



## Is gas the right fuel for power in the Philippines?

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Gas currently fuels a third of the power generated in the Philippines and nearly 3000MW of installed CCGT capacity will have no fuel when the contracts for the supply of gas run out in 2024. Gas is perceived as being clean; however, gas is also more expensive at current LNG prices than coal by some margin and coal can also manage emissions. Should developing economies import such an expensive fuel, when cheaper options abound? Modelling suggests LNG can play a role, just not at baseload. LNG-fired CCGT's make good mid-merit and peaking options, particularly somewhere subject to typhoons, earthquakes or outages that limit generation. The existence of a terminal is an option – giving a country flexibility to change fuel sources at short notice to manage events or to arbitrage fuel prices. However, this raises it's own set of questions:

- Is LNG demand from mid-merit generation sufficient to underpin the cost of the infrastructure needed?
- Who benefits from the optionality and flexibility and how can these be captured commercially?
- How can the infrastructure associated with LNG be practically implemented in a country where the Government no longer controls the energy sector, no longer offers long term PPAs and where a market is in place?

Even in Singapore we saw that the terminal required Government support: Could it happen in the Philippines without such support? TLG undertook a World Bank funded project to help the Philippine Government address these issues and this presentation will highlight some of the results. It will cover the economic case for gas as well as the practical constraints on the entry of LNG terminals into the competitive market. As LNG terminals are being proposed across Asia for a variety of reasons, this presentation will look in-depth at some of the issues in the Philippines and draw lessons generally for other markets.