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As the U.S. builds new LNG terminals, Europe reduces gas demand and diversifies energy sources

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Ana Maria Jaller-Makarewicz

Key Findings

European gas demand is expected to fall further by 2030, thanks in part

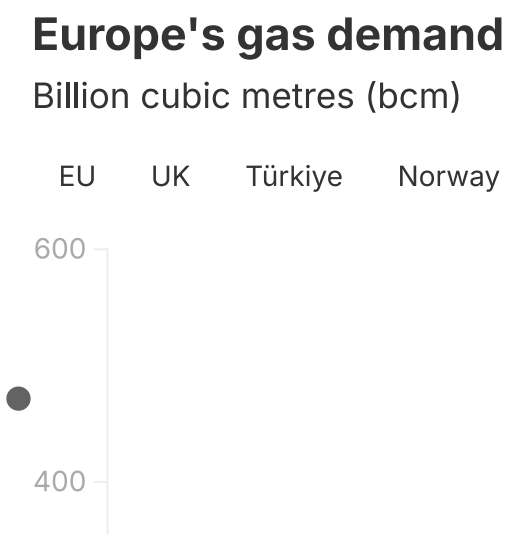
The U.S. continues to construct more LNG terminals; just taking into account projects that are currently being built, the country's LNG export capacity in 2030 will be 76% higher than Europe's forecasted demand for the super-chilled fuel in that year.

Now is the time to reevaluate the proposed LNG projects to reduce the risk of overinvestment.

Since 24 February 2022 and Russia's full-scale invasion of Ukraine, Europe's energy situation has changed dramatically. In 2021, 41% of European Union (EU) gas imports came via pipeline from Russia, 40% from other pipeline suppliers and 19% from liquefied natural gas (LNG)—a mix that shifted from 2022.

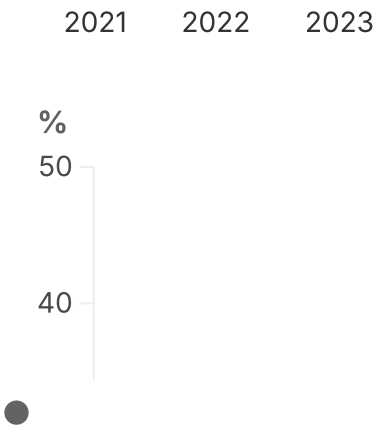
In May 2022, the European Commission launched its REPowerEU Plan to help the bloc save energy, boost renewables deployment and diversify its energy supplies. The EU realised that a reduction in fossil fuel dependency was necessary, alongside secure and diverse energy

European (defined in this analysis as the 27 member states of the EU, Norway, Türkiye and the UK) gas demand in the last two years has declined significantly, mainly due to REPowerEU policies, energy efficiency programmes, increases in renewable power generation, and demand management and destruction. If the success of these policies and programmes continues, European gas demand in 2030 is expected to be below 400 billion cubic metres (bcm).



The main sources of LNG imports to Europe are the U.S., Qatar, Russia, Algeria and Nigeria. Recent years have seen the U.S. be the top supplier of LNG to Europe, accounting for 28% of imports in 2021, 43% in 2022 and 46% in 2023.

LNG imports to Europe by source, 2021-2023



Source: Kpler, IEEFA analysis • *T&T: Trinidad and Tobago

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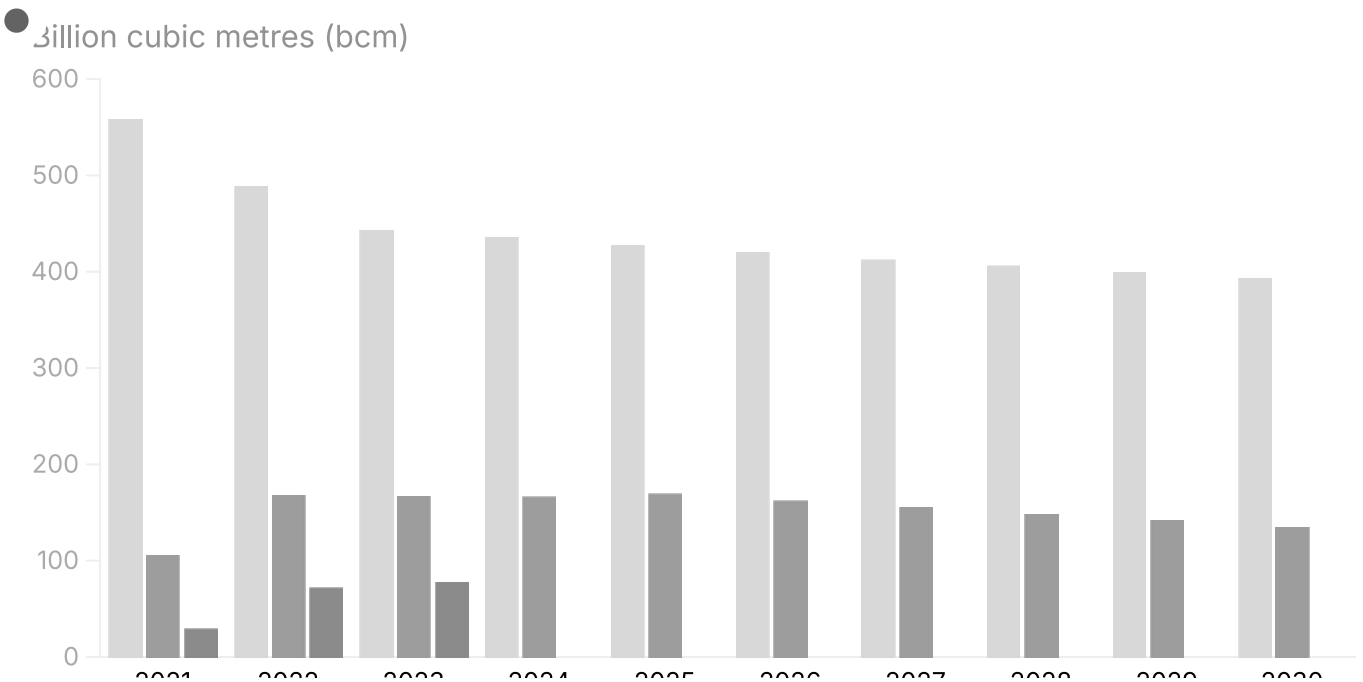
under construction, by 2030 U.S. export capacity will reach about 173 million tonnes per annum (mtpa), or equivalent to 238 bcm. This figure is 76% higher than Europe's forecasted LNG demand of 98 mtpa (about 135 bcm) by 2030.

And if all the proposed LNG terminals in the U.S. are built, by 2030 the country's LNG export capacity will be about 337 mtpa (about 465 bcm), more than the whole of Europe's forecasted gas demand of 284 mtpa (about 392 bcm).

Europe forecasted gas and LNG demand vs. U.S. LNG capacity



continent can't rest on its laurels and should continue with efforts to reduce gas consumption, diversify sources of gas imports and increase renewables. Now is the time to reevaluate the proposed LNG projects to reduce the risk of overinvestment.

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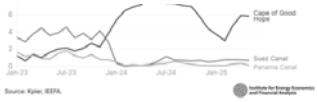

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