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2025/26



Gas market outlook 2025/26

September 2025

Foreword

Natural gas markets remain fascinating, thriving and dynamic. The last twelve months have served to underline the resilience and enduring role that natural gas will play for decades to come. Energy transition – and especially clean molecules – headwinds have led to a growing consensus of a more enduring bullish role for natural gas.

Within that context, the machinations of the global market have continued to evolve as a result of the profound geopolitical tumult of the last three years. Supplies to Europe, US LNG exports and the Russian pivot to Asia have stimulated continued developments in supply dynamics.

The pace of new FIDs for LNG supply projects has – remarkably – accelerated, even as we sit on the brink of an unprecedented growth of volumes as suppliers with buyers double down on their belief in US LNG exports.

In this edition of our gas market outlook, we revisit (and amend!) six key pivot points across both the supply and demand landscapes, all of which will play a key role of gas globally. From geopolitics to renewables deployment, for each pivot point we consider the impact and implications for global gas – a market that continues to evolve and adjust at pace.



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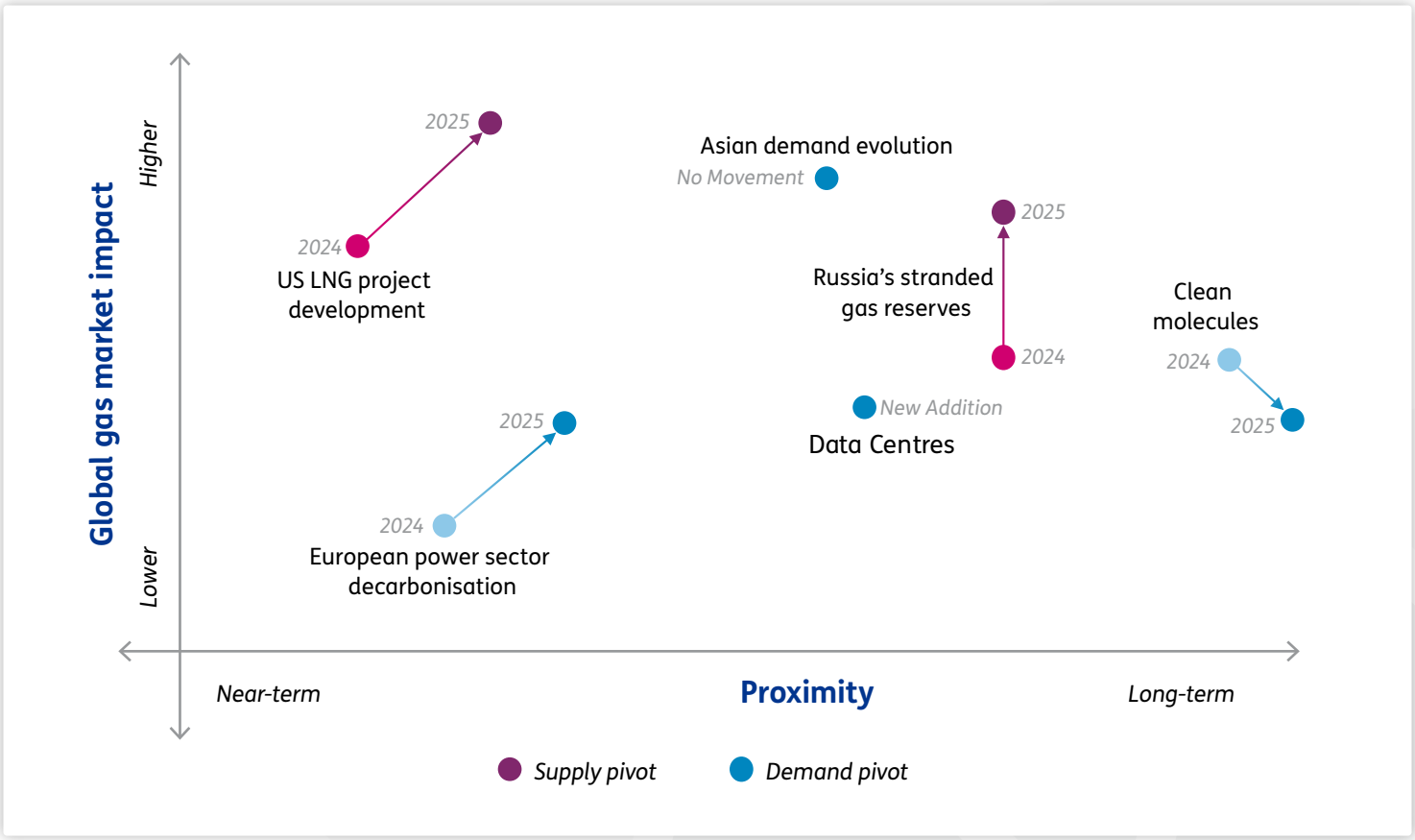


