

Gas Market Outlook for 2024

- Amid a looser LNG market, uncertainty persists with challenges to stabilize the market - - Executive Summary -

Hiroshi Hashimoto
Senior Fellow, Energy Security Unit
The Institute of Energy Economics, Japan

Outlook for LNG prices

1. The average LNG import price in Japan is expected to be around USD 12.1 in 2024, down from an estimated USD 13.4 per million BTU in 2013, while spot LNG prices to Northeast Asia are expected to average USD 14 or less in 2024, also down from USD 16 in 2023.
2. The global natural gas and LNG markets as a whole were relaxed in 2023, and this trend is expected to continue in 2024. Modest paces are expected for both the commencement of operations of new LNG production plants and increases in gas demand. Market sentiments have drastically relaxed since the end of 2022, pushing spot gas prices significantly down to around USD 15 in December 2023. This trend has been due to weak gas demand in the Northern Hemisphere in the year, notably attributable to measures to reduce gas demand in the European Union and demand destruction in the region caused by earlier higher prices. LNG supply has been steady from sources led by the United States, without significant troubles.

Outlook for LNG Supply and Demand

3. The global LNG market is expected to expand by 7% - 8% per year from 400 million tonnes (mt) in 2023 to 430 mt in 2024 and 460 mt in 2025.
4. Although new LNG production projects are expected to start operations in North America, Africa and Asia, the pace of supply expansion will be modest. The slim supply capacity margin may lead to occasional tightness attributable to seasonal demand fluctuations and supply outages.

Factors affecting the LNG market balance in 2024 and 2025

5. It is essential for the LNG industry to keep new and expanding LNG production projects starting and ramping up operations as planned, maintaining the global

stability of LNG supply. Notably, LNG production in the United States has been resilient coming from multiple projects. However, a supply glitch at an individual large-scale project could have a global impact, as evidenced by the fire incident at the Freeport LNG plant in Texas in June 2022 and the ensuing outage of operation until February 2023.

6. The slim supply capacity margin against the anticipated demand on an annual basis until 2025 may lead to occasional tight markets in case of seasonal ups and downs of gas demand and unexpected outages of LNG supply facilities. European and Chinese gas demand continues to hold the key to balancing the global LNG market. The Chinese gas market has returned to its growth path in 2023 after its first ever shrinkage in 2022. However, the growth rate has not been as large as in the past and the level of consumption has not been as high as that of 2021. As pipeline gas imports and domestic gas production increase, LNG imports have grown only modestly lately.

Issues surrounding the future of the LNG market

7. Projects have advanced around the world to increase LNG supply. Project development has become more difficult in frontier areas as relatively accessible ones have been already developed. Risks have been more apparent accompanying LNG supply project development around the world.
8. Delays and cost overruns after FIDs and troubles after operations start have become more common. Australia, which supplies the largest volume of LNG to Japan, have implemented legislative and regulatory reforms having implications for LNG production projects. LNG consumers should keep a close eye on policy developments in LNG producing countries regarding securing their domestic gas supply and measures against climate change, to consider measures to cope with those policy developments. Russia's new LNG production projects entail uncertainty for their futures, due to the Ukraine War underway after the project investment decisions. Even those projects already in operation now have more risks of operational troubles. Risks of prolonged outages of LNG supply related to troubles with liquefaction and infrastructure facilities, as well as risks of labour disputes, are now a reality.
9. As well as flexibility in the LNG market, ensuring stable LNG supply today entails more importance. Under the current highly uncertain market conditions, it is necessary for the public and private sectors, in a cooperative manner, to pursue paths to ensure a stable LNG supply over the long term. A clearer standard of transition-proof LNG and accompanying measures to mitigate emissions of methane and other greenhouse gases are gaining more importance to stabilise the LNG market.

Notable developments in 2023 and issues to watch in 2024 in the LNG market

10. The United States became the largest LNG exporting country in the world in 2023. While the country is expected to add new LNG production capacity further and produce more volumes in 2024, additional project development activities continue attracting attention, including FIDs, long-term offtake deals underpinning those investment decisions, and regulatory approval processes.
11. Progress of Qatar's major LNG production capacity expansion projects under construction and planning in 2023 included long-term offtake agreements with the foreign equity partners of the projects. Eyes in 2024 will be on further progress of LNG marketing from the remaining capacity and potential new equity partners in the projects.

Contact: report@tky.ieej.or.jp