Gas Strategies

The LNG market after the supply wave

How oversupply, uncertainty, and portfolio choices will reshape the 2030s.

November 2026

Executive Summary

- A large wave of new LNG supply is approaching. It could create a long period of oversupply at a time when geopolitics, volatile prices, and competing energy options are making demand less predictable.
- Portfolio players will carry much of this risk. Scale will still matter, but it will not be enough. Success will depend on how well companies manage value, risk, and delivery across assets, contracts, markets, and counterparties as conditions change.
- US LNG will remain strategically important because it offers flexibility and supply diversity. But that flexibility has a cost. If cargo economics weaken, cancellations and shut-ins will leave capacity holders paying fixed charges and carrying much of the burden of balancing the market.
- Oversupply will not necessarily stop new projects being sanctioned. Low-cost projects and those that improve geographic diversity of supply may still attract buyers and finance, even if the global market does not need much more supply.

This Perspective is based on a presentation given at Gastech 2026 in Bangkok by Adam Bradfield, Senior Consultant, titled: "LNG Players after the flood: how the upcoming wave of supply will reshape the industry of the 2030s".

A year of change

"Over the next few years, the LNG industry will move through an unprecedented period as the huge wave of liquefaction capacity currently under construction comes onstream. By the early 2030s, virtually all this will have entered the market, fundamentally redefining the competitive dynamics of global LNG supply."

This was the opening argument in the abstract submitted to the Gastech Governing Body in February 2026.

The original thesis was simple: around 250 Mtpa of new supply would change the industry's structure, business models, and balance of power.

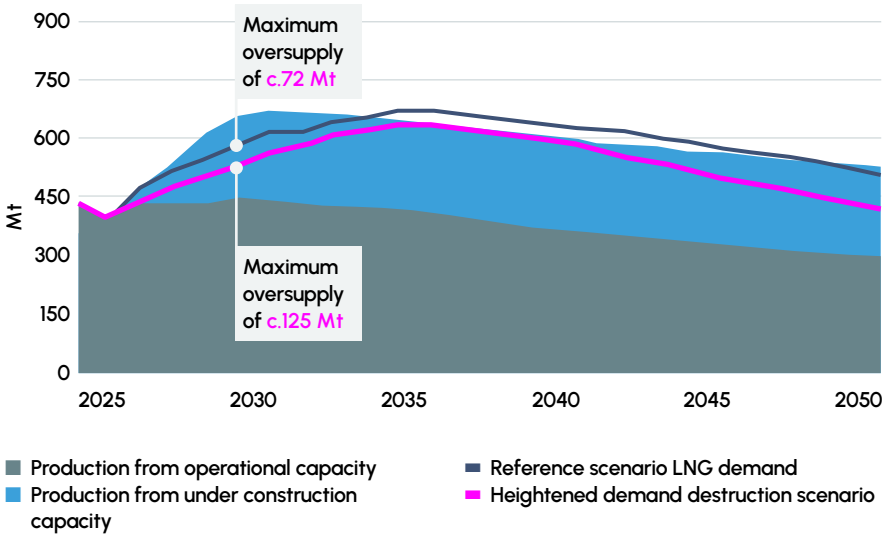
The picture has since become more complex. By the end of the third quarter, another 33 Mtpa of projects had reached final investment decision (FID) and at least 30 Mtpa of new sale and purchase agreements (SPAs) had been announced. At the same time, war in the Middle East has increased concern about energy security and raised deeper questions about the strength and resilience of future LNG demand.

The original thesis still stands. However, events during 2026 have added an important question: will the coming supply wave arrive just as some countries try to reduce their exposure to imported LNG, leading to previous expectations of new demand growth not being met?

Could demand become less dependable?

Many industry participants believe recent disruption will increase demand for LNG from a wider range of suppliers. This is a reasonable view. Buyers clearly want greater supply diversity.

Figure 1: **Gas Strategies' LNG demand-supply balance scenarios**



Source: Gas Strategies

However, another outcome is possible. Some countries may respond by accelerating renewable power, nuclear energy, domestic gas production, or pipeline imports. Their aim would be to reduce dependence on internationally traded LNG.[1]

Figure 1 therefore presents a Heightened Demand Destruction scenario. This is not a forecast. It tests what could happen if recent events seriously damage LNG's reputation as a reliable and secure fuel. In this scenario, peak global LNG demand falls from about 670 Mt in 2035 to about 640 Mt, a reduction of around 30 Mt, or 5%.

This is not only a result of the near-closure of the Strait of Hormuz – something that is not yet resolved and will only further damage confidence in LNG supply the longer it persists. It follows the Russian invasion of Ukraine, which removed a major source of low-cost gas supply from Europe. When Europe then significantly increased its LNG imports, the consequent surge in pricing meant that many emerging Asian buyers could no longer afford cargoes. The halt in US-China LNG trade in 2025 could have led to a similar occurrence were it not for the local dynamics of the Chinese market, which kept LNG demand weak.

Geopolitics is not simply a background issue for LNG. It directly changes demand, supply, costs, and confidence. As countries follow different energy strategies, LNG may no longer be the default transition fuel. Further shocks could push more buyers towards alternatives.

