Gas Strategies

How portfolio players may be fuelling LNG's boom and bust

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Updated for September 2025

Evolution of portfolio players

In its 60-year history, the LNG industry has undergone many seminal shifts.

Perhaps one of the most significant has been the evolution of the "portfolio player".

With trade tensions simmering between the world's biggest LNG exporter and importer – the US and China, respectively – the role of portfolio players may become even more pivotal, with agile companies standing to make substantial gains.

Pioneered by international oil companies (IOCs) such as Shell, BP, and TotalEnergies – which held historic positions in equity LNG volumes and regasification capacity – the model was soon emulated by commodity traders such as Trafigura and Vitol.

Then companies whose activities had been focused on infrastructure (like New Fortress Energy) and downstream consumption (such as Tokyo Gas and PetroChina) followed suit, with the industry also seeing the emergence of national oil companies (NOCs) competing in this space (notably QatarEnergy and ADNOC) by leveraging their geopolitical weight.

Now Gas Strategies, the energy industry consultancy, views portfolio players as arguably the most consequential group of players in the LNG ecosystem.

But how have portfolio players changed the LNG industry? And could they be exacerbating its cycle of boom and bust?

Portfolio players in today's world

The portfolio player enterprise is based on a series of commitments to purchase LNG from multiple sources and sell it to multiple buyers. This is not an aggregation of "one-to-one" contracts. Instead, the portfolio player runs an integrated "many-to-many" system.

Figure 1 shows the approximately 235 mtpa of LNG contracts announced since the beginning of 2022 (until the middle of August 2025), broken down by import market. Those without a specific import market are all contracts agreed by the portfolio players.

When placed in the line-up below, their dominance is clear. Portfolio players account for almost half of all contract volumes announced since

Figure 1: **Buy-side LNG contract volumes announced since 2022, by import market (volumes in mtpa)**

