10 questions for the LNG market in 2025

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The 10 Questions

- How will the pace of regulatory approvals change under the incoming Trump administration, and will it accelerate US FIDs?
- How will US and European sanctions related to LNG evolve in 2025?
- How will Qatar balance its infrastructure expansion with its contracting drive?
- How will potential tariffs proposed by the incoming Trump administration impact the relationship between US and China in the LNG market?
- Will we see a major return to long-term LNG contracting from established buyers in Japan and South Korea?
- What is the flexibility of European demand in a tight LNG market?
- Can India sustain its growth in LNG imports in 2025?
- Will higher LNG prices in 2025 cause a slowdown in LNG imports in price-sensitive Asian markets?
- Will the weak LNG shipping market continue in 2025?
- How much progress will wildcard non-traditional LNG projects make in 2025?

1 How will the pace of regulatory approvals change under the incoming Trump administration, and will it accelerate US FIDs?

The US LNG export industry is poised to enter a more favorable regulatory environment with the inauguration of Donald Trump on January 20, 2025. This transition may reinvigorate contracting momentum for US-sourced LNG and bring forward some final investment decisions (FIDs) — although the risk of legal challenges and tariffs could complicate development. We expect Trump's Department of Energy (DOE) to move quickly to authorize the 54 MMtpa of pending export license applications for projects that have received approval from the US Federal Energy Regulatory Commission (FERC). An additional 60 MMtpa of projects with expiring authorizations will seek permit extensions and are likely to receive them. The prospects of early DOE authorizations by Trump could stimulate contracting activity for some projects, including the finalization of preliminary offtake deals that could facilitate FID. As of January 7, 2025, we see 22 MMt in heads of agreement (HOAs) signed since 2022 across nine pre-FID projects, any of which could become finalized in a more favorable permitting environment.

However, following court rulings in 2024 that overturned FERC permits for two US Gulf Coast projects, we expect FERC to ensure thorough reviews of permit applications to mitigate legal challenges. This may create tension with the incoming Trump administration if FERC is perceived to be moving too slowly on liquefaction permits, but an accelerated approval process raises the risk of litigation, which could ultimately stall projects in the courts. Furthermore, Trump's administration has also pledged to increase tariffs on many of the United States' largest trading partners, which complicates new offtake contract negotiations and could raise construction costs, potentially requiring new front-end engineering and design (FEED) estimates. Therefore, both tariffs and ongoing litigation could slow down the development process, raising the risk that existing offtake contracts on pre-FID projects could expire, opening the path for buyers to reassess potential suppliers.

Overall, we continue to believe that not all proposed US liquefaction projects will be built, regardless of the evolving permitting and tariff environment in the United States. Developers will still face challenges in securing sufficient offtake contracts as LNG buyers are courted by competing supply projects globally, especially as the US gas market may encounter near-term production challenges and midstream pipeline constraints.

2 How will US and European sanctions related to LNG evolve in 2025?

Russia's role as a gas and LNG supplier will once again be subject to huge geopolitical uncertainty in 2025. The centrality of politics on Russian gas supply was highlighted on the first day of the new year, as Russian deliveries of pipeline gas to Europe via Ukraine ceased with the expiration of the Russian-Ukrainian gas transit agreement, taking Russian pipeline supply from 10% down to about 5% of total European imports. This loss, coupled with modest demand growth, will require a replacement with more LNG, placing additional attention on the role of Russian LNG in Europe's supply mix.

While some European Union (EU) member states have called for sanctions that would prevent EU imports of Russian LNG — as the United Kingdom has already done, and as the EU has done for imports of a variety of other Russian energy products — there has been no consensus to extend these sanctions to LNG. In June 2024, the EU banned transshipment of Russian LNG within its ports, but it did not go further. For its part, the United States has imposed a range of targeted sanctions on Russian energy which, among other things, have dramatically constrained the startup of operations of Novatek's second LNG project, Arctic-2 LNG, which has loaded only a handful of cargoes since it was commissioned in August 2024. On January 10, 2025, the outgoing Biden administration announced new sanctions on a further two existing liquefaction plants (the small-scale Portovaya LNG and Vysotsk LNG) and additional LNG tankers.

