Gas Strategies

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Mid-Year LNG Focus

Reassessing the investment opportunity

THE KING'S AWARDS FOR ENTERPRISE 2025 INTERNATIONAL TRADE

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Reassessing the investment opportunity

A tumultuous 2025, a looming supply glut and plummeting prices are re-shaping the investment prospects for the global LNG business. But short-term turmoil belies robust fundamentals, with the long-term outlook brighter than it was six months ago.

In the six months since he returned to the White House, US President Donald Trump has dominated headlines around the world.

With his endless on-off tariff pronouncements, his continual interventions in conflicts in Europe and the Middle East – in pursuit of a coveted Nobel Peace Prize – and his antagonism towards action on climate change and investment in clean energy, the world looks very different today than it did before he began his second term on 20 January.

The energy industry, in the thick of it, is having to contend with unusual degrees of volatility and uncertainty. This applies especially to LNG – an integrated global business, high in value but also high in risk, susceptible not just to tariffs per se but also their inflationary impact. How should investors, financiers, producers, sellers and buyers be responding?

Gas Strategies published its LNG Outlook 2025 just as Donald Trump was being inaugurated as the 47th POTUS. Work is already under way on the 2026 edition – but so much has happened in the last six months that a decision has been taken to publish this Mid-Year LNG Focus.

In it, we consider the events and trends of the last half-year and look ahead at the challenges and opportunities they present.

Grappling with a glut

The impacts of the decisions and policies of the US president on the LNG business – dramatic as they have been – are, of course, only part of a larger picture.

With the departure of the first cargo from LNG Canada at the end of June, and the start-up of several US projects over the course of this year, we are in the early stages of the largest wave of new supply in LNG's history. Between now and the end of the decade, some 180 mtpa of projects already under construction are due to come onstream, boosting global production capacity by around half to 600 mtpa (see table below).

Figure 1: **Under Construction LNG Export Capacity**

Country	Plant	Status	Nameplate Capacity (mtpa)
Australia	Pluto T2	Under-Construction	5
Canada	LNG Canada T2	Under-Construction	7
Canada	Woodfibre LNG	Under-Construction	2.14
Canada	Cedar LNG	Under-Construction	3.3
Gabon	Cap Lopez FLNG	Under-Construction	0.7
Malaysia	PFLNG Tiga	Under-Construction	2
Mexico	ECA LNG Phase 1	Under-Construction	3.25
Mexico	Fast LNG 2 (Altamire Onshore)	Under-Construction	1.4
Mexico	Fast LNG 3 (Altamire Onshore)	Under-Construction	1.4
Mozambique	Mozambique LNG	Under-Construction	13.1
Nigeria	NLNG T7 + wider debottlenecking	Under-Construction	7.6
Oman	Marsa LNG	Under-Construction	1
Qatar	North Field East	Under-Construction	33
Qatar	North Field South	Under-Construction	16
Republic of Congo	Congo FLNG Phase 2	Under-Construction	2.4
UAE	Ruwais LNG	Under-Construction	9.6
USA	Golden Pass LNG T1 - T3	Under-Construction	18
USA	Plaquemines LNG Phase 2	Under-Construction	6.7
USA	Port Arthur LNG Phase 1	Under-Construction	13.5
USA	Rio Grande LNG Phase 1	Under-Construction	17.6
USA	Louisiana LNG	Under-Construction	16.5

Source: Gas Strategies 2025

This too will present challenges and opportunities. Will the market be able to absorb so much product in such a short timescale? What will be the impact on prices? How will new projects – still working towards a final investment decision (FID) – be affected? And what will be the role of portfolio players in facilitating new projects by assuming market risk that developers would otherwise be exposed to, given the huge volumes that some are committing to?

On the latter point, Gas Strategies' analysis suggests that, of all the liquefaction capacity that has taken FID since 2022, around 40% has been underpinned by portfolio players. We expand on this point later.

A faltering transition?

There are questions, also, around the future opportunity for LNG investment in a world working towards net-zero greenhouse gas (GHG) emissions by the middle of the century.

The chart below – illustrating the scale of the opportunity as of the end of 2024 – comes from our **LNG Outlook 2025**. It projected that peak LNG demand of some 722 mtpa would be reached around 2039 because of an accelerating energy transition amidst the growing influence of net-zero policies.

As we move through 2025, this needs reassessing because the energy transition shows signs of losing momentum, for two reasons.

In 2024, wind and solar combined were the darling sectors of the energy system, growing nine times faster than total energy demand.

