Gas Strategies

Perspective: Consensus says one thing. We see another. What if we're wrong?

An uncomfortable question for an independent LNG consultancy in an increasingly crowded consensus.

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Executive Summary

- **The LNG industry may be preparing for the wrong future.** Whilst a view is that recent geopolitical disruptions will strengthen demand and contracting for LNG on a more diversified basis, our latest scenario modelling suggests the opposite may also be true: countries could respond by accelerating renewables, nuclear power, domestic gas production, and pipeline imports to reduce dependence on internationally-supplied LNG.
- **Our updated outlook sees peak LNG demand at 643 Mt in 2036, around 29 Mt lower than our previous forecast.** Although a 4% downgrade is modest, it is highly significant when set against the unprecedented wave of new liquefaction capacity currently under construction, as well as those still moving towards FID.
- **The resulting scenario is a deeper and more prolonged period of market oversupply.** Demand growth remains insufficient to absorb capacity additions, extending the gap between available supply and market requirements well into the next decade.
- **The industry's key risk may no longer be capacity growth, but capacity utilisation.** The critical question is not how much LNG capacity gets built, but how much actually runs. Flexible US LNG is likely to bear a disproportionate share of market balancing during periods of oversupply.
- **Success will depend on competitiveness rather than scale.** In a market where buyers have more alternatives, the winners will be suppliers that offer the lowest costs, strongest security of supply, most attractive contracts, and greatest resilience. The central question for the next decade is not how much LNG the world can produce, but how much LNG the world will choose to buy.

There is a question every forecaster should ask from time to time.

What if we're wrong?

Over the last few years, we have been amongst the first to 'call' some big changes in the LNG market outlook: first peak LNG, then a near-term supply glut. Each faced challenge; each is now largely accepted.

Our most recent scenario modelling has once again taken us further away from the prevailing consensus. While many of the industry's largest consultancies and portfolio players remain highly bullish on LNG demand growth and further US LNG expansion, our recent work has pointed toward a weaker long-term demand trajectory and a more prolonged period of LNG oversupply.

That naturally raises a challenge. Have we become too bearish?

After all, it is difficult to ignore the confidence of some of the industry's most respected forecasters. There is no argument about whether the US could add as much as 110-115 Mtpa of additional LNG capacity by 2030, representing US LNG capacity roughly doubling over the next five years, potentially supplying around 30% of global LNG markets by 2030.

Meanwhile, portfolio players have continued to sign long-term contracts in H1 2026, final investment decisions (FIDs) have continued to be taken, and prospective new projects continue to emerge across the Americas, the Middle East, and Africa.

Perhaps the consensus is right.

Or perhaps the industry is focusing on the wrong risk.

Last year's Gas Strategies view
In our LNG Outlook 2026 publication (released in December 2025), we argued that LNG demand would continue to grow strongly through the next decade, reaching a peak of approximately **672 Mt in 2035**.

Even that outlook was not universally bullish. It recognised mounting competition from renewables, nuclear power, and domestic gas production in several markets. However, the underlying assumption remained relatively straightforward: global energy security concerns would support continued LNG demand growth.

Figure 1: **Selected Gas Strategies' LNG demand outlooks over time**

Source: Gas Strategies

Recent events have forced us to reconsider whether that assumption remains fully valid.

What changed?
The catalyst for our latest review was geopolitics.

Our recent *Global Energy Model* update examined a scenario where the impacts of Middle East disruptions (which are still not resolved) translate into a systemic shock to perceptions of LNG's reputation for reliability and security. The result under this scenario is a reduction in peak global LNG demand from **672 Mt** (in 2035) to **643 Mt** (in 2036), a reduction of approximately **29 Mt or 4%.**

On the surface, 29 Mt may not sound particularly dramatic. But in relation to supply, it is highly significant.

A 29 Mt demand reduction is equivalent to multiple world-scale LNG projects. More importantly, it arrives at precisely the same time that enormous quantities of new liquefaction capacity (235 Mtpa currently under construction; at least 80 Mtpa credibly lined up to take FID in the next few years) are set to enter the market.

Our analysis suggests that this combination creates a deeper and longer period of global oversupply than many market participants currently anticipate. We now see demand remaining below capacity for the period until 2036, as demand growth is insufficient to absorb the global capacity additions (see Figure 2). That is also around the time when we foresee the scenario of peak-LNG.

This is where our revised outlook begins to diverge from some of the mainstream.

What if energy security reduces LNG demand?
The consensus narrative remains powerful, compelling, and reasonable to believe.

Europe lost Russian pipeline gas. Asia requires cleaner fuel alternatives. Gas remains essential for power generation. Therefore LNG demand should continue rising.

