

Gas Market Outlook for 2026
- LNG supply starts a major expansion, but uncertainty remains
both on demand and supply -
<Summary>

Takafumi Yanagisawa

Executive Analyst, Manager, Gas Group

Energy Security Unit

The Institute of Energy Economics, Japan

Key points of this report

1. With major production capacity expansions in the United States and Qatar beginning in 2026, global LNG production capacity will grow faster than demand, putting downward pressure on prices.
2. However, there is uncertainty surrounding existing and under-construction projects (sanctions against Russia, the security situation, rising equipment and material costs, etc.), and when operating rates are considered, LNG supply volume may decline.
3. Furthermore, as prices fall due to expanded supply, LNG demand may increase, particularly in Asia. Depending on the level of introduction of AI, data centers, and renewable energy, LNG demand may also increase further.
4. As a result, LNG supply and demand will be balanced, and an "oversupply" such as unsold LNG is unlikely to become a reality.
5. Japan's LNG import price is forecast to be \$11.2 per million Btu in 2025 and \$9.2 in 2026. Meanwhile, spot LNG prices in Asia, determined by LNG supply and demand, are forecast to be around \$12.5 in 2025 and \$10.5 in 2026.
6. Under these circumstances, temporary tightness due to seasonal demand fluctuations and supply disruptions remains a possibility. Continuing investment and financing to LNG projects for medium- to long-term is important.
7. In anticipation of the decline in LNG prices due to increased supply, which is expected to become apparent from 2026 onward, it will be important for buyers to strategically pursue long-term contracts in addition to utilizing spot procurement.
8. Leveraging a series of deregulations under the Trump 2.0 administration, progress is being made in final investment decisions (FIDs) for LNG projects in the United States. This is partly due to the support of term contracts, including those involving Japanese companies. Meanwhile, rising EPC costs (inflation and rising equipment and material costs due to tariffs) have led to FID postponements. The administration's pursuit of lowering energy prices could have a negative impact on business viability, so uncertainty remains for future developments.

9. Qatar's expansion project is scheduled to begin production in the second half of 2026, aiming to increase production capacity from the current 78 million tons per year to 142 million tons by 2030. Western majors, as well as Chinese and Taiwanese companies, have already invested and signed large-scale long-term contracts. However, a considerable amount of unsold LNG remains, which may flow into the spot market. Qatar is confident in its price competitiveness and is likely to maintain the "destination clause".
10. The strengthened sanctions by the United States and Europe against Russian gas and LNG could affect Japan's imports of LNG from Sakhalin 2. A joint public-private response is essential to ensuring Japan's energy security.
11. Australia's retroactive regulatory changes to protect domestic gas supplies and to strengthen decarbonization measures have made the country's LNG business environment uncertain. Meanwhile, there are signs that the Australian government's stance may be changing, and it is noticeable whether concrete policy changes will happen.
12. The U.S. government's involvement in methane emissions measures has been declining, while companies still recognize the importance.

Reference Information

<LNG price and supply/demand outlook>

13. Overall, supply and demand in the global natural gas and LNG markets will remain weak in 2025, and this trend will continue in 2026.
14. The global LNG market size is expected to expand significantly from 440 million tons in 2025 to 470 million tons in 2026 and 490 million tons in 2027.

<Factors affecting the LNG market balance>

15. The smooth start-up of new and expanded LNG production projects, primarily in the United States and Qatar, will be key to ensuring a stable global supply of LNG.
16. LNG imports in 2025 are expected to increase significantly in Europe, which has adopted a policy of phasing out Russian gas and LNG, while China and Southeast Asia will see significant declines. The impact of future developments in Europe on the market will be noticeable. China's gas market contracted for the first time in 2022, but increased again from 2023, reached a record high in 2024, and remained flat year-on-year for the January-September period of 2025. Breaking this down, domestic gas production and pipeline imports increased by 7% and 8%, respectively, while LNG imports decreased by 17%.

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

17. LNG projects are progressing in various parts of the world, not only in the United States and Qatar. There are particularly high hopes for the West Coast of North America, starting with Canada. Meanwhile, as the world as a whole sees an increase in frontier and highly challenging projects,

greater attention will be required for the risks associated with development.

18. The risk of delays and increased costs after construction decisions is also emerging. While the United States is driving medium-term expansion, there have been cases where FID has been postponed due to rising EPC costs. The future of new projects in Russia is uncertain due to sanctions following the Russian invasion of Ukraine, and there is uncertainty about the continuation of production at existing projects. There are also uncertainties, such as the risk of labor disputes in Australia.
19. As the bottleneck surrounding the canals becomes prolonged, it will be necessary to develop a strategy for LNG transportation.

Contact: report@tky.ieej.or.jp