Firstly, because of the anti-climate action policies of President Trump, who – on his first day in office – once again began the process of extricating the US from the Paris Agreement. Moreover, many companies and other organisations, including some international oil and gas companies (IOGCs), have opportunistically taken a lead from Trump to throttle back on clean energy investment (and, indeed, diversity and inclusion – or D&I – initiatives).

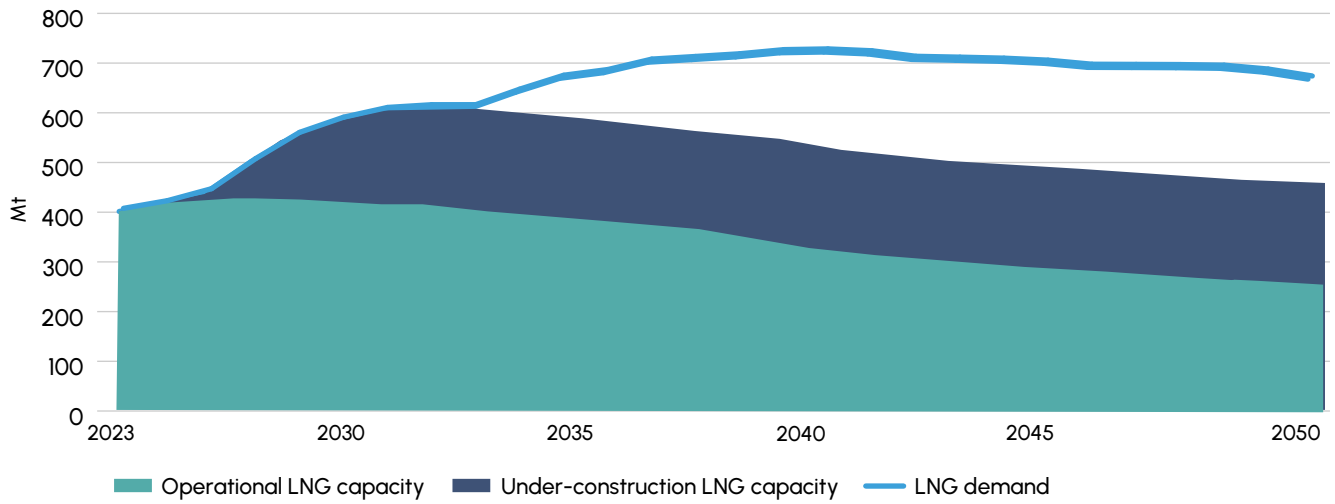
Secondly, and arguably more fundamentally, because clean energy technologies outside the electricity generation sector – such as green hydrogen, green ammonia and carbon capture, utilisation and storage (CCUS) – are struggling to deliver. Promised waves of FIDs have failed to materialise and some off-takers of product from projects that are going ahead are struggling to find end-buyers.

No one doubts that clean electricity generation technologies such as wind and solar power are making impressive strides – not least in China where the pace of wind and solar build-out during the first half of 2025 has been staggering. According to data from San Franscisco-based Global Energy Monitor, of the 690 GW of utility-scale projects under construction around the world, some 510 GW are in China.

That said, electricity-generating renewables like wind and solar are the lowest of the hanging fruit. Recent statistical data from the Energy Institute show that, in 2024, wind and solar combined were the darling sectors of the energy system, growing nine times faster than total energy demand. But even this was insufficient to cover the growth in overall energy demand. Consequently, fossil fuels also grew – by just over 1% – with natural gas demand up by 2.5%.

Gas Strategies is working on updating its scenarios for our **LNG Outlook 2026.**

Figure 2: **The scale of the opportunity**



Source: Gas Strategies 2025

For now, there remains a possibility that the peak in global LNG demand may recede into the 2040s.

The opportunity for further LNG investment is therefore significant, but the extent of this need for new investment will also depend in part on how quickly ageing operational liquefaction is retired. As Figure 2 shows, the opportunity is highly sensitive to the pace of retirements.

The track record of the LNG industry is that liquefaction plants tend to outlast their expected lives; moreover, refurbishment of older plants can be more cost-effective than building new ones, in some circumstances.

US LNG – is the party over?

The arrival of Donald Trump as the 47th POTUS has been a mixed blessing for the US natural gas liquefaction industry, the world's largest.

One of Trump's first actions as president was to lift the pause on the awarding of new LNG export licences for non-Free Trade Agreement (non-FTA) countries which had been imposed by the previous administration. But months of tariff turmoil have heightened not just uncertainty around trade terms but also increased the costs of building new LNG export terminals.