Yet recent events suggest something more nuanced may be occurring. And it is important for market participants to consider a range of scenarios, not just the one that most supports their business proposition.

Because what if countries increasingly view imported LNG itself as a security vulnerability? Pakistan has already got there, significantly increasing renewable power generation (facilitated by cheap imports of Chinese kit) following the last market shock – the Ukraine invasion – that increased energy bills and caused the failure of several LNG tenders.

Our analysis shows the scope for similar occurrences across multiple regions.

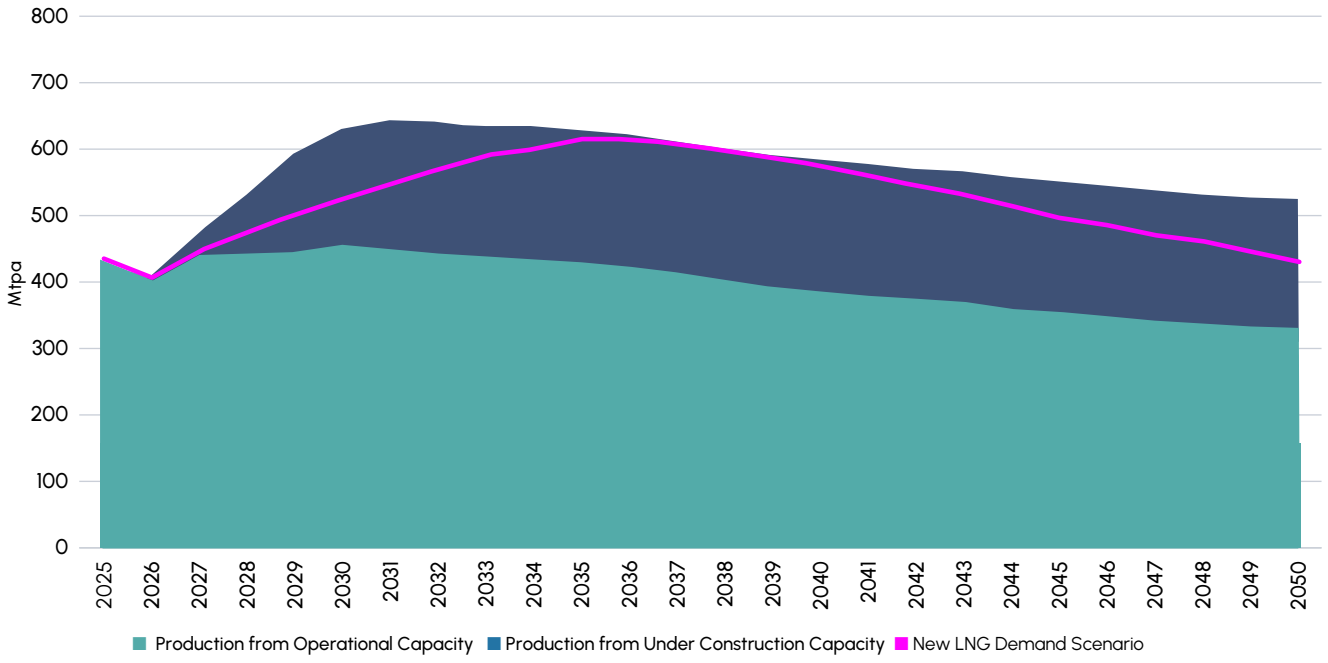
- China's LNG imports fell sharply in 2025 as domestic production and pipeline gas gained share (allowing it to weather the trade war-related cessation in US imports). The country's dependence on LNG is increasingly constrained by growing domestic supply and Russian pipeline imports.

- Japan's 7th Strategic Energy Plan and the restart of nuclear capacity reinforce a trend toward reducing reliance on imported LNG.

- Taiwan's growing willingness to revisit nuclear power policy (and move to restart recently shuttered plants) similarly creates a potential ceiling on future LNG growth.

- India remains one of the world's most price-sensitive LNG markets, while Southeast Asia and South Asia continue to demonstrate how affordability can rapidly become more important than decarbonisation ambitions when LNG prices rise.

Figure 2: **LNG global demand-supply balance**



Note: Assumes LNG export capacity in the Persian Gulf region continues to operate significantly below capacity for the remainder of 2026. Production then returns to full available capacity in 2027 (adjusted for two damaged Qatari trains).

Source: Gas Strategies

None of this represents the collapse of LNG demand.

But collectively it represents something potentially equally important: a deterioration in the quality of long-term LNG demand growth.

Europe may be the exception

One area where our analysis remains closer to the consensus is Europe, where LNG dependence appears structural (for now).