Heading into 2025, uncertainty surrounds both US and EU sanctions on Russian LNG, particularly with the arrival of the Trump presidency. Trump is expected to put the Ukraine war at the top of his foreign policy agenda. While achieving a cease-fire — much less a full and final peace agreement — would take time, some sort of deal, if reached, could involve some relaxation of US sanctions on Russia. However, predicting whether this might unlock Arctic-2 LNG or how it would affect EU sanctions is challenging.

Meanwhile the EU is considering moving in the other direction, with European Commission president Ursula von der Leyen publicly floating the idea of increasing EU imports of US LNG as part of trade negotiations with the Trump administration — one that the Commission hopes would avoid the US imposing large across-the-board tariffs on EU goods and services, as Trump proposed during his presidential campaign. Von der Leyen has explicitly mentioned increasing imports of US LNG at the expense of Russian LNG, something that the EU could achieve in practice only by banning imports of Russian LNG via sanctions.

EU sanctions on Russian LNG would effectively reshape global LNG trade, with LNG from other sources (primarily the US) replacing Russian LNG in Europe while cargoes from Russia's Yamal region were redirected to more distant markets. However, this would require either a massive expansion of transshipment operations in Russian waters or a reduction in exports, as the fleet of ice-class tankers serving Novatek's projects is insufficient to maintain high liquefaction utilization while making longer-haul voyages outside Europe.

3 How will Qatar balance its infrastructure expansion with its contracting drive?

While we expect only minor delays to Qatar's goal of boosting nameplate liquefaction capacity from a current 77 MMtpa to 142 MMtpa by 2030 via its three North Field expansion phases, the plans remain clouded by the scale of the marketing burden its expansion entails. QatarEnergy made strong progress in contracting volumes from its existing trains in 2024, with 13.5 MMtpa in signings boosting firm 2025 term commitments to 99% of nameplate capacity, a ratio expected to drop only to 90% by 2030. However, only 5 MMtpa in contracts were signed across the expansion trains in 2024, all from the under-construction 32 MMtpa North Field East phase. Including the 16 MMtpa North Field South phase, which is believed to have begun early construction but has not formally announced FID, the first two phases remain under 60% uncontracted, and QatarEnergy has yet to announce any contracts tied to the 16 MMtpa North Field West proposal announced in February 2024. In the United States, QatarEnergy also will add 10 MMtpa in uncontracted volumes at the startup of Golden Pass LNG, expected in 2026.

The North Field's low-cost gas, boosted by revenue from rich condensate, LPG, ethane, and helium content, enables Qatar to offer highly competitive long-term prices as needed. Qatar has demonstrated an ability to secure contracts even during weaker market conditions; for instance, in 2021, it offered slopes as low as 10.2% of Brent to re-contract expiring capacity.