Market participants should therefore test several scenarios, not only the one that best supports their current strategy. Pakistan may already show what can happen. After the 2022 energy shock, which increased bills and contributed to several failed LNG tenders, the country expanded solar power rapidly. Installed solar capacity rose by 70% between 2022 and 2025.

Similar pressures are visible in other markets:

- China's LNG imports fell sharply in 2025, as domestic gas production and pipeline imports gained market share.

- Japan's 7th Strategic Energy Plan and the restart of nuclear capacity support a continued reduction in dependence on imported LNG.

- Taiwan is reconsidering nuclear policy and may restart recently closed plants. This could limit future LNG demand.

- In South and Southeast Asia, affordability and security often matter more than decarbonisation. Thailand has announced a target for renewable sources to provide 60% of electricity within 25 years. A planned LNG import terminal in the Philippines has stopped development and is selling its gas turbines. In Vietnam, the trade ministry has warned that delays to 17 of 18 proposed LNG import projects could contribute to power shortages given anticipated electricity demand growth.

These developments do not mean LNG demand will fall. Nor is our downside scenario the only possible outcome. The impact will differ by country. However, the warning is clear: future LNG demand growth may be less dependable, more sensitive to price, and more responsive to disruption than many plans assume.

Manage the business that is emerging

Portfolio players connect LNG supply with downstream markets. In doing so, they have supported much of the industry's growth and accepted a large share of the risk that demand may not grow as expected.

Executives should now test whether their portfolios are suitable for the market that is emerging. Many businesses built large supply positions and set volume targets on the assumption that demand would grow and that additional cargoes could be sold profitably. That approach is less secure in a market with excess supply and uncertain demand. Future success will depend on active management of commercial value, delivery assurance, and risk across the full portfolio, especially as legacy contracts expire, short-term trading grows, and disruptions become more frequent.

Reorganisations and partnerships can often help companies to adapt their commercial models as the business around them changes. Recently, we have seen the trading partnership between Eni and Mercuria, the ADNOC group's integration of its LNG marketing into a single commercial platform, and JERA's decision to place its long-term LNG, upstream, and shipping portfolio within a dedicated global platform. Each move aims to improve the management of value and risk.

The immediate question is practical: can an organisation identify and manage the value at risk if demand is lower than expected and end-market prices remain weak? A useful review should answer three questions:

- What must the portfolio protect when the market turns: security of supply, minimum margin, market access, or a defined combination of these?

- Do commercial, finance, risk, legal, and operations teams share one view of the portfolio? They need a common understanding of long and short positions, contracts that may become loss-making, available flexibility, and liabilities if cargoes cannot be placed.

- Can governance and decision rights support action at market speed? If it takes a week to understand contractual flexibility, assess an opportunity, and obtain approval, the opportunity may already have disappeared.

Growth is now only part of the challenge. Portfolio size alone will not decide who succeeds. The winners will manage their assets, contracts, interfaces, and options continuously, rather than relying on occasional optimisation exercises.

The real cost of US flexibility

The US is now the world's largest LNG supplier. It delivered almost 110

[1] See our **Perspective Consensus says one thing. We see another. What if we're wrong?**, published August 2026.

Figure 2: **Pre-FID upcoming projects (Mtpa)**



Source: Gas Strategies

Mt in 2025, and a further 135 Mtpa of capacity is expected onstream by 2031. Many market participants assume that all capacity that is built will eventually operate at high utilisation. The coming transition may test that assumption.

The flexibility of the US LNG model means that buyers can choose to cancel liftings when cargo economics become negative (whilst still paying a fixed capacity charge). The cancellations during Covid-19 showed that this mechanism works. A future supply surplus could activate it again.

US LNG is likely to remain the leading source of global supply. However, if demand falls short of potential supply, then US capacity holders could bear a significant burden in balancing the market. This burden would only grow if demand underperforms against expectations.

In a world where Persian Gulf supply may be interrupted, US LNG offers valuable insurance. The reverse is also true. When demand is cyclically or structurally weak, US LNG is likely to absorb a disproportionate share of the downside. US LNG therefore serves two roles: a source of incremental supply when the market is tight, and a strategic option that can be reduced when the market is long.

This optionality could also help meet seasonal demand swings and reduce the need for additional LNG storage in end-user markets. This would not provide the same level of security as physical storage, because access would still depend on the availability and performance of the earlier elements of the value chain. However, it would remain an option, so long as capacity holders are willing to absorb the cost if the option is not required.

Each million tonne of cancelled US LNG could leave capacity holders with around $150 million of fixed charges annually. With our Reference Scenario showing 'peak glut' in 2030 of almost 75 Mt, approximately $11.25 billion of value could be at risk.

The implication is straightforward: in an oversupplied market, US LNG capacity is not only a flexible asset but a continuing financial obligation that must be actively managed.

Oversupply need not stop new supply

Our scenarios may suggest that the market needs little or no additional liquefaction capacity. However, that conclusion would be too simple.

