

Averting a gas cliff; Timing the LNG tide

Perspective by Paul Leary, September 2025



For markets with declining gas, the next five years offers an opportunity to access more competitive LNG imports – thereby rebalancing energy systems and setting economies on a sustainable path.

- **228 Mtpa of new liquefaction capacity will come into the market between now and 2030**, representing a 47% increase in liquefaction capacity. In Gas Strategies' view, global LNG demand will lag behind this 'glut' in the short-term, resulting in 'spare' LNG volumes typically held by portfolio players, greater spot market activity, and an accompanying fall in prices.

- **The role of LNG in markets with declining gas is to provide greater security and flexibility of gas supply**, a supply which is vital to power generation, industry feedstock and grid resilience as the energy transition continues. Without rebalancing their energy systems, these markets risk poor energy security and serious economic loss.

- When the global market last saw a 'supply glut' in the latter half of the 2010s, the market witnessed 11 new LNG-importing countries, as well as expansion of LNG imports within existing, but price-sensitive LNG markets.

- Although a market opportunity is emerging, import markets will need to confront the economic and infrastructure implications of a destabilised value chain, while handling the complexity of integrating LNG.

Declining gas supply risks major economic pain

Gas supplies in a number of historically gas-producing markets around the world are waning, as long-established indigenous fields deplete or neighbouring pipeline import supplies are threatened. Use of renewable energy continues to grow, however global gas demand remains strong, having risen by 2.7% in 2024 and by around 2% per year on average in the last few decades. Demand is being largely driven by the industrialising world, with only Europe's gas demand declining. Technological developments are set to further increase gas demand, most visibly with the expansion of data centres to power AI; by some estimates, AI-driven power demand could increase natural gas demand by over 80 Bcm per year by the end of this decade.

Gas Strategies is currently working with clients in several markets where waning production and robust demand are requiring them to address the future structure of their gas industry, including finding an optimal balance between existing indigenous gas, possible exploration, and importation of LNG. We see many markets facing similar energy security challenges in the near-term.

The extent of economic loss incurred by not addressing the domestic gas supply gap could soon be exemplified in South Africa, where the country is set to hit a 'gas cliff' shortage within the next two years. Around 5% of the nation's GDP (c. US\$20 bn) relies upon gas-powered industry, namely manufacturing, petrochemicals and steel. Despite plans for LNG imports directly into South Africa and via

Figure 1: New Liquefaction Capacity 2025-29

Source: Gas Strategies

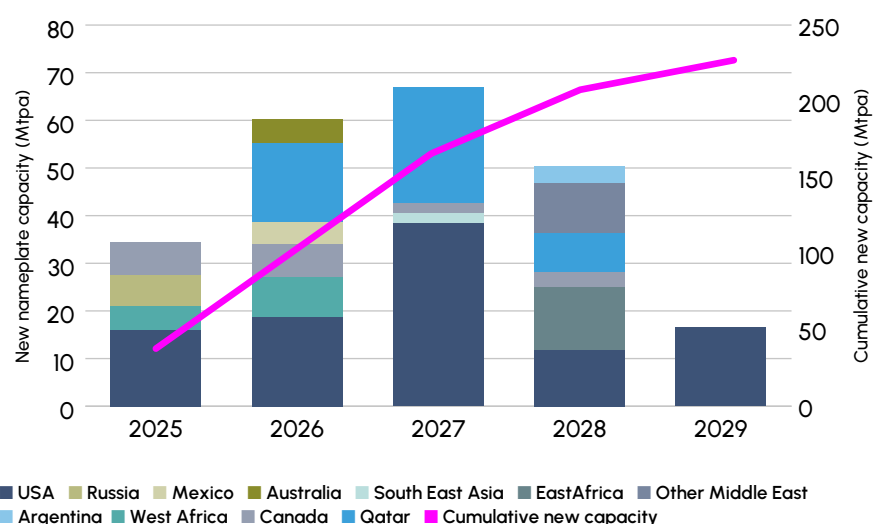
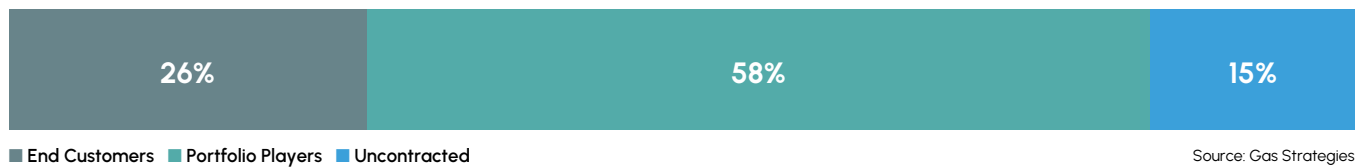


Figure 2: Contracted status of new liquefaction capacity under construction



neighbouring Mozambique, these have not yet materialised. Even if immediate progress is made, these projects are unlikely to be ready before the gas cliff is reached.