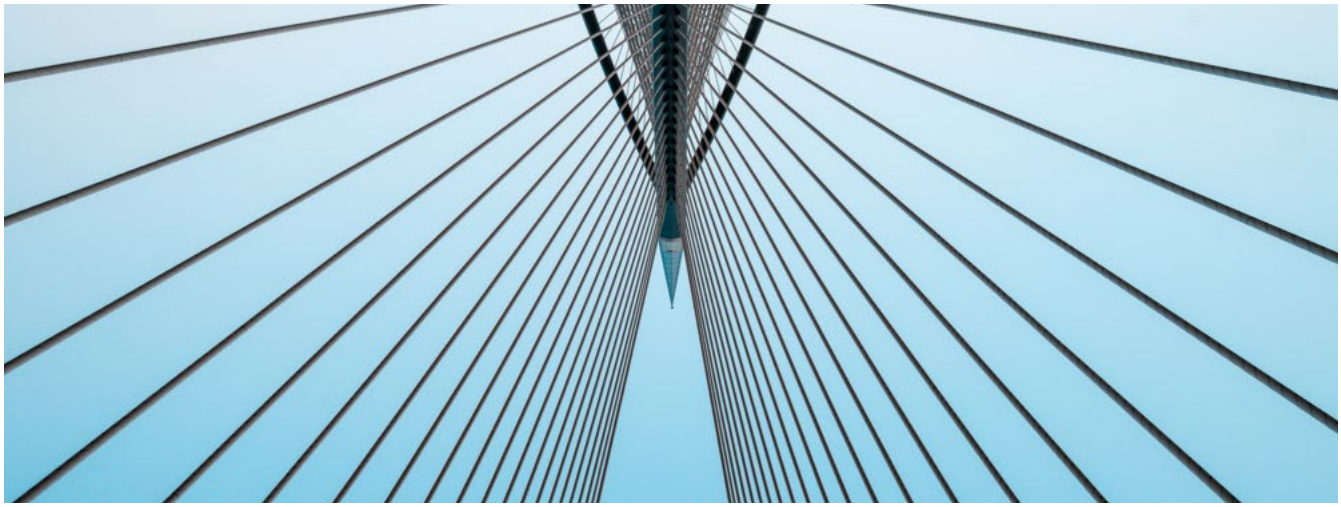
However, it has sought higher pricing terms for its expansion volumes, and may need to adopt greater flexibility in order to market them more rapidly. Qatar has remained steadfast in its preference for fixed-destination agreements, due to concerns about competing with its own volumes in the market. Relatively strong marketing progress from neighboring projects in the United Arab Emirates and Oman in 2024 illustrates that Qatar's strict contract terms are likely slowing its marketing efforts. Its current contracting stance may particularly hamper QatarEnergy in talks with buyers from mature markets at risk of future oversupply, like South Korea and Japan, which have largely turned to competing sources of contract supply in recent years. With multiple foundational Europe-bound contracts signed with partners for the expansion, risks to these contracts and further growth in sales to the Atlantic Basin could also come if QatarEnergy is heavily fined under the European Union's new Corporate Sustainability Due Diligence Directive, which CEO and Energy Minister Saad al-Kaabi said in late 2024 would prompt the company to avoid further sales to Europe.

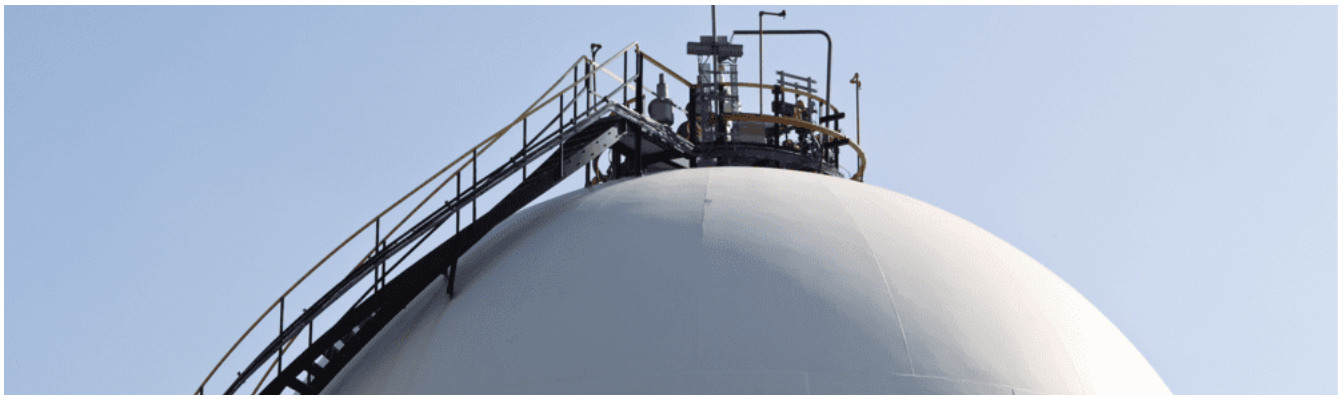
How QatarEnergy handles its marketing challenge in 2025 and beyond could shift the market, particularly if it lowers slopes to secure greater volume commitments, embraces more flexible terms, or offers shorter contract durations.

4 How will potential tariffs proposed by the incoming Trump administration impact the relationship between US and China in the LNG market?