Since Trump's inauguration, the Producer Price Index (PPI) for steel and iron has risen by 13% – a significant increase given that these materials typically account for about half of the total raw material costs associated with constructing a liquefaction facility. Furthermore, the PPI for oil and gas machinery and costs for specialised labour in metals manufacturing have increased by 22% and 35%, respectively, post-COVID-19. These cost pressures are being compounded by Trump's tariffs.

It is not only the midstream sector feeling the strain of Trump's trade and energy policies. Upstream oil and gas producers are also under pressure, facing higher costs for rigging equipment because of tariffs, alongside falling oil prices – partly influenced by Trump's calls for OPEC to maintain high production levels to curb inflation – squeezing profits from both ends.

In response, many producers are shifting their strategies, opting to reduce capital expenditure by drilling fewer new wells and instead maximising output from existing assets. The result is likely to be a tightening of supply on the upstream for oil and, consequently, associated gas.

Add to this the growth in gas demand from rising US LNG exports and demand from data centres – driven by Trump's push for US dominance in artificial intelligence (AI) and cryptocurrency – which favour firm gas-fired generation, and we expect upward pressure on US natural gas prices.

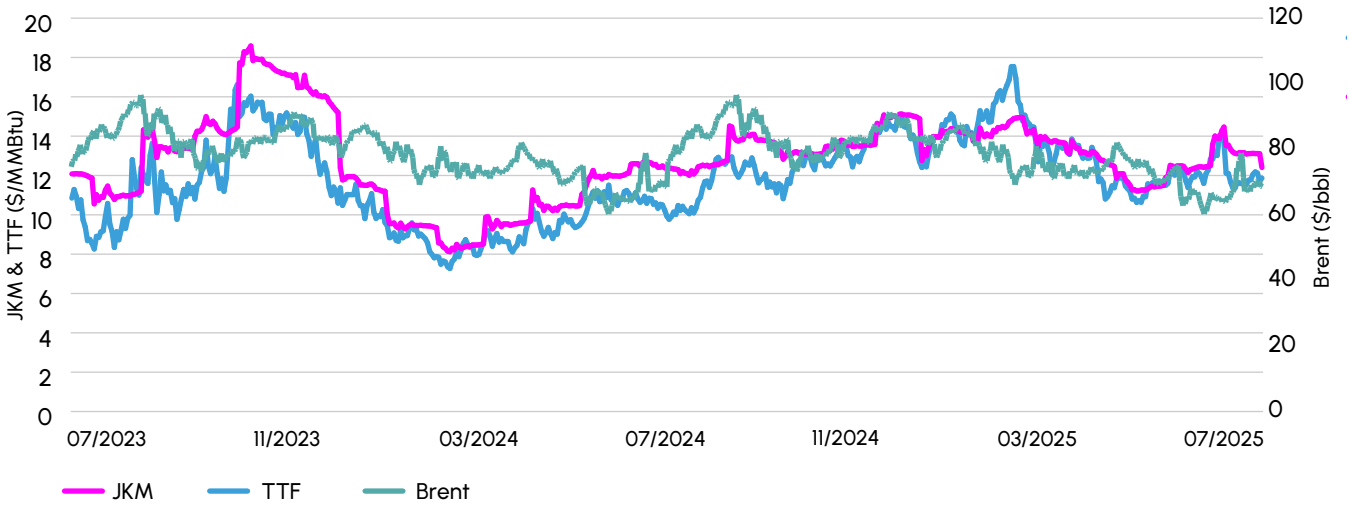
This has not dampened the enthusiasm of Middle Eastern energy companies to invest in US LNG – among them Saudi Arabia's Aramco, ADNOC of the United Arab Emirates and QatarEnergy. That said, politics rather than economics appears to be the key driver.

Gas Strategies' view is that US liquefaction has become commoditised and that returns for equity investors could be squeezed. The business model of most US LNG projects – and the basis of their funding – is that they do not take market risk; this is assumed by the buyers of their output. That said, low market prices will impact the price that buyers are prepared to pay for capacity. Moreover, it is conceivable that we could see a return to shut-ins of US LNG production in a scenario where a supply glut and rising gas prices collide.

Plummeting prices

Over the first half of 2025, crude oil and European natural gas prices have fallen sharply, with Brent briefly below USD 60/barrel in May, having spent most of 2023 and 2024 in a range of USD 70-80/barrel.

