

# Joint Chair Summary by the Ministry of Economy, Trade and Industry of Japan and the International Energy Agency

On 6 October 2024, the LNGPCC 2024 was held in Hiroshima, co-hosted by the Ministry of Economy, Trade and Industry of Japan (METI) and the International Energy Agency (IEA). The co-chairs of the conference, Yoshifumi Murase, Commissioner, the Agency for Natural Resources and Energy, METI, and Keisuke Sadamori, Director, Energy Markets and Security Directorate, IEA, hereby summarize the main conclusions of the dialogue between producers and consumers.

LNG makes significant contributions to the energy security of net importing countries today. At the same time, recognizing various pathways for energy transitions to net zero emissions, it is important to understand what role natural gas and LNG can play in these transitions.

## 1. The Role of LNG

LNG can play a constructive role in a transitioning energy system in the following ways:

- **First**, LNG-fired power generation can help provide security and flexibility for electricity grids, for example by balancing the intermittency of variable renewables, such as wind and solar.
- **Second**, LNG can meet energy demand and support the transition away from coal in emerging and developing economies across Asia, Africa, and other parts of the world.
- **Third**, LNG infrastructure, with its already established supply chain, has the potential to be repurposed to support the development of low-emission gases, such as biomethane and e-methane.

## 2. IEA Work Plan

In 2024, the IEA started a METI-funded work programme on gas supply security and the implications for natural gas and LNG of transitions toward net zero emissions. The two-year IEA work plan includes a detailed assessment of lessons learned from the 2022-2023 energy crisis, a proposed study on voluntary gas reserve mechanisms, sensitivity analyses around long-term gas and LNG demand, and a technology roadmap for reducing emissions from LNG. The in-depth analysis under the work plan is intended to benefit both producers and consumers, as it aims to enhance energy security and support the global energy transition.

## 3. Welcoming the Outcomes of LNGPCC 2024

### 3.1 Gas Security

Ensuring energy security is essential for a stable, sustainable, just, and equitable energy transition. Investments along the LNG value chain are needed if the current trends in supply and

demand continue, but some assets may become stranded if the energy transition accelerates and those infrastructure assets are not repurposed to support the deployment of low-emission gases. For producers, long-term contracts remain important for developing new LNG projects. For consumers, these contracts can provide a degree of supply security and price stability, as was evident during the 2022-23 energy crisis.

Gas reserve mechanisms contribute to global gas security. Flexibility options along gas and LNG value chains play an instrumental role in enhancing gas supply security. Underground gas storage and LNG storage can significantly mitigate price volatility. In regions where geographical constraints make gas storage difficult, policy measures and flexible contracts can serve as effective substitutes. The IEA's research on gas reserve mechanisms will explore and analyze existing reserve mechanisms worldwide and propose potential blueprints for a voluntary gas reserve mechanism for like-minded net importing countries. As part of these efforts, the co-hosts note the significance of the cooperation on gas security between the Japanese and Italian governments and the memorandum of cooperation between JOGMEC and Eni regarding gas security and LNG procurement support and sources diversification.

It has been confirmed that future demand for natural gas and LNG faces a wide range of upside and downside risks. Therefore, it is essential to prepare for multiple demand scenarios and consider measures to ensure gas supply security to address these uncertainties.

To balance supply and demand, market flexibility and an environment that promotes LNG trading are essential. Collaborative procurement, flexible use of tank facilities in Asia, and policies for market flexibility will contribute to the development of a more robust and secure LNG market. To the extent that LNG is foreseen to play a role in the energy transition of emerging and developing economies, support through capacity building, institutional support, and credit provision for project development may be useful.

### **3.2 Emission reductions from the LNG Value Chain**

There has been progress in developing emission reduction technologies for LNG facilities, and the importance of creating a roadmap for effective implementation was pointed out. Recognizing that mitigating methane emissions along the entire LNG value chain is of utmost importance, we welcome the expansion of the Coalition for LNG Emission Abatement toward Net-zero (CLEAN) initiative, which received additional support from energy companies, international organizations and associations, including IEA. We also welcome the establishment of LNG importers' initiative alliance for methane mitigation from the LNG value chain between the European Commission and Japan and the joint statement by METI and GIIGNL to explore the cooperation to jointly develop a framework for GHG emissions from the LNG value chain.

### **3.3 Finance**

While participants recognized the financing challenges, a clear path to net zero emissions can go a long way in creating a stable and predictable environment for financing LNG projects where

there is such a need. It was confirmed that non-traditional financing methods can complement traditional project finance, and that these can be an effective way to ensure that security, affordability and sustainability criteria are sufficiently reflected in the investment plans of natural gas and LNG projects. It was also recognised that public financial institutions can play a role in improving energy security.