Donald Trump's second presidential campaign frequently mentioned plans to impose tariffs on imported goods, with particular emphasis on mainland China. Previous comments from president-elect Trump indicate his administration could impose tariffs on Chinese imports anywhere in the range of 30%–60%, although it is not clear if these are across the board or if they would vary by product. Any trade conflict between the world's largest exporter and the world's largest importer of LNG would impact both sides of the Pacific. Construction costs for US liquefaction projects sourcing any imported components, let along Chinese-made ones, may increase. The ultimate scale and implementation of these tariffs will remain to be seen for the upcoming year. The first Trump administration ultimately issued tariff exemptions to companies that were able to demonstrate severe economic harm or that any given product was only available from China. Will a second Trump administration be willing to provide tariff exemptions to the US LNG industry?

Additionally, the threat of US-imposed tariffs also raises the possibility of China issuing retaliatory tariffs on US LNG as it did during the last trade war in 2018. In September 2018, China issued a 10% tariff on US LNG, eventually escalating to 25% in June 2019. However, unlike in 2018–19 when Chinese buyers procured US LNG exclusively on a spot or short-term basis, this time around, several sales and purchase agreements (SPAs) signed by Chinese buyers are beginning to quickly ramp up deliveries. Contracts signed between US and Chinese companies will amount to 2.9 MMtpa in 2025, more than doubling to 6.2 MMtpa by 2026. In the event of Chinese counter-tariffs, US cargoes could be swapped out to other markets, but this would likely have ramifications on the global market as trade flows rebalance, including the possibility that US-sourced cargoes could trade at a discount to regional benchmarks as they're forced to seek new homes. Furthermore, the impact of US tariffs on China's export-oriented industries is another major uncertainty, as they have the potential to be a drag on the entire Chinese economy, negatively impacting overall gas demand.





5 Will we see a major return to long-term LNG contracting from established buyers in Japan and South Korea?

Despite the large size of the Japanese LNG market, there has been relatively little new long-term contracting activity from Japanese buyers over the past decade. In 2024, Japanese buyers secured only 2.8 MMtpa in new firm contracts (SPAs, liquefaction tolling agreements (LTAs) and equity entitlement), only slightly above the ten-year average of 2.5 MMtpa per year. This hesitancy among Japanese buyers to commit to long-term contracts in recent years stems from LNG needs in long-term decline, influenced by uncertain nuclear restarts, a shift towards renewable energy and low-carbon gases, and increased competition in the retail market.

Given the challenges that utilities face in forecasting their future LNG needs, the Ministry of Economy, Trade and Industry (METI) is seeking to support them to sign more long-term contracts, especially with nearly 20 MMtpa of existing deals due to expire in the next five years. METI aims to increase the "self-development ratio" of Japan's oil and natural gas (including supply from abroad that Japanese companies have investments in) from 37.2% in 2023 to 50% by 2030 and 60% by 2040, as outlined in its 6th Strategic Energy Plan from 2021. The only two SPAs signed in 2023 and 2024 that extend beyond 20 years underscore METI's efforts, as both were equity entitlement deals from the Scarborough field. The updated 7th Strategic Energy Plan is due to be published in early 2025 and may contain higher long-term expectations for LNG imports in line with supporting the country's Green Transformation (GX) strategy. This, alongside potential new policy support for utilities to secure supply, may lead to additional long-term LNG contract deals in 2025, potentially alongside the acquisition of upstream interests.

Buyer hesitancy has also been a theme in South Korea in recent years despite a widening gap between contracted supply and LNG demand. Market liberalization measures and the rising role of private importers are contributing to uncertainty for state-owned Korea Gas Corp. (KOGAS) surrounding its LNG supply obligations. As the market stabilizes, will KOGAS increase long-term contracts in 2025? Or will private importers continue their growth? This will depend on KOGAS's ability to recover from its $9.7 billion deficit and how this recovery impacts contract terms. Additionally, a potential political shift in South Korea in 2025 may occur, as impeachment processes for President Yoon have begun, and a presidential election is likely. A change of government in South Korea could alter energy policies and the role of LNG in the energy mix, also impacting contract trends in the near term.