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In the balance: Six key supply and demand pivots

Our analysis has identified six pivot points which may influence the future direction of the market. Each of these points, while varying in impact and proximity, present crucial questions for governments, energy providers, and individuals, as each shapes the market landscape going forwards.





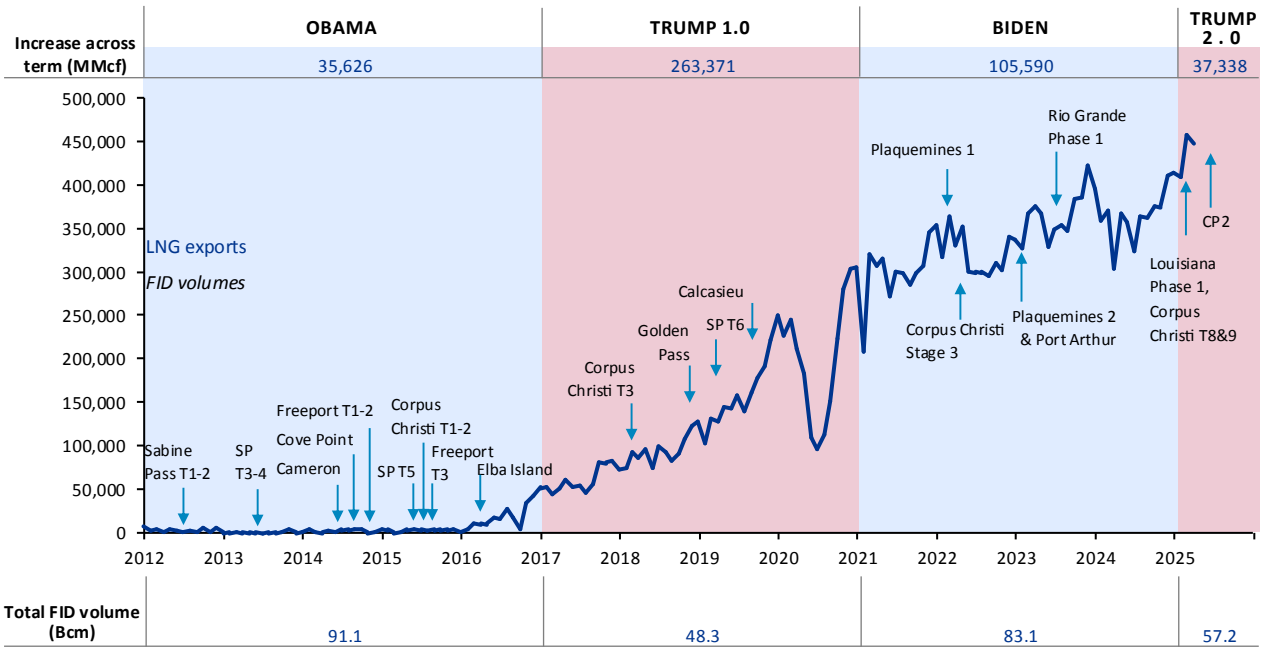
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LNG exports are set to rise under Trump 2.0...