Source: Gas Strategies

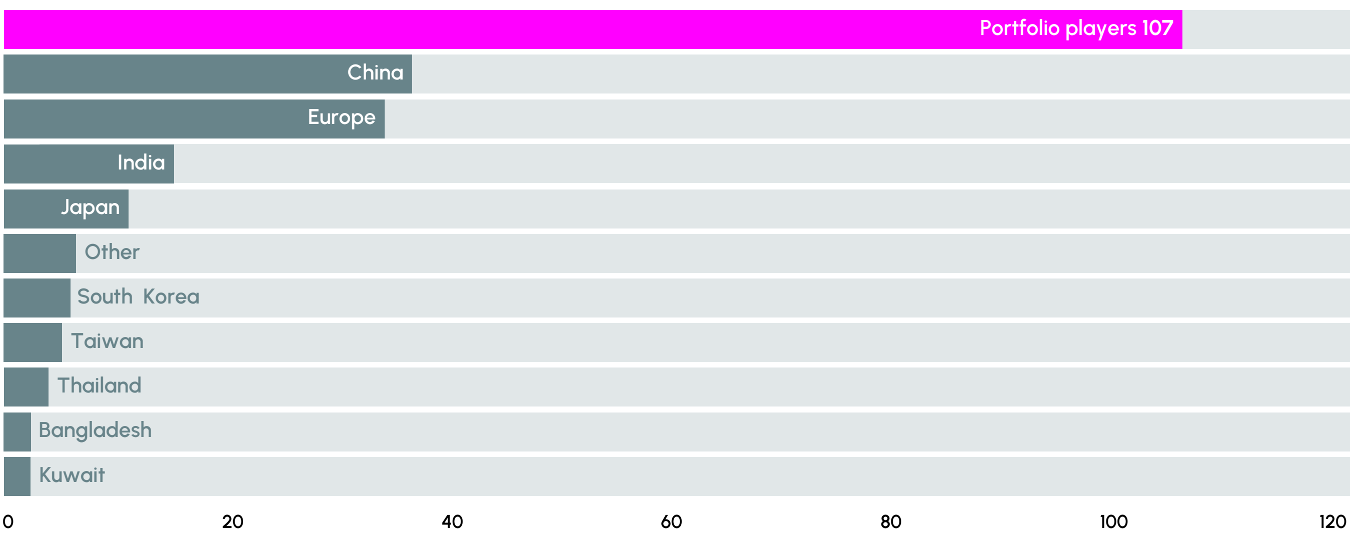

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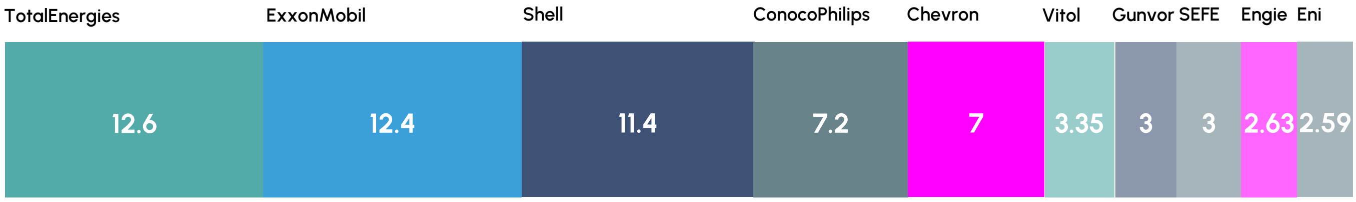
Figure 2: **10 most active portfolio players since 2022 (buy-side) (volumes in mtpa)**

Source: Gas Strategies



the beginning of 2022, appearing to make them the world's most active segment of LNG buyers. The most active portfolio players since 2022 are listed in *Figure 2*.

The challenge with assessing the size of different companies' portfolios is that the data is highly opaque. Not only is there very little transparency on short-term trading, but the LNG contracts captured in *Figure 1* are principally those that have been announced by LNG export projects, often pre-final investment decision (FID) at the time of announcement.

Whilst these announcements are important for showing the momentum that these pre-FID LNG projects have gained, they also raise the possibility that other contracts – those that are more perfunctory or do not represent a noteworthy trade – have not been made public.

As a result of this uncertainty, it becomes difficult to accurately assess just how much LNG the portfolio players are buying and selling. This, in turn, creates certain risks that will be explored later.

How did we get here?

Before discussing what the dominance of portfolio players could mean for the industry, it is worth outlining some of the reasons we have reached this position – reasons we do not expect will dissipate.

- **The energy transition**

As a result of net-zero goals, LNG demand is expected to plateau and decline in mature markets. Consequently, downstream gas and power utilities in these markets, which have traditionally been large buyers of LNG, are becoming reluctant to commit to long-term LNG offtake. Such long-term, firm sales commitments have historically been a necessity for the project financing of new liquefaction projects aiming to take FID. However, portfolio players, which profit from being able to successfully assess evolving patterns and locations of demand and nimbly respond to risk and opportunity, can underpin the FIDs of new liquefaction capacity.

The energy transition is also creating a trend for traditional utility buyers of LNG to move towards the portfolio player space, even as they retain long-term contracts for security of supply reasons. For example, in Japan, utilities such as JERA and Tokyo Gas have responded to the prospect of domestic demand declining by continuing with their long-term contracts – while also developing flexibility to redirect surplus LNG to growing markets, such as Thailand and the Philippines.

- **The lure of profits**

Large spreads between free-on-board (FOB) prices in the US – where inherent destination flexibility in offtake is supportive of the trading model – and Asian and European spot prices mean the potential for significant reward if risk can be managed.

The supernormal profits seen in 2022 have also increased the attraction of LNG trading – and encouraged new entrants to develop portfolios.

At the same time, prospective portfolio players should be mindful of the considerable asymmetric risk in the industry. The downside losses can be significantly larger than the upside gains and for smaller players this could mean the end of trading altogether.

- **Geopolitics**

Non-pecuniary considerations are increasingly shaping global trade – and LNG is not immune to this. With tariffs creating widespread uncertainty, portfolio players stand in a position to manage – and profit from – this tension.

In recent months, a trade war between the world's biggest LNG exporter (the US) and the biggest LNG importer (China) has been ratcheting up. In February, China imposed a 15% retaliatory tariff on imports of US LNG. China has not imported a single US LNG cargo since then. By April, the effective Chinese tariff on imports of US LNG had become 125%.

