

# Food for Thought

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## **INCREASE OF NATURAL GAS PRICE FOR COMMERCIAL AND INDUSTRIAL SECTOR**

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### **INCREASE OF NATURAL GAS PRICE FOR COMMERCIAL AND INDUSTRIAL SECTOR**

Association of Water and Energy Research Malaysia (AWER) would like to highlight the press statement by Ministry of Energy, Green Technology and Water (KeTTHA) on 21st January 2015, "another factor to take into account is that the market price of LNG supplied to Peninsular Malaysia is linked to the ex-Bintulu LNG price and the Japan Customs-Cleared Crude (JCCC) price with a time lag of 2-4 months and 5-7 months, respectively. Hence, any decrease or increase in the world crude oil price can only be reflected in the price of LNG for the Peninsular five to seven months later."

In addition to that, Special Address by YAB Prime Minister on 20th January 2015 on the Current Economic Development and National Financial Status (Perutusan Khas Perdana Menteri Tentang Perkembangan Ekonomi Semasa Dan Kedudukan Kewangan Negara), in Point 62 of the speech, it was mentioned that the government will postpone the natural gas price increase in 2015 to reduce cost of doing business.

In view of the world oil price drop since the last quarter of 2014, Malaysia suppose to enjoy cost reduction beginning April 2015 due to the time lag effect in LNG price as mentioned in KeTTHA's statement. But, it was reported today that the Government has increased the natural gas price for commercial and industrial sectors in Peninsular Malaysia except for the power sector effective 1st July 2015.

It is important for Malaysia to remain competitive in manufacturing and services sector to become a developed nation. Competitive and transparent pricing of energy resources is vital for Malaysia's growth. However, the transparency issue related to natural gas pricing is nothing

new. Why did the government increase natural gas price while Malaysia suppose to enjoy cost reduction now due to the time lag effect in LNG price? AWER urges the government to reveal calculation mechanism that reflects both piped gas and Liquefied Natural Gas (LNG) price. Does the price difference between piped gas and LNG equate to cost of liquefaction, shipping and regasification of LNG? Has there been a transparent calculation reflecting international pricing mechanism that is widely accepted?

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[GO BACK](#)

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