Trump 2.0's "drill baby drill" agenda prioritizes massive LNG export expansion as a cornerstone of American energy dominance. By reversing Biden's export permitting moratoria, Trump pledges to fast-track new LNG terminals which had been held back by delays in construction and export approvals, and maximise fossil fuel exports. This marks a fundamental shift from climate-focused energy policy to positioning US gas as both an economic opportunity and a tool of geopolitical leverage.

US LNG exports and FID volumes, MMcf

Chart annotations represent the dates of project FIDs



Source: EIA, Baringa analysis

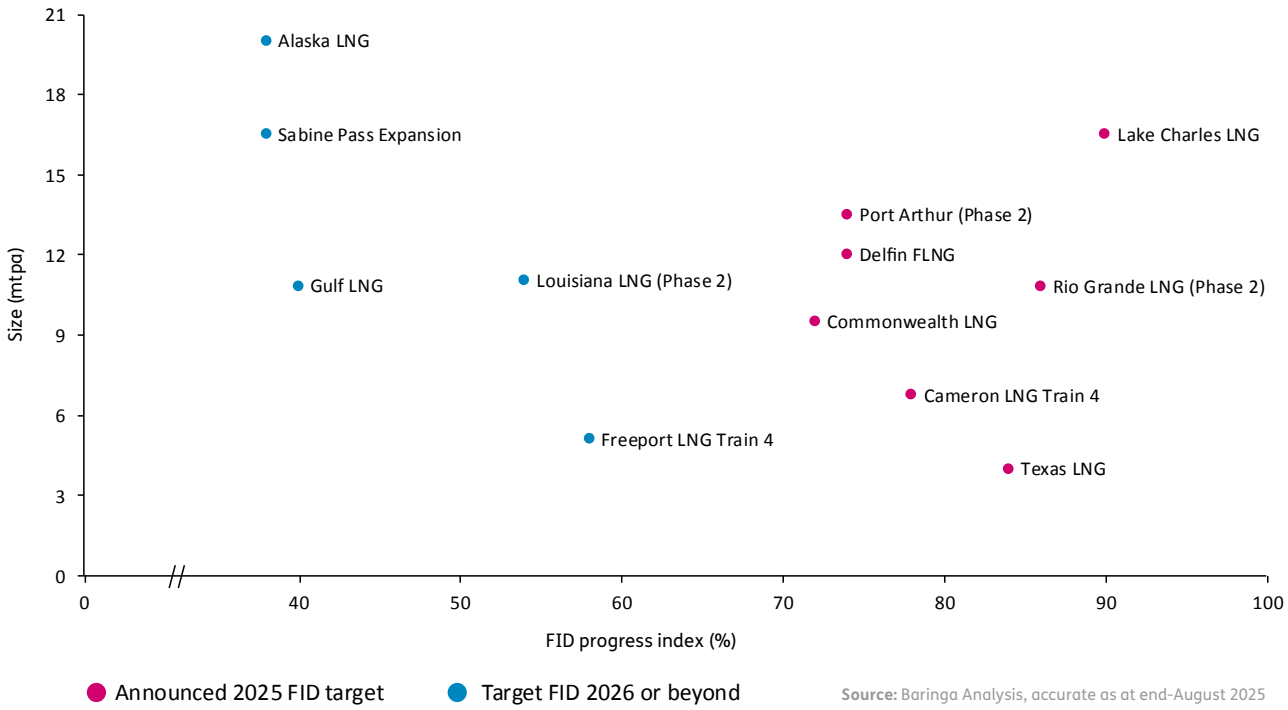


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...and the next wave of FIDs is already here

In the year-to-date, three US LNG projects, and one Argentinian project – representing 47.5 mtpa of supply – have already reached final investment decisions (FIDs), with a further seven US projects targeting sanction before year-end. Together, the US projects represent more than 110 mtpa of potential new supply capacity. Even allowing for some slippage, the scale of investment under consideration means the US alone could set a new record for annual LNG project sanctions, exceeding the previous global high of 70.6 mtpa in 2019. The spate of FID activity shows new investments in LNG supply are showing no sign of slowing down, and signals the bullish outlook from the industry about the future prospects for growth in LNG consumption. However, with every new FID comes a greater risk of over-supply and potentially lower prices, particularly through the 2030s.