While there was a cooling of tensions in early May – a 90-day tariff reduction agreement has reduced China's effective tariff on US LNG imports to 25% – trade tensions are clearly a feature of US President Donald Trump's politics and geopolitical tensions are very unlikely to disappear from this industry.

Portfolio players have a great opportunity to extract value from both US exporters and Chinese LNG buyers by reshaping trade flows, substituting non-US origin cargoes for delivery to China and redirecting US-origin cargoes to markets without (or with lower) tariffs on US imports. There were reports of at least two US LNG cargoes, that were already in transit to China when the first tariffs were announced, being re-directed to other markets, including Bangladesh.

Portfolio players with access to LNG import and storage capacity in various markets could also be uniquely positioned to circumvent high tariffs by 'converting' US-origin cargoes to, for instance, Europe-origin ones, by importing into Europe and re-exporting to China – always extracting additional value from their customers by offering this flexible service.

Geopolitical tensions can also be leveraged by NOCs seeking to develop into portfolio players. When one trading partner becomes "economically hostile", a company from a friendlier country can benefit by stepping into the fray. For example, just two months after US President Donald Trump triggered a tit-for-tat tariff battle with Beijing, the UAE's ADNOC agreed three LNG deals with China.

What might happen next? – risks and consequences

Despite the flexibility benefits that portfolio players have brought to the LNG market, there are risks in their growing dominance of LNG contracting and the wave of new entrants seeking to the emulate the model.

We explore several of those risks and the possible consequences for the industry.

● **Are portfolio players buying too much LNG?**

Portfolio players have been responsible for almost 50% of all contracted LNG volumes that have been announced in the last three years. But how does this align, or conflict, with the notion of LNG demand peaking?

Companies that are in the business of selling LNG may have some inherent conservatism when it comes to the prospect of demand reaching its zenith. Could they be overestimating the potential for, and sustainability of, demand growth?

If this belief is driving their contracting behaviour, it is possible they could be over-contracting, particularly if the portfolio strategy is volume-driven.

Whilst larger portfolios do afford certain benefits in terms of enabling greater flexibility, it does expose the company to greater risk if it struggles to place those volumes through long-term commitments. Portfolio players also face greater price risk if they have to increasingly rely on the volatile spot market for sales. A more discerning portfolio strategy may be to focus on a smaller number of value-driven opportunities to ultimately maximise total portfolio value.

In addition, individual players that are solely focused on growing the size of their own portfolio could be contributing to a collective double-counting (or even more) of underlying LNG demand over the life of these offtake commitments, possibly leading to over-contracting of LNG and maybe even over-sanctioning of liquefaction capacity.

● **Are portfolio players driving an excess of FIDs?**

Figure 3 shows the total liquefaction capacity that has taken FID since the beginning of 2022 – and how much has been contracted by portfolio players compared to end customers or seemingly left uncontracted.

Again, portfolio players have been at the forefront.

Some projects, like Rio Grande LNG or Port Arthur LNG, have signed over 60% of their output to portfolio players. Meanwhile small projects, like Congo FLNG or Woodfibre LNG, have been 100% underpinned by portfolio players.

With the addition of projects that took FID before 2022, the result is some 120 mtpa of liquefaction capacity under construction, and expected to begin commercial operations by 2030, that is being supported by portfolio players.

To this can be added the c. 20 mtpa of contracts that portfolio players have agreed with pre-FID liquefaction projects that are expected to take FID in the next few years.

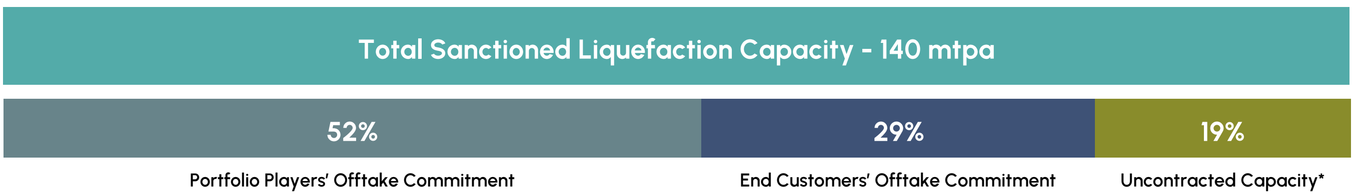
It is worth noting however that, if there are sunset clauses, it is possible some of these offtake commitments may expire if the projects struggle to progress towards FID.