Figure 3: **JKM, TTF and Brent**



Source: Refinitiv July 2025

The price spiked during the so-called 12-day war between Israel and Iran but quickly fell back below USD 70/barrel when it became clear that the extraordinary US decision to bomb Iranian nuclear sites would not lead to the closure of the Strait of Hormuz – a key choke point for crude oil and LNG exports from the Arabian/Persian Gulf.

The downturn has been attributed to Trump's trade war and unexpectedly high output hikes by OPEC.

In Europe, TTF gas recorded its biggest weekly fall in almost two years last month, having hit a high of almost USD 18/MMBtu in February. The price is currently down to around USD 12/MMBtu.

In Asia, the JKM LNG price showed a steep downturn from almost USD 15/MMBtu in February to below USD 12/MMBtu in late April and much of May, but has since recovered to around USD 13/MMBtu.

A significant factor has been months of decline in Chinese LNG imports, but – at the World Gas Conference in Beijing in May – Tze San Koh, president of ExxonMobil's gas business in China, insisted the long-term outlook remained positive, with the country's gas demand expected to grow by more than two-thirds by mid-century. A key driver will be the switch from coal to gas.

The coming LNG supply glut is another matter. We expect spot LNG prices to fall sharply as the new wave of supply builds.

How this will translate into LNG demand will depend partly on the success of the government's push to maintain the impressive increases indigenous gas production (which has grown by an average of 6.6% per annum for the last decade) and partly on whether major new import pipelines go ahead. The former looks more likely than the latter, with LNG likely to remain a key, albeit marginal, component of the gas supply mix.

The price downturns have affected the financial results – and share prices – of the big IOGCs but decisions on long-term capital investments like liquefaction projects require a longer-term view than six months. (Although, human nature being what it is, current market sentiment tends to have a disproportionate impact on investor sentiment.)

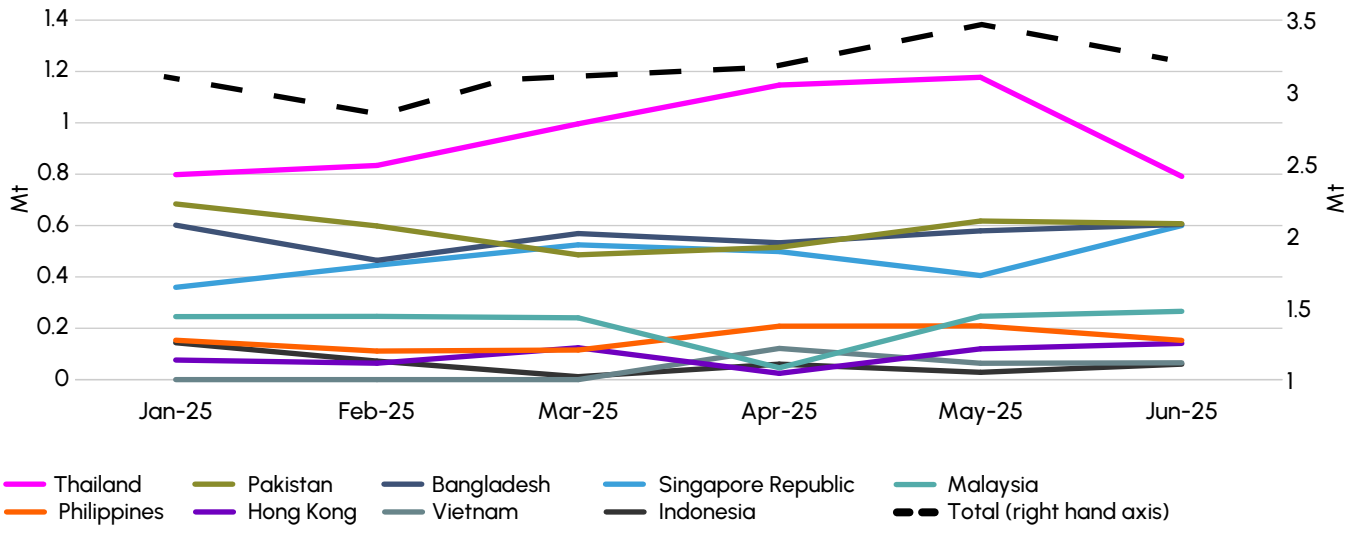
The coming LNG supply glut is another matter. Gas Strategies expects spot LNG prices to fall sharply as the new wave of supply builds. With another 180 mtpa onstream by the end of the decade, the annual average JKM price could get down to around USD 7/MMBtu, dragging the TTF price down with it. Shorter-term prices could be much lower.

Nurturing new markets

Lower prices would have the advantage of making LNG more affordable in new markets but would make financing harder to raise for new liquefaction projects.

