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NEWS RELEASE

GOVERNMENT TO BUILD AND OWN SINGAPORE'S FIRST LIQUEFIED NATURAL GAS IMPORT TERMINAL

SINGAPORE, 30 June 2009 - The Government will take over the development and ownership of Singapore's first Liquefied Natural Gas (LNG) import terminal. This decision was announced today by Mr S Iswaran, Senior Minister of State for Trade and Industry, and Education, at the Next Generation LNG – Asia Pacific 2009 conference. To facilitate the takeover, the Energy Market Authority (EMA) will set up a new company, the Singapore LNG Corporation Pte Ltd, to own the terminal and oversee its development.

PowerGas Limited (PowerGas), a wholly-owned subsidiary of Singapore Power Limited (SP), was designated as the LNG terminal owner and operator in September 2007. Since then, PowerGas and its partner GDF Suez have made good progress in completing the front-end engineering design for the terminal. The site on Jurong Island has also been fully reclaimed.

However, with the global economic downturn, it has become more challenging for PowerGas and GDF Suez to proceed with this project on a commercial basis. There is now greater uncertainty about the pace at which future demand for LNG will build up, which would in turn affect the utilisation of the terminal and its revenue stream. These developments have weakened considerably the commercial viability of the project.

The Government has reviewed the situation and decided that the LNG terminal project should not be delayed because of the economic downturn. The terminal is a critical part of Singapore's energy infrastructure to ensure diversification of our gas supply sources and to enhance our energy security. There is therefore a strategic imperative to develop it at the earliest opportunity.

"The LNG terminal is needed for the security and reliability of our future gas supply. Therefore, to ensure the timely completion of the terminal under today's market conditions, it is necessary for the Government to take over the development and ownership of the project. EMA will award the contract for the project's detailed engineering, procurement and construction (EPC) by the end of this year, and will work towards getting the terminal ready for start up by 2013", said Mr Lawrence Wong, Chief Executive, EMA.

Mr Quek Poh Huat, SP Group Chief Executive Officer said, "The LNG terminal project started off in September 2007 when market conditions were conducive for a commercial project to be feasibly undertaken. The financial environment has changed dramatically since then. The global recession has affected LNG demand and raised financing costs sharply. We thoroughly understand the rationale for the Government's decision under the prevailing circumstances to take the lead to ensure that the development of the country's first LNG terminal can be realised even in this period of uncertainty."

With the Government taking over the terminal, there will be a need for a different financing model, which the EMA will study and put in place in due course. Once the economy recovers, it is expected that demand for LNG will pick up and stabilise at a commercially viable level. Hence, the Government will leave open the option of divesting its stake in the terminal at an opportune time.

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About the Energy Market Authority

The Energy Market Authority (EMA) is a statutory board under the Ministry of Trade and Industry. The EMA's main goals are to promote effective competition in the energy market, ensure a reliable and secure energy supply, and develop a dynamic energy sector in Singapore. Through its work, the EMA seeks to forge a progressive energy landscape for sustained growth.

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