For example, in April, Woodside terminated a 2.5 Mtpa SPAs that it had agreed with Commonwealth LNG, due to a failure of the project to meet certain contractual milestones. However, this could have been motivated by Woodside's recent FID on Louisiana LNG Phase 1 (16.5 Mtpa), a project which will only increase the volume of US LNG going into the hands of a portfolio player.

Nevertheless, up to 140 mtpa of new LNG capacity – over a quarter of the current total global market – is being

Figure 3: **LNG contracts behind new FIDs since 2022**

Source: Gas Strategies



* Some of the Uncontracted Capacity may have been contracted but not made public, or could be marketed as part of the project developer's own portfolio.

directly underpinned not by actual gas end-buyers, but instead by companies with no intrinsic consumption of their own.

This does pose considerable risk, particularly if portfolio players are over-estimating the demand outlook, and adds to concerns around market over-supply.

- **Will the requirements to gain financing for FID change?**

If portfolio players have overestimated LNG demand growth potential, then they may face problems in placing the volumes they have contracted. And, as portfolio players are underpinning a significant share of new LNG project FIDs, any difficulties they have in placing volumes may lead lenders to become more cautious in financing projects that rely on them.

In future, these lenders may require that a clearly defined set of end-customers back the project – or at least for portfolio players to demonstrate they have a sufficient volume of firm downstream commitments.

If portfolio players cannot demonstrate this, the likely conclusion lenders will reach is that they will have to rely on spot sales or uncertain future long-term contract agreements.

In the face of strong competition, there is the risk that portfolio players struggle to place volumes in these circumstances. This could mean a failure to lift cargoes which may make them prospectively less reliable counterparties. It could also start to influence the proportion of debt financing that is available, precipitating a shift towards projects that can bear higher equity financing.

This is where the lack of transparency around the volume of on-sale commitments that portfolio players hold may start to become an issue.

For instance, a portfolio player may have a series of downstream LNG sale commitments that it has not announced publicly. Or where they have regasification capacity in a market like Europe, they may also have ex-terminal contracts to sell regasified LNG that have also not been publicised.

This may make portfolio players appear to be less reliable offtakers than they actually are and unnecessarily jeopardise the ability for LNG projects to gain financing.

- **Will portfolio players exacerbate the industry's boom and bust?**

There is already an expectation of an LNG supply glut over the next five years, owing to the c.200 mtpa of liquefaction capacity that is due to come onstream in this period. Much of this capacity has been underpinned by the contract commitments of portfolio players. If portfolio players have been systemically bullish on LNG demand growth, it is possible the LNG industry could move into a scenario of structural oversupply for the next half-decade or so.

At the same time, traditional gas consumers are also moving into the portfolio player space. They are seeking to hedge against the risk of plateauing domestic demand, while also gaining the ability to take advantage of diverging market prices. If these companies increasingly aim to redirect contracted cargoes, this will only boost the volume of LNG cargoes requiring an end-customer and worsen the supply glut.

The resulting low-price environment could dent industry players' willingness to invest in new liquefaction capacity. The industry could find itself in a position, by the end of this decade, of under-investment. This would mean little new LNG capacity coming onstream in the 2030s, when strong LNG demand growth is still expected from south-east Asian markets, creating tight market conditions and accelerating a price spike.

Portfolio players could therefore have contributed to both over-investment during this decade and underinvestment in the next – exacerbating the boom-and-bust cycle of the industry.

- **Will competition drive a more active approach?**

Pioneers of the portfolio player model such as Shell and TotalEnergies have long held capacity in LNG import terminals to provide a sink for their molecules. It is notable that two newer companies in this space have recently made similar decisions.