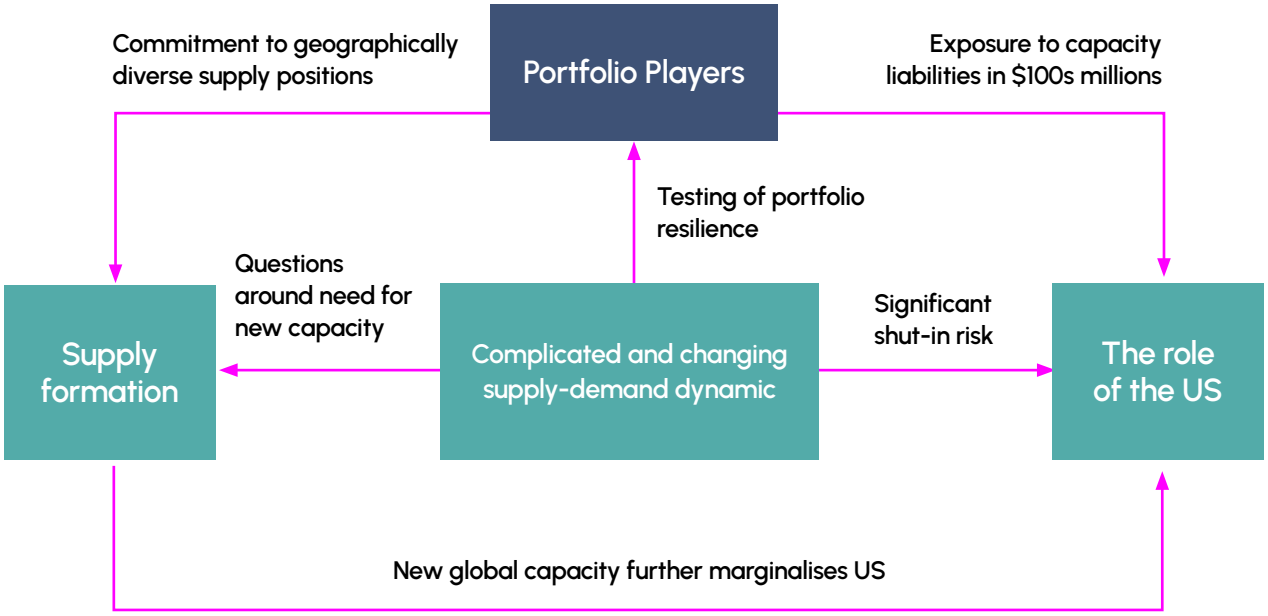
The market is not one coordinated buyer. Different companies and countries have different needs and priorities. Even if the global market does not need more capacity, individual buyers may still rationally seek new sources of supply – so long as they are the right sources of supply.

For example, projects in Argentina and Canada may offer important advantages. Where upstream production is largely associated gas, the cost of feedgas can be low. Plus, shipping routes are favourable for Asian buyers. And where these advantages enable projects to secure long-term contracts with creditworthy counterparties, they may be financeable even in a well-supplied market.

Further, not all liquefaction capacity offers the same strategic value. The events of 2026 have shown the importance of geographic diversification away from the Persian Gulf. But beyond this, there are three key areas where projects outside the US may improve supply resilience too:

- **Price risk.** Henry Hub increasingly influences global LNG prices. This creates greater exposure to the US domestic gas market. Power demand from data centres, LNG feedgas demand, and the gradual decline of mature gas basins could all raise US gas prices over time.

Figure 3: **The risks and challenges in the LNG business are interconnected**



Source: Gas Strategies

- **Supply risk.** The Calcasieu Ship Channel and the Sabine-Neches Waterway together serve 144 Mtpa of US LNG export capacity, more than half of that which is currently operating or under construction. Midstream constraints also matter. The Appalachian Basin has large resources, but limited pipeline capacity to the Gulf Coast. Disruption to those key pipeline routes or waterways would severely challenge supply reaching market.

- **Political risk.** Current US policy supports LNG, but future elections could change export approvals, environmental requirements, or tariff regimes. These changes could disrupt projects and supply chains.

The central question is therefore no longer whether the world needs more LNG capacity. It is which projects offer the best combination of cost and strategic value to ensure resilience and flexibility in an uncertain market.

Adaptability is the ultimate competitive advantage.
A market with substantial oversupply and possible demand downside will test portfolio resilience.

Low spot prices may leave some long-term contracts out of the money and create losses or liabilities for portfolio players.

Greater supply diversity can improve resilience, but diversification is not free. Each new commitment adds volume, cost, and risk.

And the current supply build-up raises a difficult question: how much additional capacity can be developed, and where?

Further global supply could reduce the utilisation of flexible US LNG and increase the fixed-charge liabilities for its capacity holders.

Oversupply does not remove value from the industry. It redistributes value. Companies with low supply costs, flexible contracts, strong balance sheets, and faster decisions will be best placed to capture it.

The next phase of LNG will not be won by scale alone. It will be won by organisations that can see risk across the whole value chain, make choices quickly, and adapt commercial, contractual, and operating positions as conditions change. Adaptability, supported by disciplined portfolio management and clear decision rights, will be the decisive advantage.

Accelerate Your Route to Readiness with Gas Strategies

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