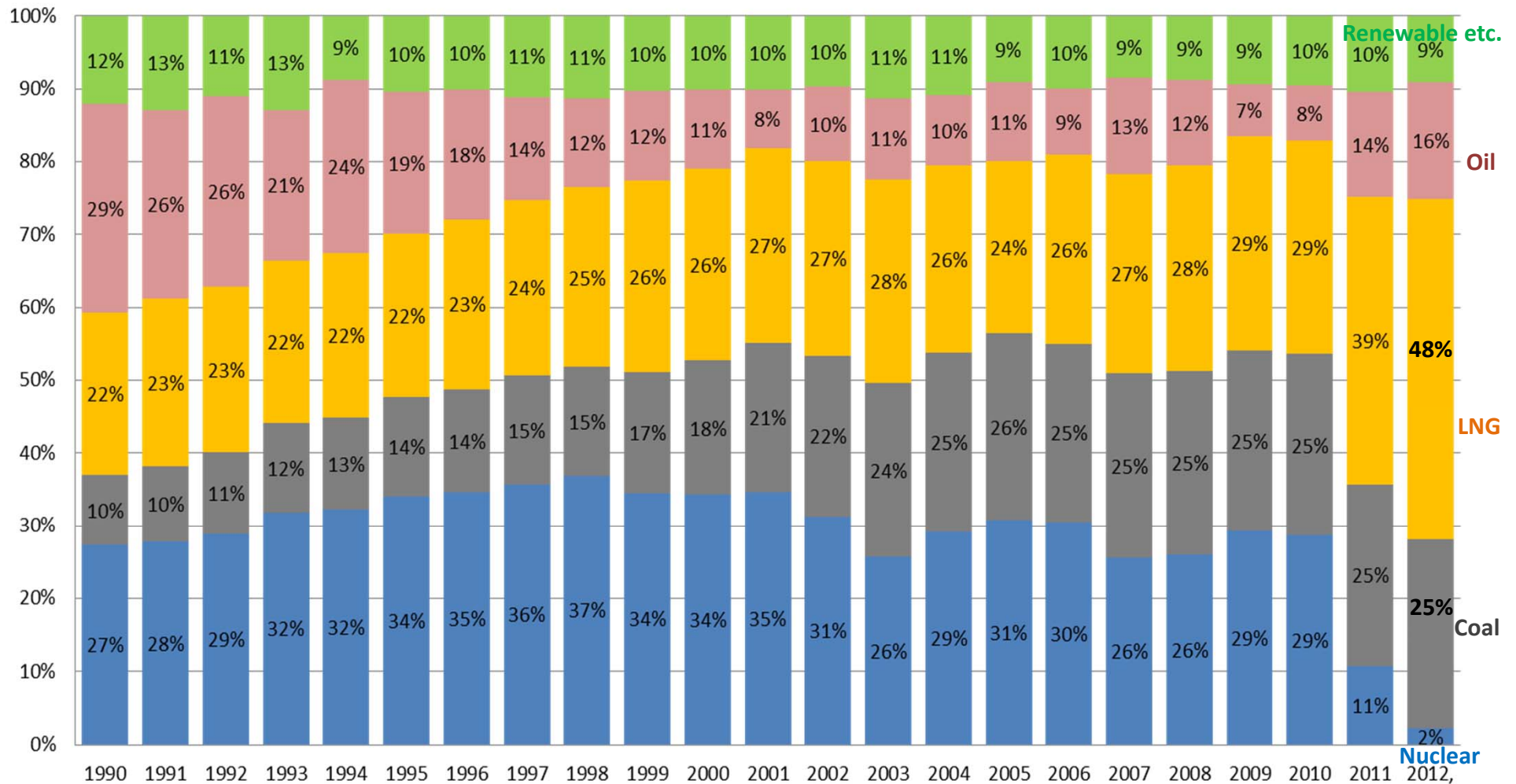


Energy Mix in Japan – before and after Fukushima

LNG mainly compensate for the decline of nuclear power.

