

Liquefied Natural Gas (LNG)

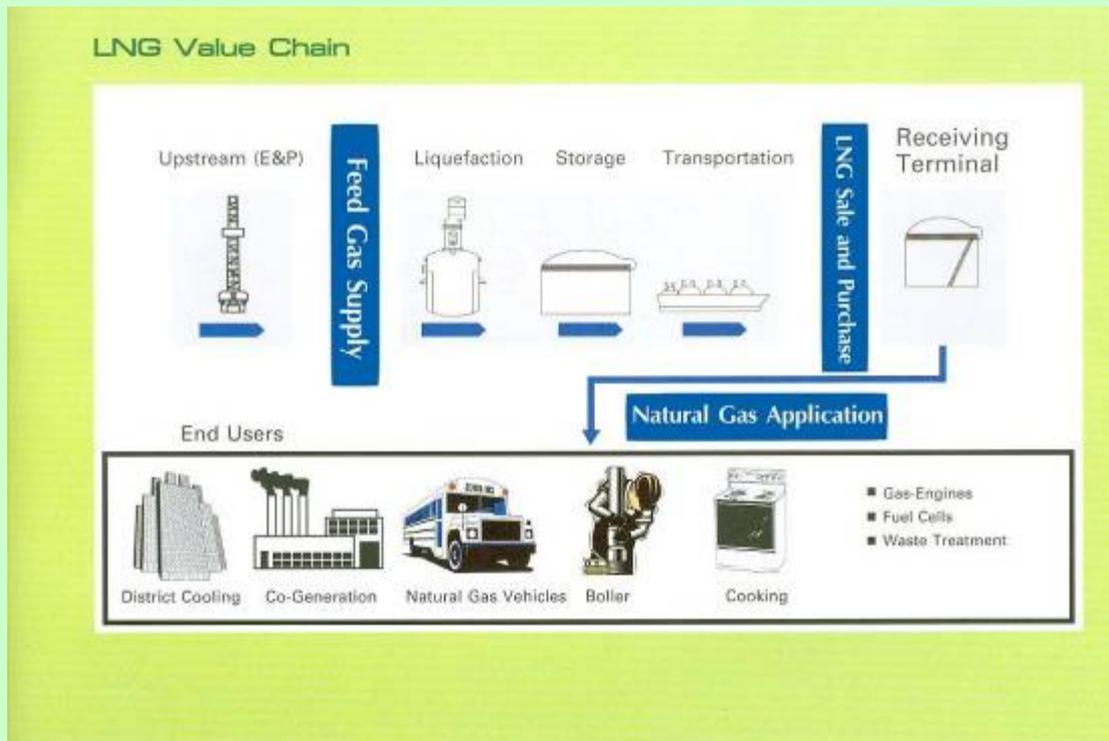
LNG Business

Liquefied natural gas or LNG is natural gas that has been cooled to -161 degrees Celsius. As a result, methane, the major component (over 90%) has thus been converted to liquid for ease of storage or transport via vessels. It is converted into gas at a regasification terminal before use.

Thanks to the technology development of train size, production efficiency, transportation, as well as other popularity: the cost of LNG production tends to be lower and is competitive to pipe gas.

PTT has a vision to step into LNG business by importing LNG to supplement the supply of pipe gas by the year 2011. PTT seeks an opportunity to invest in both upstream and transportation businesses.



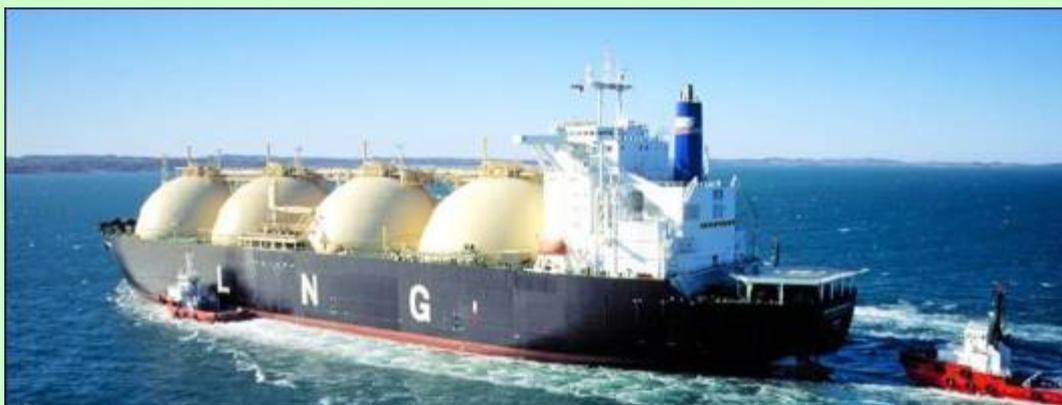


LNG Procurement

- LNG is normally imported from the sources distant from consumers. The construction of the pipe is thus costly and difficult to achieve. Basically, there are three groups of LNG importers, which can be geographically categorized as follows.
 - Asian Group
 - European Group
 - American Group
- Thailand is in the Asian Group which has Japan, South Korea and Taiwan as the largest importers. China has recently imported LNG; while it is expected that India and Thailand will also do so soon.

LNG Procurement of Thailand

- LNG producers that have high potential for Thailand are those from the Middle East, Australia and Southeast Asia. In preparing LNG import plan, PTT negotiates with various LNG producers and finally entered into an LNG initial agreement with Islamic Republic of Iran on July 1, 2006. PTT will procure LNG to fulfill the demand according to the plan.





Benefits of LNG Procurement

- Satisfy the rising energy demand of the country
- Increase stability/negotiation power of natural gas procurement in the long term due to the diversification of energy supply sources
- The import of LNG will enable Thailand to save domestic natural gas as a raw material for petrochemical industry in the future
- Provide opportunity to invest in petroleum exploration and production business and liquefaction plant





Roles of Natural Gas in Country's Development

- Reduce the energy import which helps save foreign currency.
- Increase energy security from lessening dependency on foreign energy.



- Stimulate economy, increase job opportunities, and related businesses.
- Increase economy competitiveness at regional level
- Reduce the cost of electricity production, minimize environmental impact by using the natural gas as fuel for power generation.
- The government gains royalty and petroleum tax from domestically-procured natural gas.