6 What is the flexibility of European demand in a tight LNG market?

European LNG demand in 2025 offers little scope for downward adjustment from current forecasts, constrained by the halt of Russian pipeline deliveries through Ukraine and relatively low inventories. With plateauing pipeline supply and domestic production, LNG remains the only viable option to bridge the substantial supply-demand gap in 2025 and beyond. Limited contractual volumes will compel European buyers to rely more heavily on spot purchases, driving up spot LNG prices and increasing market volatility. However, higher prices may prompt gas-to-coal switching in the power sector and demand destruction in gas-intensive industries, capping the additional LNG demand needed to rebalance the market.

The cessation of Ukrainian gas transit is a major factor reducing Europe's market flexibility. In 2024, Europe imported 42 MMcm/d of gas through this route, equivalent to roughly 15% of the continent's LNG demand during the same period. While a slight increase in indigenous output and pipeline imports from North Africa is forecast, this will be offset by a decline in deliveries from Europe's largest gas supplier, Norway, expected to average 303 MMcm/d in 2025 — a reduction of 7 MMcm/d (3%) year over year (YOY). Although stocks are projected to provide some cushion during Winter 2024/25, LNG remains the only viable alternative to replace lost Russian supply for landlocked Central European markets beyond this winter.

The situation is further exacerbated by the fact that Europe will require more gas imports next year due to deteriorating storage levels. As of Jan. 7, combined European stocks stand at 69%, 15% lower YOY, as the continent has faced a relatively colder start to the winter and entered the season with lower inventory levels than in Winter 2023/24. Central European markets, the most affected by the halt in Russian deliveries, will be forced to rely heavily on inventories to cover the supply gap through Q1 2025. As a result, the region's stocks are projected to drop to 46%, down from 64% last year. We forecast European stocks will reach 51% by the end of March, 8% lower YOY. Even assuming the most conservative scenario for storage refill this summer, where inventories reach only the minimum EU-mandated level of 90%, this will still drive an additional 33 MMcm/d of demand from storage alone compared to last year.

Reduced appetite for LNG can only be achieved through fuel substitution or demand destruction in the power and industrial sectors. While we project stronger renewable penetration and higher nuclear output in France, these gains will likely be offset by higher electricity demand, as most European economies continue to recover from the pandemic and the energy crisis. Significant risks remain, such as colder-than-normal winters and higher cooling demand in the summer, as our base case assumes normal weather, as well as further deindustrialization. Potential ambitions to further fill inventories beyond the 90% threshold, as seen since the energy crisis, will also add pressure to LNG demand. In our base case, we forecast Europe's LNG demand in 2025 to average 369 MMcm/d, an increase of 39 MMcm/d (12%) YOY.

7 Can India sustain its growth in LNG imports in 2025?

India's LNG imports grew by a remarkable 21% YOY in 2024. This surge was primarily driven by lower spot LNG prices and robust power demand, particularly in the second quarter of the year. The extreme heatwaves and the government's mandate to avoid power cuts during the Q2 general elections led to increased reliance on gas-fired power generation. Additionally, cheaper spot LNG prices compared to alternative fuel prices throughout much of 2024 incentivized LNG consumption across the industrial, refinery, and transportation sectors. However, a crucial question arises: will India's LNG imports continue to grow at this impressive rate in 2025, or will growth slow down despite ongoing infrastructure expansions in the market?

India's pipeline and regasification infrastructure is expected to experience significant growth in 2025. The completion of HPCL's 5 MMtpa Chhara terminal, the breakwater at GAIL's Ratnagiri, and the 5 MMtpa expansion at Dahej are anticipated to come online in 2025. These developments will increase the market's regasification capacity by an additional 12 MMtpa, raising it from the current level of 45.4 MMtpa. Major pipelines, such as the Indradhanush Gas Grid Limited (IGGL) pipeline, will connect the eastern and northeastern regions of India to the gas grid including the Dhamra regasification terminal, which will help meet demand in the eastern part of the country. Furthermore, Phase 2 of the Kochi-Koottanad-Bangalore-Mangalore and Tuticorin-Ennore pipelines will improve the connectivity of the existing Kochi and Ennore terminals to major demand centers; both phases are expected to be operational by 2025. Additionally, city gas distribution infrastructure is gradually expanding, increasing the number of compressed natural gas (CNG) and piped natural gas customers.

