

Why LNG projects fail at implementation - and how to fix it

Perspective
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Introduction

LNG projects continue to attract large-scale investment across the value chain – from upstream supply through liquefaction, shipping, and regasification. Yet a surprising number stall before FID, slip during execution, or fail to deliver contracted value in operations. While external forces such as geopolitics and price volatility often take the blame, our work across global LNG markets shows a more consistent internal driver: commercial implementation failure.

Strategy alone does not deliver projects. What differentiates successful developers and investors is their ability to translate commercial intent into clear, operationally deliverable frameworks – and to do so at pace, with alignment across the full LNG value chain.

Elegant commercial strategies rarely survive first contact with execution

Many LNG projects begin with strong commercial logic: well targeted markets, thoughtful price indexation mechanisms, competitive offtake structures, and credible shipping strategies. The challenge emerges not in the strategy itself, but in the absence of a bridge between strategic design and day-to-day commercial operations.

Typical symptoms of weak execution structures

- Ambiguity around how commercial terms translate into operational decisions.
- Misalignment between SPA/GSA obligations and a project's actual execution capability.
- Gaps between commercial commitments and logistical or regulatory constraints.
- "Perfect plans" with no practical pathway to implementation.

What we see leading organisations doing differently

Implementation criteria must be embedded from the outset, not retrofitted later:

- Each commercial clause in agreements along the chain is stress tested for operational consequences and against examples of non-routine events – the operator needs a full operational readiness programme to ensure it is primed for the operationalisation of its commercial contracts.
- Assumptions are validated against physical, regulatory, and market conditions.
- Technical, operational, and shipping teams contribute early to commercial design.
- Contract terms are modelled against real-world risk and performance scenarios.

This closes the strategy–execution gap and accelerates maturity across the project lifecycle.

Negotiations that focus on price over deliverability create downstream fragility

Across global LNG markets, we see negotiations increasingly becoming narrow battles over price and flexibility. But commercial deliverability – the ability to honour commitments under operational pressure – is often the more decisive variable in value capture.

Projects unravel when

- Flexibility exists on paper but not in operations.
- Scheduling windows are misaligned with shipping constraints.
- Responsibilities for deviations, diversions, or reallocations are unclear.

A shift to execution-oriented negotiation is required

High quality negotiation integrates operational and commercial priorities:

- Each negotiation item is mapped to physical workflows.
- Scheduling, ramp rates and penalties are validated against real capability.
- Shipping obligations are aligned to avoid counterparty friction.
- Clauses are treated as operational commitments – not theoretical constructs.

This approach reduces future disputes and strengthens lender and counterparty confidence.

Commercial readiness is often the weakest link in LNG development

Technical readiness usually receives structured governance: FEED, EPC

selection, permitting, and cost estimation. Commercial readiness does not – despite being equally critical to FID, bankability, and value sustainability.

Common barriers we observe

- Contracts incomplete or unaligned with financing expectations.
- Execution contract chains not fully assembled.
- Shipping strategies still conceptual, not operationalised.
- Value chain interfaces defined in principle but not in practice.
- Ambiguous risk allocation frameworks.
- Stakeholders not aligned behind a single commercial narrative.

A 'Commercial Readiness Framework' is essential

Leaders adopt a disciplined commercial readiness model covering:

- Contract completeness and deliverability.
- Portfolio positioning and market integration.
- Shipping and commercial alignment.
- Lender and investor requirements, including risk transparency.
- Counterparty assessment and scenario testing.
- Decision frameworks and governance.

This structure accelerates route to FID and reduces late-stage redesign.

Value chain misalignment erodes value long before operations begin

LNG is among the most interconnected value chains in the energy sector. Upstream supply, liquefaction, shipping, regasification, downstream demand – each segment depends on the others for commercial and operational performance.

Optimising one part in isolation rarely works. Misalignment is one of the fastest paths to delays, disputes, and value leakage.

Fixing the value chain disconnect

- Align tolerances, flexibilities, and risk boundaries across all segments.
- Ensure contract structures across offtaker counterparties are consistent.
- Build integrated shipping execution pathways.
- Model disruption scenarios across the entire chain, not just individual assets.

Integrated execution is not optional; it is foundational to LNG competitiveness.

Disputes are rising - but most are predictable and preventable

Growing complexity in LNG contracts – flexibility provisions, price reviews, operational interfaces – means disputes are becoming more frequent. But very few arise from understandable surprises. Most stem from unclear obligations, inconsistent contract structures, or inadequate operational preparation. These 'unknown unknowns' often become 'known' during periods of market stress, as we have seen often in the last six years.

To build dispute resilience

- Conduct dispute risk assessments before FID.
- Ensure clarity of obligations and responsibilities across the value chain.
- Establish escalation mechanisms and decision rights that work under pressure.
- Build internal capability for commercial stress scenario management.

Prepared organisations resolve issues early: protecting value, relationships, and momentum.

Conclusion: Implementation, not strategy, determines project success

LNG projects rarely fail because the strategy was wrong. They fail because the commercial execution machinery was under developed, misaligned, or unrealistic.

In a world where speed is a competitive advantage, the winners will be those who can translate commercial intent into operational reality, with clarity, pace, and integrated value chain discipline. Strategy sets direction – but implementation determines outcomes.

For LNG sponsors, buyers, and investors, the differentiator is no longer who can generate the smartest ideas. It is who can deliver those ideas commercially.

At Gas Strategies, we support you to realise the potential of your LNG project. If LNG project development isn't in your organisational memory, tap into ours. As industry practitioners, we have spent 40 years helping commercial players and NOCs adapt and profit from each new wave of LNG innovation. Latest to this is floating liquefaction, and we have already supported eight FLNG projects, including the world's most ambitious scheme in Argentina.

Our breadth of recent experience is represented by examples, demonstrating the trust held in Gas Strategies by LNG buyers, LNG project developers, investors, and lenders.

Cautionary note: The points outlined here are intended only as high level indicators of the types of issues that may arise. Every project, seller, and buyer will face circumstances that differ significantly, and the considerations relevant to one situation may not apply – or may apply very differently – to another. Accordingly, this Perspective should not be regarded as comprehensive guidance, nor should it be relied upon as a basis for action without obtaining qualified, experienced professional advice. Engaging advisors with the appropriate expertise is essential to ensure that all relevant risks, requirements, and commercial implications are properly assessed.

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