

23 December 2020

The 440th Forum on Research Works

Gas Market Outlook for 2022

- Executive Summary-

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Prices, Demand and Supply of LNG in 2022

1. Japan's average LNG import price is forecast to go up to USD 11.5 - 12.5 per million Btu in 2022 from estimated USD 9.98 in 2021. The assessed spot LNG price in Northeast Asia is forecast to remain high at USD 34 - 43 in the first quarter, declining to USD 23 - 26 in the following three quarters. Term-contract prices are forecast to be USD 9.2 - 10.6 on average.
2. The global LNG trades are forecast to expand by 6% - 7% to 400 million tonnes in 2022 from estimated 375 million tonnes in 2021, with supply capacity forecast to be larger than demand at around 413 million tonnes, assuming trouble-free operations of LNG production facilities.

Regional Trends in the Global LNG and Natural Gas Markets

3. The global natural gas demand, recovering from a 2% decline in 2020 to an estimated 3.5% increase in 2021, is expected to grow by 1.5% in 2022. The pace and size of growth are still subject to uncertainty caused by the pandemic. As natural gas and LNG cushion fluctuations of renewable and nuclear power outputs, unexpected changes of the global gas demand are still possible.
4. LNG trades registered a steady growth in 2021, rebounding from a restrained growth in 2020. In 2021, the LNG import growth was driven by China, becoming the largest importer in the world, followed by Korea, Japan and South America. While the United States dominated the export growth, Australia and Qatar, the current largest exporters, maintained their respective export levels in the year.
5. Spot gas prices in Asia and Europe sustained the highest levels in the history in 2021. Since July, those spot gas prices have been more expensive than crude oil. As seasonal demand fluctuations have been larger, the industry has had difficult challenges to cope with excessive fluctuations and surges of prices.

Notable Trends in Gas and LNG Demand

6. China has increased both domestic gas production and LNG import. Companies accelerated LNG procurement activities under long-term deals in the latter half of 2021. China's self-sufficiency ratio for natural gas has been below 60% since 2018.
7. India met its steady increase in natural gas consumption in 2021 with incremental gas production mainly from private-sector companies with LNG import staying at the same level.
8. Europe observed extreme price spikes in 2021 as LNG imports failed to fill the gap caused by steady increases in gas consumption and declining gas production in the region. Sizes and roles of gas storage vary between countries in the region, even though the low level of inventories has been often cited as one of the main causes of the price spikes.

Notable Trends in Gas and LNG Supply

9. The United States dominated the global LNG export growth in 2021 with volumes expected to be 74 million tonnes in 2021 and 87 million tonnes in 2022. LNG from the United States has had an effect to promote interactions and connections between regional markets.
10. The year 2021 observed delays of final investment decisions (FIDs) and construction, while the single largest FID on an LNG production project ever was made in Qatar in February. Another FID was announced in Australia in November on a new gas field development and an additional liquefaction train.

Global Trends to Manage Methane Emissions

11. The United States, the European Union, along with more than 100 nations launched the Global Methane Pledge in early November. Specific measures to reduce emissions will be considered in the future. The United Nations Environment Programme (UNEP) with support from the European Union launched the International Methane Emissions Observatory (IMEO) at the end of October. IMEO will initially focus on methane emissions from the fossil fuel sector, and then expand to agriculture and waste sectors.

City-Gas Retail Liberalisation Developments in Japan

12. The numbers of retailing companies and customer switchings in the residential gas market in Japan have been steadily on the rise. Loss of customers from the former incumbent gas utility companies has slowed.

Remaining Challenges

13. The balances of LNG and gas markets during the ongoing Northern Hemisphere winter are susceptible to weather conditions and performances of LNG production facilities. Importance of LNG procurement under term contracts and investment in LNG production has been reaffirmed. Ways to determine assessed spot LNG prices should be also examined.

14. As discussions heat up on energy transitions and roles of natural gas and LNG in the pathway, ordinary citizens are expected to recognise issues related to natural gas prices and supply and demand further and better.

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