Despite this growth in infrastructure, we forecast that LNG imports in 2025 will remain flat, primarily due to tighter global market conditions that are expected to lead to higher spot LNG prices during the summer (the peak demand season in India). Affordability remains a critical concern, constraining growth in our base case LNG forecast for 2025. However, potential upside may still exist, depending on the balance of power supply in the market and prevailing weather conditions during the summer season. Whether power plants will resort to expensive spot LNG to meet peak summer demand largely depends on government mandates, which often involve subsidies for power plants to produce gas-fired electricity, even at high costs. Moreover, any further delays in the commissioning of ONGC's KG Cluster 2 domestic gas project, which has faced multiple delays in the past, could result in an upside to the forecast if this additional domestic production (estimated at 3-4 MMcm/d) fails to appear.

8 Will higher LNG prices in 2025 cause a slowdown in LNG imports in price-sensitive Asian markets?

The year 2024 marked strong growth for LNG demand in South and Southeast Asia, as demand in the region grew by 9 MMt YOY, despite limited global LNG supply growth. This stronger-than-expected demand growth was driven by weather — including heatwaves throughout Asia causing high cooling demand and continuous drought in parts of Southeast Asia leading to low hydro generation — and lower global LNG prices. The latter factor was particularly influential in some of the more price-sensitive markets in South and Southeast Asia, as higher oil prices driven by ongoing geopolitical tensions in the Middle East reinforced LNG's competitiveness compared to fuel oil prices.

The main question for next year is whether this demand growth will be repeated in 2025. Although import capacity is expected to increase in 2025, several market fundamentals are pointing to a possible slowdown in LNG imports. We expect LNG demand growth in the region to fall to 1 MMt in 2025, as prices are expected to be more of a constraint than a support in 2025. Global LNG prices are expected to rise this year as competition between Europe and Asia intensifies over limited supply growth. Another factor that will limit LNG demand growth is the expectation of lower oil prices over the next 18 months. With the fundamentals of oil markets remaining bearish in the near term, we forecast our Dated Brent oil price to average around $72/bbl in 2025, assuming no major hiccups in global oil supply (like the introduction of new sanctions on Iranian and Russian oil). This will mean LNG prices are expected to be more expensive than the oil parity, especially in peak winter months, making fuel oil cheaper in markets where gas-to-oil switching capacity is available. Lower fuel oil prices will also limit the use of LNG in transportation and bunkering sectors, although this only accounts for a small portion of overall LNG demand in the region.

These higher LNG price levels will slow down the pace of LNG imports into the region, assuming a normal weather in Q2 and Q3. We expect South Asian LNG demand to remain flat in 2025 and we forecast only modest growth in the southeast Asian markets, including additional demand from new markets such as Vietnam and the Philippines as new infrastructure becomes available in these markets.

9 Will the weak LNG shipping market continue in 2025?

LNG spot tanker rates are poised to conclude the year at their lowest recorded levels, as newbuild deliveries in 2024 are set to reach a historic high of 68 conventional-sized tankers. This surge in new LNG shipping capacity sharply contrasts with the relatively modest increase of only 2.9 MMt in new liquefaction capacity. The disproportionate growth in shipping capacity relative to new liquefaction developments has led to a significant downward adjustment in tanker rates. Adding to this challenge is the absence of winter LNG arbitrage opportunities, which are typically bolstered by a steep contango in the European Title Transfer Facility (TTF) and Japan Korea Marker (JKM) price curves, alongside widening spreads between the two benchmarks. In prior years, such pricing dynamics have created a winter shipping premium, as vessels were frequently involved in floating storage or cross-basin trading activities. Presently, with the price curves remaining relatively flat and confined to a narrow range, traders are forced to offload their surplus tonnage onto the sublet market, further exacerbating the decline in rates. Spot rates for modern 2-stroke tankers averaged merely $29,750/day in Q4 2024, reflecting an 83% YOY decline.

