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Global LNG Outlook 2023-27

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Key Findings

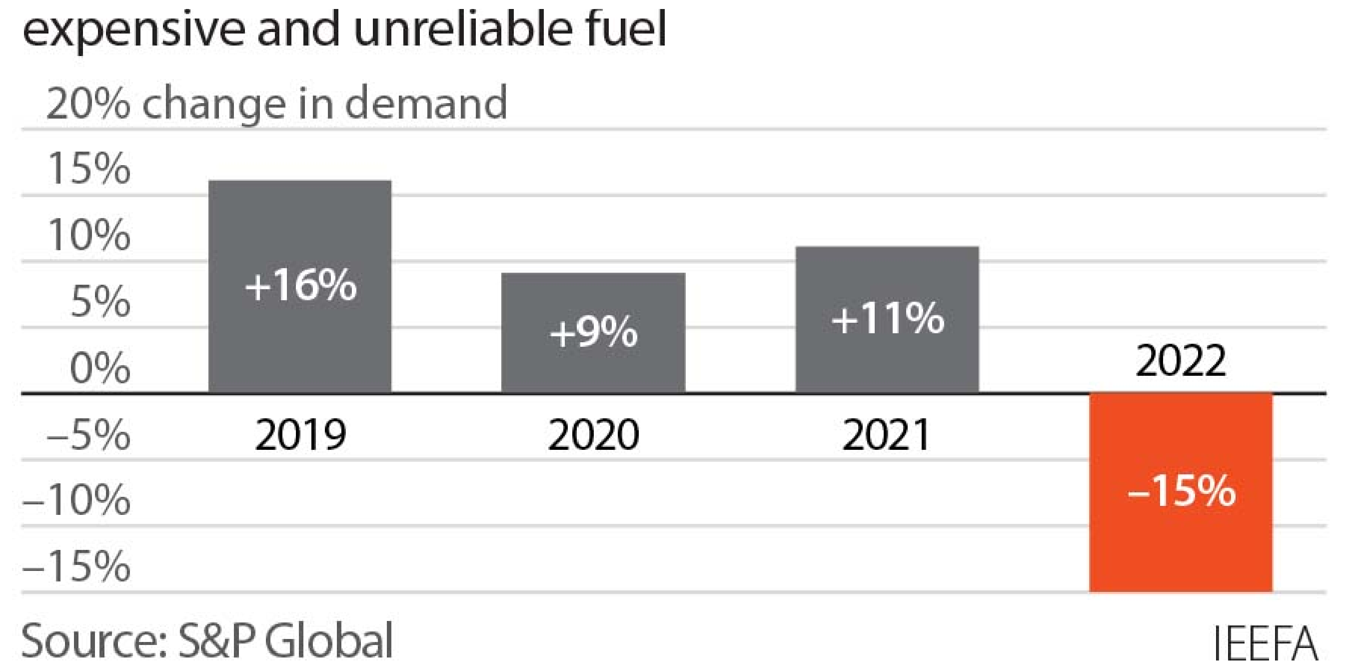
Russia's invasion of Ukraine upended global LNG markets last year—spurring Europe to buy record amounts of LNG and pushing up prices to their highest level ever.

The EU is taking aggressive steps to trim gas consumption, which could render new LNG import capacity unneeded.

Although LNG markets may remain tight for several years, the global LNG market will see a tidal wave of new projects coming online in 2025-27 — creating the potential for an extended supply glut and a return to the low global prices.

Executive Summary

Russia's invasion of Ukraine in February 2022 upended global liquefied natural gas (LNG) markets. As Russia slashed pipeline gas shipments to the European Union, EU buyers purchased record volumes of LNG to replace lost Russian supplies. Europe's red-hot demand drove global LNG spot prices to record levels, and squeezed the volumes available to developing economies.



High prices and supply disruptions have consequences. In many Asian nations, LNG has now acquired a reputation as a costly and unreliable fuel. Proposed LNG import projects in the region now face increased delay and cancellation risks, while governments in key LNG growth markets have announced new policies designed to limit dependence on global gas imports. This has clouded prospects for long-term demand in the regions that the global LNG industry had been counting on for robust growth:

- **European** countries boosted LNG imports by 60% in 2022 to make up for declining pipeline gas shipments from Russia. LNG demand could remain strong in 2023 but is poised to fall, as EU climate and energy security policies curtail gas demand by at least 40% through 2030. New LNG terminals could boost the continent's import capacity by one-third by the end of 2024, but Europe's energy transition targets mean that much of the new capacity could remain unused.
- **Japan and South Korea**, which have historically anchored global LNG demand, plan to reduce LNG purchases while boosting nuclear, wind, and solar power generation to achieve energy security, economic growth, and decarbonization goals.
- **China** cut its purchases of LNG by 20% last year, due to a combination of high prices, COVID-19 shutdowns, and slower economic growth. Prolonged high LNG prices have encouraged the country to rely more heavily on lower-cost Russian

16% last year. Many buyers in the region withdrew from spot markets altogether, and suppliers under long-term contracts often defaulted on cargo deliveries to obtain higher profits in other markets. Rising concerns over fuel supply security and affordability of LNG have downgraded the prospects for LNG demand growth in the region.

