

The Trend of LNG Prices and Inter-fuel Substitution in Power Sector in Some APEC Asian Economies

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Since the Asian financial crisis, the demand for electricity has been accelerating to support rebounding economic growth in Northeast Asia. Moreover the mid- to long-term demand forecasts seem to suggest even higher rate of growth due mainly to, for example, the wider distribution of electrical appliances, and rapid urbanization among others. To meet the challenging need for power generation fuels, all resources have been mobilized, in particular, coal and natural gas. Despite its dominance, coal has been as much avoided as natural gas becomes competitive in terms of fuel cost and for environmental reasons. Slow, but steady internalization of the environmental externality in fuel prices combined with downward shifts in long-term LNG prices is beginning to take hold such that natural gas is penetrating rapidly the power generation market in many countries in the world. In our note/presentation, we will analyze the factors affecting the natural gas prices and investigate the potential role of LNG in addressing climate change.

Keywords:

LNG, inter-fuel substitution, electricity generation, climate change