In 2024, Venture Global became the first US liquefaction project developer to contract regasification capacity, agreeing with Grain LNG in the UK to take 3 mtpa of capacity for 16 years from 2029. This is an important step for the company in transitioning away from being just a liquefaction developer that sells volumes FOB, to one that is growing in the portfolio player space. This regasification capacity will give Venture Global direct access to the UK and European gas markets and the myriad of gas consumers within.

This followed on from PetroChina's decision in 2023 to take capacity in the Gate import terminal in the Netherlands for 20 years from 2026, giving it a market foothold and facilitating the redirection of cargoes that could otherwise be consumed in China – if for example there is a situation where Chinese LNG demand is low and European spot prices are high (as was the case following Russia's invasion of Ukraine in 2022), or if Chinese tariffs remain on US LNG imports.

Similar moves need to be made if portfolio players are to secure market footholds and capture consumers – and not just in Europe, a market facing long-term LNG demand decline.

Tokyo Gas has made an important step recently, taking a 20% stake in the FGEN Batangas import terminal in the Philippines. Japan is also a market whose future is marked by long-term demand decline, and this equity participation opens doors for

Tokyo Gas to redirect its portfolio LNG volumes to an emerging market with significant growth potential.

However, this strategy is not without risk. Buyers in these emerging and price sensitive markets will want to ensure they have competitively priced LNG supply. Equity participation will not guarantee a right to place volumes, so portfolio players should be mindful of the economic considerations of importers.

Perhaps entirely new strategies will need to be developed. In the age of Trump and so-called "commercial diplomacy", perhaps geopolitical connections could be leveraged to secure long-term sales contracts.

For instance, development aid to tackle energy poverty being contingent on gaining LNG supply rights, or some such proposal. This would be most achievable for state NOCs seeking to become portfolio players, or IOCs with closer links to their 'home' governments such as ExxonMobil.

- **Will portfolio players continue to make the LNG industry a litigious one?**

The LNG industry has become increasingly litigious. This is in part due to the flexibility of the portfolio player model.

For instance, a portfolio player with access to the European market through regasification capacity may seek to exploit a divergence between TTF spot prices and the oil-indexed price that it had agreed to sell to an Asian buyer in a long-term contract. If TTF prices have risen sufficiently, this could easily offset the deliver-or-pay penalties incurred by the portfolio player when it fails to deliver to its original customer.

Gas Strategies has seen this type of occurrence in the market, particularly since the recovery from Covid-19 prices, and it has led to the jilted buyer launching legal action. This type of behaviour may not have been possible under a more traditional model of an LNG project, which lacked its own downstream access, shipping portfolio, and ability to flexibly sell volumes amongst several end-consumers.

There are other tools of the trade that portfolio players can use, albeit ones that could lead to conflict between parties. One example would be to delay a month-end delivery cargo by a couple of days to the next month, in order to take advantage of increasing market prices.

The endgame: From proliferation to consolidation

There is one logical endgame – one that addresses concerns over too much LNG contracting by portfolio players, fierce competition for customers, and periods of price weakness.

Market consolidation.

This would not be a new phenomenon in the portfolio player space.

Shell is the dominant portfolio player it is today because of its 2014 acquisition of Repsol's LNG assets, its 2016 acquisition of BG Group, and its acquisition of Pavilion Energy (which closed in March 2025). TotalEnergies meanwhile acquired the LNG assets of Engie in 2018, which itself was the consolidation of Gaz de France and Suez.

The current crop of portfolio players now includes a mixture of IOCs, NOCs, utilities and commodity traders. Their varying cultures and risk appetites are likely to usher in an intense period of competition where smaller players fail to gain a foothold and are ultimately squeezed out.

This is because the things that help make a portfolio players successful – recognition in the market, a wide portfolio to allow true flexibility, the ability to offer cheap LNG supply – require size and might.

The LNG portfolio player space is not for small players. Nor is it for the faint-hearted. Amid rapidly changing geopolitics and energy transition efforts that are shifting supply and demand, flexibility remains the need of the hour.

However, existing and aspiring portfolio players should be mindful and alert to the risks of the current paradigm – and how it may impact not only their operations and profitability, but the industry at large.