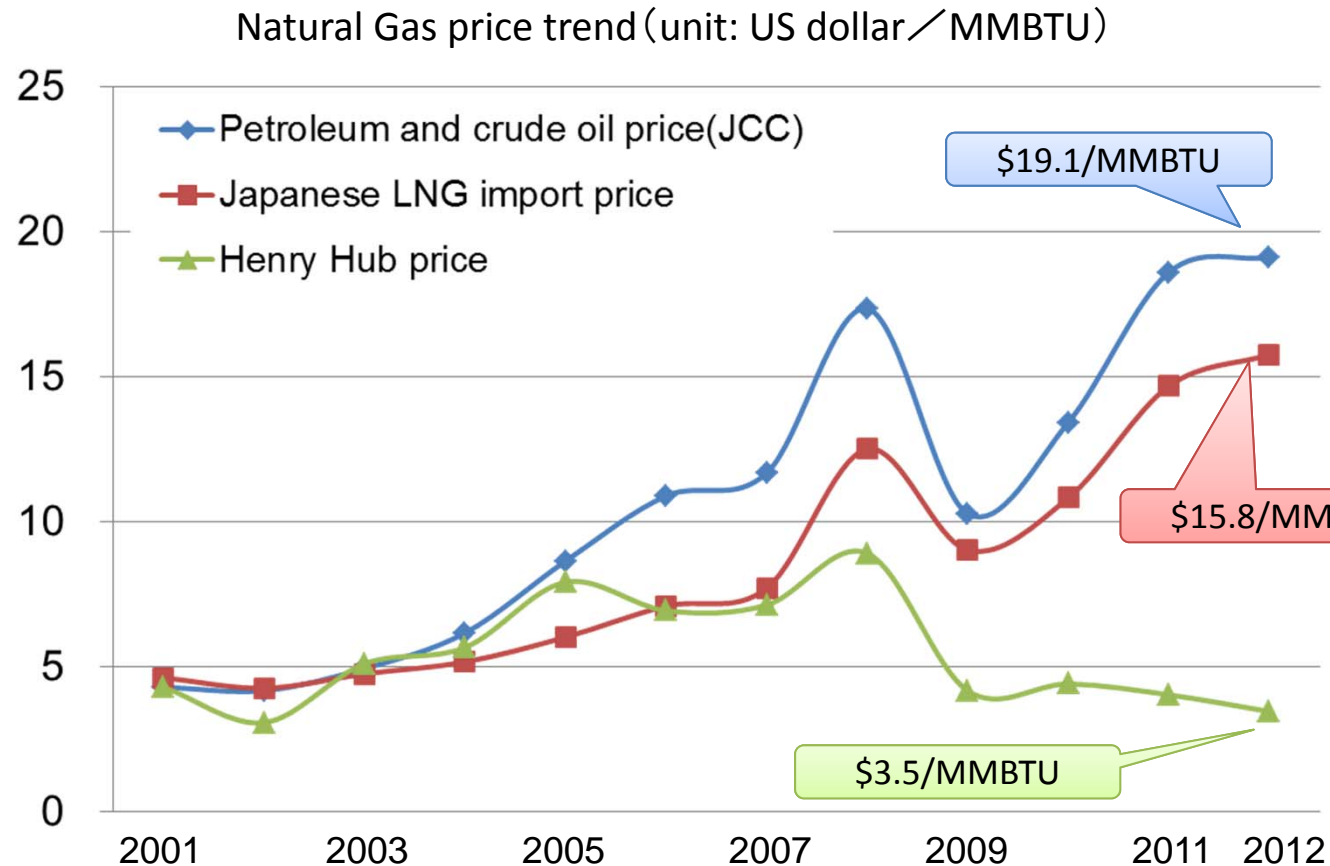
Electricity Generation by Fuel



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



Developments in Japan/World to addressing Asian premium

■ New area / Business/Technology

- US, Russia, Mozambique
- Japanese companies in the upstream (Australia)
- Methane Hydrate