Storage data from early 2026 demonstrates the scale of the challenge. European storage levels fell from around 69% in December 2025 to less than 30% by March 2026, a substantially steeper drawdown than seen in recent years. Unlike many Asian buyers, Europe has relatively limited alternatives available at scale.

Our analysis therefore shows comparatively little long-term reduction in European LNG imports relative to previous expectations. Europe remains structurally reliant on global LNG markets to maintain energy security whilst the energy transition is underway.

Ironically, this makes Europe increasingly important to long-term LNG demand while simultaneously making the region more exposed to global LNG market volatility.

The debate may not be about supply

Most LNG discussions focus on capacity additions. How much more LNG will the US produce? How quickly will Qatar expand? What role will Africa play?

These are all important questions, but they may not be the most important questions.

Capacity is not production. And production is not utilisation. This distinction matters enormously because not all LNG supply behaves the same way during periods of market oversupply. This is perhaps where our thinking diverges most sharply from the prevailing market consensus.

Much of the industry's discussion assumes that if US liquefaction capacity is built, it will be utilised. Unlike many traditional LNG suppliers, much US LNG is sold through highly flexible commercial structures linked to Henry Hub (HH) pricing. Buyers retain significant optionality and have greater ability to optimise cargo lifting decisions.

When markets become oversupplied, flexible supply often becomes balancing supply. The industry observed this phenomenon during the Covid-19 demand downturn, when US cargo cancellations increased while many traditional LNG exporters continued operating. We see the US as the balancing mechanism in future cases of oversupply.

By contrast, many legacy LNG projects benefit from lower production costs, integrated upstream economics, long-term take-or-pay structures, and strong sovereign backing. As such, they will continue to produce during these periods of oversupply.

Not all capacity is equal

One conclusion, at first glance, drawn from our revised LNG outlook could be that no new liquefaction capacity needs to take FID going forward.

This may not be strictly true.

New LNG export projects outside of

the US continue through development and approach towards FID. And there are reasons why, whilst the market overall may not need more capacity, individual LNG buyers actually might.

New projects in geographies such as Argentina and Canada benefit from marginal cost advantages (be it due to cheap feedgas or low shipping costs). These non-US projects will also likely be able to sustain themselves as the global market evolves, as if they are backed by sufficient volume of long-term, oil-linked offtake agreements with bankable offtakers, they are to a large extent derisked.

Further global projects also reduce the risks from US concentration:

- Diversification on price away from HH, which is increasingly dominating LNG trade.
- Supply security, as there is a bottleneck risk in the event something happens to the Calcasieu Ship Channel.
- Political exposure, as whilst the pendulum has swung in favour of LNG under the Trump Administration, this is not guaranteed to withstand future electoral cycles.

Not all liquefaction is equal, something that may continue to support capacity build out globally. And if this does continue, then it will only mean further marginalisation of US LNG – the flexibility that made US LNG thrive may also now be creating the conditions for it to retreat.

Flexibility for buyers becomes flexibility for the market – paid for by capacity holders.

These observations therefore lead to a different question from the one many investors currently ask.

It is not: *how much LNG capacity exists by 2030?*

It may be: *how much US LNG capacity actually runs?*

This may ultimately be the core distinction between our outlook and others.

Others are fundamentally advancing an exceptionally strong capacity-growth story, with the assumption that it will all be underpinned by demand. The United States remains the dominant source of global LNG supply growth and continues strengthening its position as the world's largest LNG exporter.

But if global demand underperforms expectations by even 20-30 Mt, the burden on the US of balancing the market is significant.

Conclusion: So have we got it wrong?

Perhaps.

The LNG market has a habit of confounding expectations. Demand may prove more resilient than our latest scenario modelling suggests. Energy security concerns could reinforce LNG's role rather than accelerate the search for alternatives. Asia's growth could surprise to the upside, absorbing more of the coming supply wave than we currently expect.

But that is no longer the question we believe deserves the industry's greatest attention.

The real question is whether market participants are placing too much confidence in demand forecasts and too little scrutiny on demand quality. A world that values security, affordability, and resilience may not consume LNG in the same way as many assume.

If that shift is underway, even modest demand underperformance would have outsized consequences once the next wave of liquefaction capacity arrives. In such a market, success will not be determined by those that can build the biggest portfolios, instead by whose supply remains competitive, whose contracts remain attractive, and whose volumes are still wanted when buyers have alternatives.

That is why we continue to believe the central debate of the next decade is not about how much LNG the world can produce.

It is about how much LNG the world will choose to buy.

And that is a much more uncertain question.

Gas Strategies

15-17 Furnival Street,
London, EC4A 1AB
United Kingdom

marketing@gasstrategies.com
www.gasstrategies.com