Even where a shortage is averted, markets that only embark on rebalancing their gas industry once a crisis has hit are still significantly affected, as seen in Germany after the dramatic reduction in Russian pipeline gas supply and the resultant turn to LNG. Some estimates put the short-term economic cost of this disruption at around 0.6% of GDP, whilst energy prices are 35% higher than before the invasion, compared to an EU average of 20%. An industrial economy that was designed around low-cost gas-to-power and gas feedstock is consequently experiencing a structural crisis, demonstrating the importance of countries addressing security of supply in a long-term, strategic manner. To do so, governments must overcome the all-too-common defaults of denial and inaction, the financial cost of which is typically greater in the long run. However, taking action

involves tackling difficult and complex conversations over who should shoulder the financial commitments that come with pursuing alternatives to existing gas supplies.

An upcoming 'LNG glut'

As countries consider the role of imported LNG in their energy systems and economies, Gas Strategies is projecting a period of LNG oversupply in the latter part of this decade. We see this glut being driven by extensive new liquefaction capacity – c. 228 Mtpa – which is set to enter the market in the years 2025-29, constituting a 47% increase on the 2024 level. Under-construction capacity is concentrated in the US and Qatar.

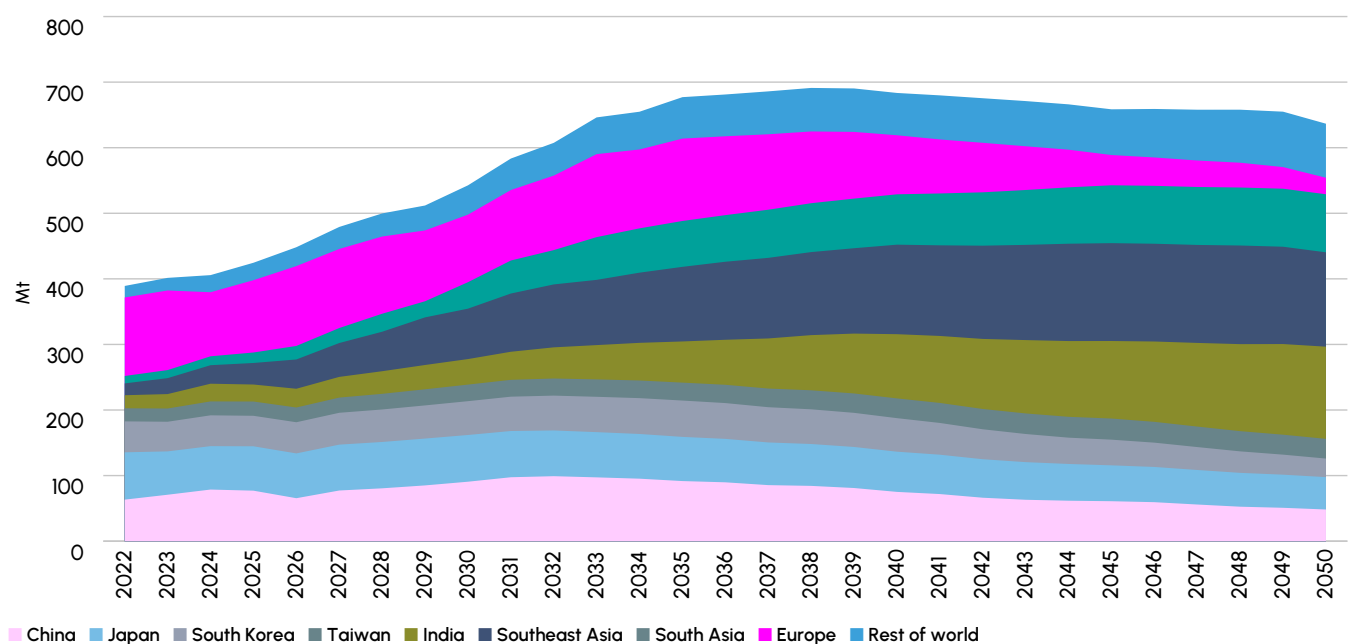
Crucially, we believe that this increased supply is not driven by current LNG demand, which has been kept in check by the high cost of LNG, continued high coal consumption in Asia, and current geopolitical uncertainty exacerbating reticence around LNG imports. Consequently, the market is set to

have a high proportion of production volume taken by portfolio players – potentially speculatively. This is likely to result in more spot market trading and lower LNG prices than at present.

For those markets seeking to diversify beyond declining indigenous or pipeline gas supplies, the upcoming LNG supply glut will offer an opportunity to improve energy security. Gas Strategies' outlook for LNG demand shows the potential for strong growth in markets such as Southeast Asia, India and Africa, which are typically price-sensitive. Markets looking to grow LNG imports will however need to address lack of infrastructure capacity ahead of time, or risk being unable to take advantage of more competitive prices. Rebalancing the mix of indigenous gas and adding imported LNG also comes with significant challenges beyond just infrastructure. Developing an effective commercial model that handles the different financial, contractual and operational challenges of LNG is far from easy, as we have seen in our work for a number of countries that are addressing the dilemma.

