

Gas Market Outlook for 2025

- As LNG supply starts a major expansion, uncertainties remain along with a challenge to stabilize the market -

<Summary>

Takafumi Yanagisawa

Executive Analyst

Gas Group, Energy Security Unit

The Institute of Energy Economics, Japan

Key points of this report

1. Global LNG supply is expected to grow faster than forecast demand from 2025 to around 2030. New LNG projects are expected to launch production, mainly in North America, as well as in the Middle East, Africa, and Asia.
2. However, as there are uncertainties about some LNG projects in the construction phase (regarding sanctions against Russia, political instability in Africa, a U.S. pause on LNG export permits, policy trends in Australia, etc.), we expect the supply expansion to become moderate. Given that demand may rise, mainly in Asia, due to the continued weakening of market prices amid the supply expansion, the possible LNG oversupply, which might be said to happen around 2030, is unlikely to be realized.
3. In the international gas and LNG market, temporary supply-demand crunches may occur due to seasonal demand fluctuations and supply disruptions. Investment in and financing for medium to long-term LNG projects remain important.
4. The U.S. Trump 2.0 administration is likely to swiftly revise the Biden administration's pause on permits for LNG exports to non-FTA countries. On the other hand, it could increase pressure on foreign countries to buy U.S. LNG to help reduce U.S. trade deficits. It will be important for Japan to explore Japan-U.S. cooperation anew with a view to the Asian LNG market, where demand is expected to increase.
5. The trend of strengthening measures against methane emissions is likely to continue among businesses in Europe and the United States. It will be important for Japan to promote understanding about CLEAN and other initiatives to reduce methane emissions.
6. Shipping bottlenecks are expected to further increase the need to rationalize and optimize LNG transportation. The start of LNG exports from the West Coast of North America could be a game changer to avoid transportation bottlenecks and shorten and

diversify transportation routes.

Other information

<LNG price and supply/demand outlook>

7. Japan's LNG import prices are projected at \$12.1 per million BTU for 2024 and \$11.0 for 2025 amid a downward trend of crude oil prices. On the other hand, Asian spot LNG prices, which depend on the LNG supply-demand balance, are estimated at just below \$12 for 2024 and around \$13.5 for 2025.
8. The global natural gas and LNG market was generally weak in 2024 and is expected to remain so in 2025, though LNG prices are relatively higher than other fossil fuel prices. Market prices soared to around \$70 temporarily just after the Ukraine crisis outbreak in February 2022 and have remained around \$20-60 since then. In late 2022, however, they slipped below \$20 due mainly to gas demand reductions in the northern hemisphere, especially in the European Union. Since then, they have remained relatively stable, between \$10 and \$20 (though falling below \$10 sometimes). Given a recent downward trend in European gas inventories and a demand increase attributable to temperature and weather factors, future price trends will attract attention. LNG supply mainly from the United States has been abundant in the absence of major production troubles.
9. The global LNG market is expected to expand from 400 million tons in 2024 to 440 million tons in 2025, and 460 million tons in 2026.

<Factors affecting the LNG market balance in 2025 and 2026>

10. The steady start of production under new and expanded LNG projects mainly in the United States, Australia, and Canada will be the key to a stable global LNG supply.
11. Demand trends in Europe and China will continue to affect the supply-demand balance in the LNG market. China's gas market shrank in 2022 for the first time, restored an upward trend in 2023, and hit a record high in 2024 (January-September). Specifically, gas consumption in 2024 (January-September) increased by nearly 10% year-on-year, domestic gas production by more than 7%, LNG imports by nearly 12%, and pipeline gas imports by nearly 15%. India's gas market size, which is about one-fifth of China's, contracted due to high prices in 2022, restored an upward trend in 2023, and remained on the upward trend in 2024.

<Points to keep in mind for the future LNG market>

12. Initiatives to increase LNG supply are progressing in North America, the Middle East, Africa, Asia, and other regions. In the future, frontier or high-difficulty LNG projects

will increase along with relevant risks.

13. The risks of LNG plant construction delays and cost increases after construction decisions are emerging. While the United States is driving the medium-term LNG supply expansion, uncertainties are growing due to the pause on LNG export permits for non-FTA countries and the revocation of LNG plant construction permits. The outlook for new LNG production projects in Russia is uncertain due to sanctions associated with its invasion of Ukraine. The continuation of production under existing projects has also become uncertain. The risk of labor-management disputes in Australia has also emerged.
14. While emphasis is placed on the flexibility of the LNG market, stable supply security is also given priority. Under the highly uncertain market, it is necessary for the public and private sectors to explore ways to ensure a stable LNG supply over the long term.

Contact: report@tky.ieej.or.jp