- **Southeast Asia's** demand growth faces challenges related to high prices, limited LNG contract availability and infrastructure constraints. Long-term contracts with deliveries before 2026 are reportedly sold out globally, meaning price-sensitive Southeast Asian buyers risk high exposure to volatile, expensive spot markets.

For the next several years, global LNG markets will see modest supply additions, even as European nations continue to import significant LNG volumes to replace lost Russian pipeline gas. IEEFA anticipates that weak supply growth and robust demand will keep global LNG prices structurally elevated for several years. High prices will put sustained downward pressure on Asian demand growth, particularly among price-sensitive emerging markets that were widely expected to be the primary drivers of global LNG demand.

As high prices continue to alienate Asian buyers, European policymakers are moving aggressively to reduce gas consumption, driven by the triple imperative to cut energy costs, bolster energy security, and meet emissions reduction targets. Despite Europe's short-term LNG buying frenzy to replace lost pipeline imports from Russia, climate and energy initiatives are likely to cause LNG demand growth on the continent to stabilize and reverse later this decade.

IEEFA expects that sustained high global LNG prices; weak LNG demand growth and elevated price sensitivity in Asia; declines in gas consumption in Europe; and a multi-year string of global capital investments in cost-competitive energy alternatives will undermine global LNG demand growth over the next several years.

the most in the history of the global LNG industry. The supply additions will boost global liquefaction capacity by roughly 13% in a single year.

Liquefaction projects targeting in-service after 2026 may be entering a much smaller demand pool than bullish market forecasts anticipate. As new supply floods the market, today's tight markets may give way to a supply glut, with lower-than-anticipated prices, smaller netbacks, tighter margins, and lower profits for LNG exporters.

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Shafiqul Alam is IEEFA's Lead Analyst, Energy, for Bangladesh . He has more than a decade of experience in the energy and climate change sectors. His interests primarily center on renewable energy, energy efficiency, climate finance, and policy instruments to spearhead the clean energy transition.

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Arjun Flora is Director, Europe, at IEEFA. Arjun is responsible for leading and building the Europe team, partnering with funders, campaigners and investors to maximize IEEFA's impact. As a research analyst, he covers several topic areas relating to the energy transition in Europe, including power utilities, gas infrastructure, sustainable finance, renewable energy, energy markets and consumption trends.

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Haneea Isaad is an Energy Finance Specialist at IEEFA. Based in Pakistan, she covers Asian energy markets with a focus on Southeast Asia and Pakistan.

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Kevin Morrison is an Energy Finance Analyst, Australian Gas. Kevin works closely with the global oil and gas team to examine issues facing the Australian LNG and gas sector.

Prior to joining IEEFA, Kevin worked for more than 30 years as a financial journalist for Reuters, Sydney Morning Herald, the Financial Times (FT) and Argus Media. Half of this working period was covering the energy and resources sector both in Australia and the UK.

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Ghee Peh

Ghee Peh is an Energy Finance Analyst with a focus on the Asian coal industry and South East Asia. Ghee has worked on major mining IPOs in Hong Kong and Indonesia including coal, copper and gold companies and has a deep interest in commodity markets.

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Sam Reynolds, a Research Lead with the Institute for Energy Economics and Financial Analysis (IEEFA), focuses on the economic, financial, and climate risks associated with natural gas and liquefied natural gas (LNG) infrastructure developments in emerging Asia.

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Bruce Robertson has been an investment analyst, fund manager and professional investor for over 36 years. He has worked with Perpetual Trustees, UBS, Nippon Life Insurance and BT. He has appeared as an expert witness before a number of government enquiries into energy issues.

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Clark Williams-Derry focuses on the finances North America’s oil, gas, and coal industries. His areas of expertise include: the long-term financial performance of North American oil & gas companies, particularly fracking-focused enterprises; company- and basin-specific

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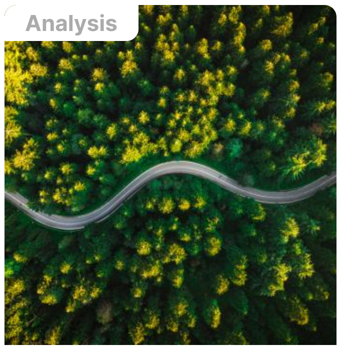

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