Looking forward in 2025, the same themes will be present in the LNG tanker market. Newbuild deliveries are projected to remain strong through 2025, with a record 90 conventional-sized LNG tankers anticipated to join the market. While new liquefaction supply is forecasted to grow by a relatively larger 26.9 MMt, the increase in shipping capacity is once again predicted to outpace LNG supply growth. At best, this new supply would require approximately 50 of the 90 new tankers, assuming all cargoes participate in long-haul cross-basin trades — a rather unrealistic assumption. The shipping sector will still need to contend with the excess tonnage that has entered the market in 2024.

Potential relief for this oversupplied tanker market may arise from the retirement of older steam turbine LNG tankers. Spot rates for these vessels are significantly below operating costs and are offered at substantial discounts compared to their more modern 2-stroke counterparts. Due to their smaller storage capacity, higher fuel consumption, and increased boil-off rates, these older tankers have been relegated to more regional short-haul routes, primarily within the Pacific Basin. With an average age of nearly 22 years for this fleet of 190 tankers and many starting to come off hire, we may observe a trend towards scrapping these vessels rather than recontracting them. Seasonal variability in spot tanker rates is still anticipated to manifest throughout the year; however, the peaks and troughs will be anchored to these new lows.

10 How much progress will wildcard non-traditional LNG projects make in 2025?

Over the past three years, offshore liquefaction developments have advanced quietly but steadily, with two new FLNG project FIDs announced each year since 2022. Several of these projects have flown under the radar, with limited public information released prior to FID, as seen at Cap Lopez FLNG in Gabon (FID in 2023) and Kasuri FLNG in Indonesia (2024). This discreet development is often facilitated by the projects' smaller size, which translates to lower financing and marketing requirements. Such dynamics can lead to unexpected outcomes, including reaching FID earlier than we forecast or introducing new projects to our outlook.

In addition to the upside potential posed by quieter developments, a few floating projects that garnered significant attention in 2024 could also act as wildcard additions or accelerations to our outlook. In Argentina, the introduction of the Large Investment Incentive Regime (RIGI) in July 2024 has catalyzed multiple new LNG export proposals, with two proposing to utilize smaller offshore or modular facilities to speed development. Notable initiatives include a partnership between Pan American Energy (PAE) and Golar LNG for a 2.4 MMtpa FLNG, aiming for exports by 2027; the project intends to use Golar's converted Hilli Episeyo after its contract in Cameroon concludes in 2026. Tecpetrol SA has proposed a 4 MMtpa modular onshore plant, currently in the front-end engineering and design (FEED) phase. Additionally, YPF and Shell proposed a large-scale LNG export project with a potential capacity of 10 MMtpa, although YPF has also discussed collaborating with another project.

In Nigeria, significant feedstock challenges onshore have increased the focus on potential offshore facilities. The Nigerian National Petroleum Corporation (NNPC) is involved with two FLNG proposals designed to circumvent the investment and security issues that have considerably diminished utilization at the country's onshore project and contributed to delays in its expansion. Domestic firm UTM Offshore has proposed a 2.8 MMtpa FLNG project situated on Seplat Energy's Yoho field, which the latter recently acquired from ExxonMobil following long-delayed regulatory approval. NNPC also signed a project development agreement with Golar LNG in June 2024 for a separate 3.5 MMtpa proposal.

Another innovative approach is being pursued by New Fortress Energy (NFE), which reached first LNG at its Fast LNG Altamira 1 project in 2024, though it has not yet reached full commercial operations (we expect that to occur mid-2025).

Fast LNG uses a modular design and can be deployed on repurposed existing marine platforms of various types (as well as onshore), meaning it is less reliant on shipyard availability than traditional FLNGs. These characteristics make it an interesting alternative for small projects, especially those in locations with obstacles to onshore development, and NFE has proposed at least two more Fast LNG projects. However, the novelty of the approach is likely going to slow down development momentum in the near term, and like any new technology, its production reliability has yet to be consistently proven over time.

While the volumes produced by these floating and offshore projects aren't large on any individual scale, they cumulatively have the potential to provide a broader range of supply options to the market. Furthermore, while FLNGs can't escape some of the risks that face conventional onshore developments, they can be nimbler due to their lower financing and contracting requirements.

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