Figure 3: LNG Demand Forecast by Market

Source: Gas Strategies



When the global market last saw a 'supply glut' in the latter half of the 2010s (global liquefaction capacity rose 45% between 2015–2019), the market witnessed 11 new LNG-importing countries and the expansion of LNG within existing import markets. Many of these importers were typically more price-sensitive, such as Pakistan and Bangladesh (new LNG markets) or India and Thailand (existing LNG markets). This price sensitivity can be seen by the non-linear growth of LNG in these markets since then, albeit partly due to the impact of the Covid pandemic period. Overall LNG demand from these newer markets has nonetheless risen gradually over the past decade, suggesting that there is longer-term viability of LNG imports in these nations, even outside periods of lower prices.

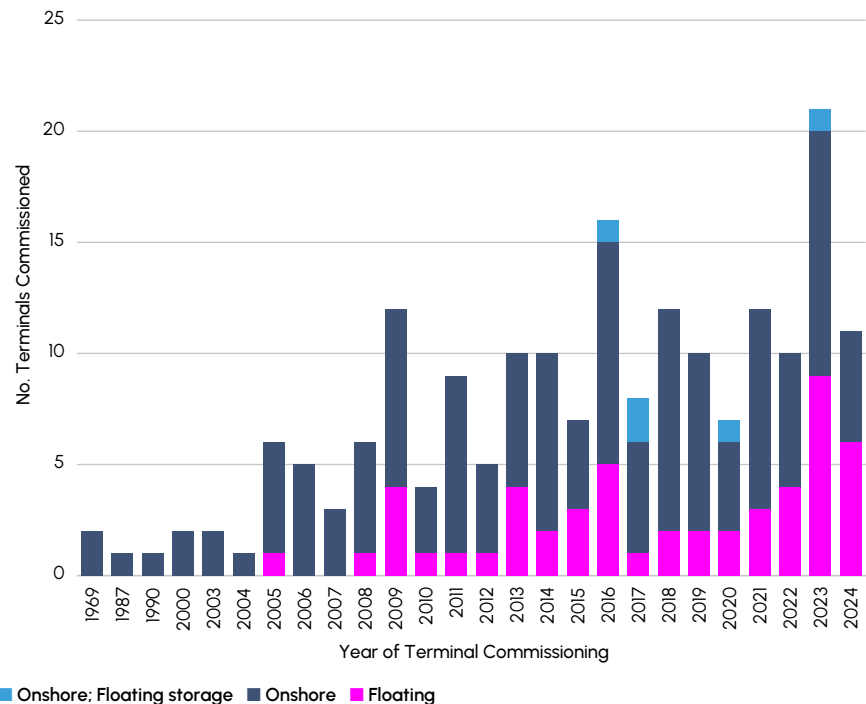
Gas and LNG remains integral to the energy transition

In redesigning a country's gas industry to continue fuelling its economy, the role of imported LNG is not necessarily to replace domestic gas, but to provide energy security and flexibility of power supply where indigenous gas supply and renewables cannot. We have seen several recent examples of new LNG markets being established for these reasons, ranging from Brazil and Colombia, to Jordan and the Philippines. In Brazil, Gas Strategies supported the largest LNG-to-power project in the world with innovative flexible contracting structures for LNG supply, designed to address the uncertainty of rainfall-reliant, hydro-generated power. The contracting strategies developed included client flexibility in calling for LNG cargoes and a seller obligation to deliver within a specific number of days.

As the energy transition continues, we expect these countries to expand their LNG imports and to be joined by new entrants also responding to energy security needs and grid

Figure 4: Growth of Floating Regasification Terminals

Source: Gas Strategies



constraints. The importance of gas for managing the intermittency of renewables is currently being highlighted across Western Europe, both by the power outage on the Iberian Peninsula in April 2025 and by ongoing electricity rationing in the Netherlands, due in part to a sharp decrease in domestic gas developments there. For countries with an existing gas industry, LNG can be more easily accommodated alongside existing infrastructure than coal and oil, while also being lower in emissions than these alternatives.

Technological developments are making LNG more economically accessible

Growing import markets will also require a solid understanding of the role of LNG in their economies and requirements for gas infrastructure. While long-established major importers such as Japan have sizeable onshore LNG infrastructure,

we expect most new importers to be pursuing LNG 'bridging solutions' for backup supply, enabling them to be flexible and pivot as required in future. These markets will therefore find it more economical to follow the recent trend of investing in floating LNG infrastructure, which can be swiftly deployed from elsewhere and readily relocated if requirements change. New floating LNG infrastructure can also be built more quickly than onshore and is less capital intensive. Notably, the cost of an FSRU or FSU is commonly spread over a multi-year charter period as OPEX rather than requiring significant upfront CAPEX.

In subsequent Viewpoints and Perspectives, Gas Strategies will examine other trends influencing markets with declining gas and the key considerations in re-structuring their energy industry and their economy. If you would like to discuss this Perspective with us and the challenges of rebalancing your energy industry, we would be delighted to hear from you.