A key area of demand growth identified by Gas Strategies are markets where indigenous gas production is in decline, with LNG seen as a way of filling the supply gap – several of them in South and South-East Asia. All projections of future LNG demand growth contain the assumption that demand in the emerging markets of South and South-East Asia will grow to absorb much of the new supply. However, so far in 2025 it has been muted at best. Total LNG demand in these emerging markets grew by only 0.23 Mt across Q1 and Q2 of this year.

Figure 4: **LNG demand in emerging markets South and South-East Asia, Q1-Q2 2025**



Source: Kpler July 2025

A major obstacle to such growth has been the inevitably higher cost of LNG compared with domestic gas, or indeed coal.

It is not the only obstacle. Introducing LNG into a market that has in the past depended exclusively or primarily on domestic supply and/or pipeline gas imports brings many challenges.

While the purchase of LNG can be highly flexible (subject to the contractual structure involved), once imported, LNG cargoes are less flexible than domestic fields or pipelines, from which volumes can be readily ramped up and down, because of multiple factors. Commercial agreements probably need to be revised. Regulatory issues are likely to arise. And timing can be critical if there is a political imperative to maintain supplies without interruption.

In short, the introduction of LNG into such markets is much more than an incremental change; it demands significant rethinking of how national gas industries and gas economies operate and sustain.

A second dawn for floating LNG?
At the liquefaction end of the value chain, there is renewed interest in floating liquefaction technologies as a means of progressing new projects.

The first wave of interest in floating LNG (FLNG) in the late 2000s and early 2010s led to the completion of the most ambitious such project, the Shell-led Prelude facility offshore Australia. Capable of withstanding Category 5 hurricanes, it is tethered hundreds of kilometres offshore – but availability has been disappointing, primarily because of the complexity of the technology.

The projects now being worked on are more standardised and much less challenging from an engineering perspective because they are intended to be located near-shore, in harbours, or even on rivers. More appropriate technology, proven redeployability and falling capital costs are making FLNG much more attractive from a financing perspective.

Out of the 180 mtpa of LNG capacity currently under construction, up to 110 mtpa is being underpinned by companies with no gas consumption of their own.

A key gamechanger has been the entry of Chinese shipyards into the business. They are claiming spectacular cost reduction and targeting a specific capital cost for new FLNG facilities of USD 500 per tonne per annum (tpa) of production capacity, or less.

Extracting value by optimising portfolios
A key sign of the increasing commercial sophistication of the LNG business has been the rise of the portfolio players, acting as intermediaries between producers of LNG and end-buyers.

The flexibility they introduce into trading brings value in multiple ways, including the optimisation of shipping, and – especially relevant today – a means to circumvent trade tariffs imposed on specific markets, by the re-routing of cargo flows or even import and re-export to re-brand the molecules. This commercial structure becomes ever more relevant in an era of trade turmoil and the imperative to open up relatively small markets.

The model was pioneered by large IOGCs, notably Shell and TotalEnergies, but has increasingly attracted the interest of commodity traders like Gunvor and Vitol and – more recently – of national oil and gas companies (NOGCs), notably within the Middle East region.

As we have recently explored in our Perspective, published in June 2025, there is however significant risk if portfolio players over-estimate market growth potential (or their ability to capture it).

In this Perspective, Gas Strategies concludes that they are "arguably the most consequential group of players in the LNG ecosystem". They account for almost half of the 220 mtpa of contract volumes announced since the start of 2022. Some of the larger new projects, such as Rio Grande LNG and Port Arthur LNG, have signed over three-fifths of their output to portfolio players, while some smaller projects, such as Congo LNG and Woodfibre LNG, have been 100% underpinned in this way. For a project like Louisiana LNG (16.5 mtpa), almost all of the capacity has been taken onto the portfolio book of its developer, Woodside Energy – an unprecedented level.

This means that, out of the 180 mtpa of LNG capacity currently under construction, up to 110 mtpa of this – the equivalent of around a quarter of the current global market – is being underpinned by companies with no gas consumption of their own.

There are potential pitfalls in the portfolio player model, a key one being the possibility of over-commitment to supply volumes for which homes cannot be found, especially when markets are volatile. However, experience has shown that the risks are manageable, especially for the larger players.

Nothing that Donald Trump does during the remainder of his presidency will change the reality that the world will continue to need energy – and that LNG will play a key role in meeting that need for decades to come. These are undoubtedly challenging times for a business more than six decades old – but the opportunities still out there remain significant for those players that successfully hone their gas strategies.

Gas Strategies

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