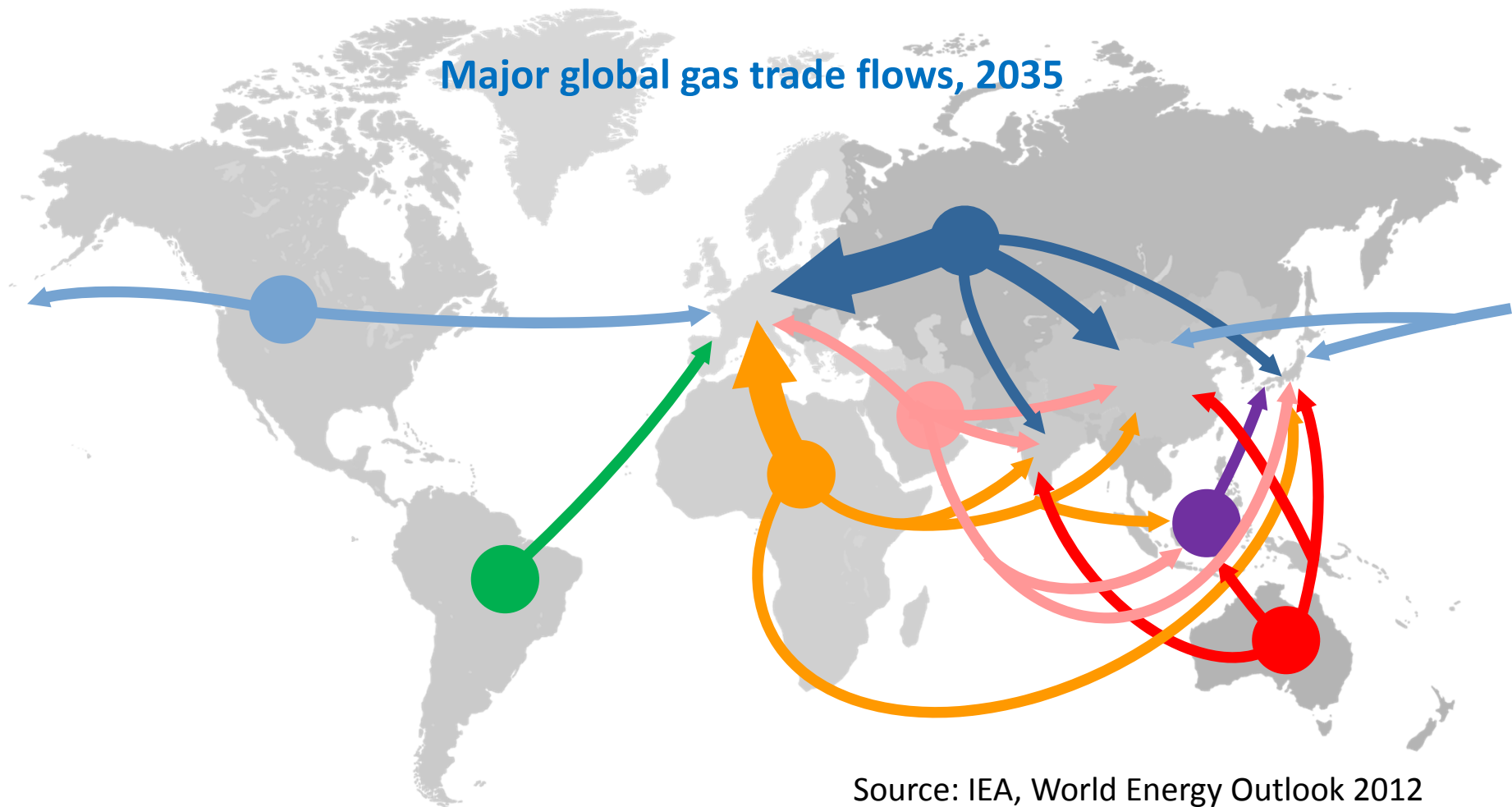
■ Utilities changing

- 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