Pre-FID US LNG project by size and proximity



Source: Baringa Analysis, accurate as at end-August 2025

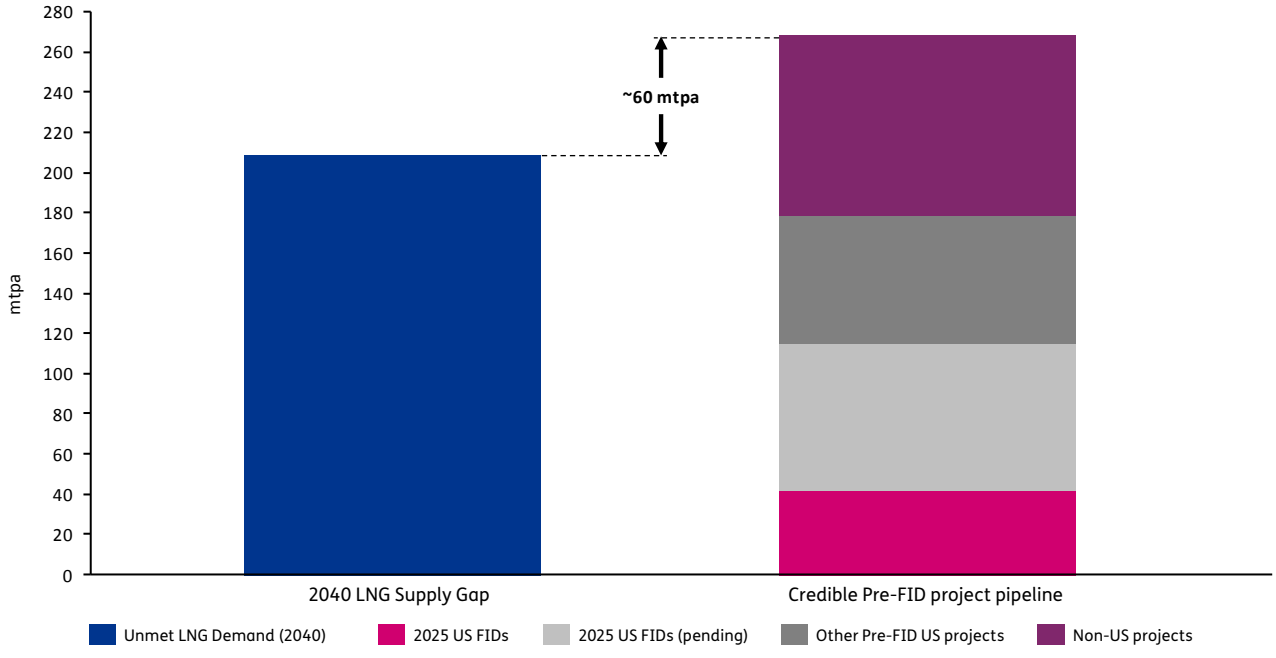


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Deal-making will heat up in the race to FID

As at the end-August, the volume of long-term LNG contracts signed from the next wave of projects has already eclipsed 2024, but with so much pre-FID supply yet to find offtakers, contracting activity is set to heat up over the coming 12 months. US LNG offtake has been used as an olive-branch in trade negotiations, but the buyer appetite for flexible US LNG is changing. Much of this appetite sits with traditional buyers – portfolio players and Asian utilities – but some demand is emerging from the Gulf states' NOCs and others aspiring to enter the global LNG trade. European demand for long-term LNG offtake remains lacklustre, but the persistence of gas in the energy mix combined with recent pledges to increase US energy purchases means even without long-term contracts, there are long-term prospects for LNG into Europe.

We expect intense competition among pre-FID LNG projects that will need to find innovative ways to finance projects and access new demand



Source: Baringa Gas Market Modelling (Reference Case)

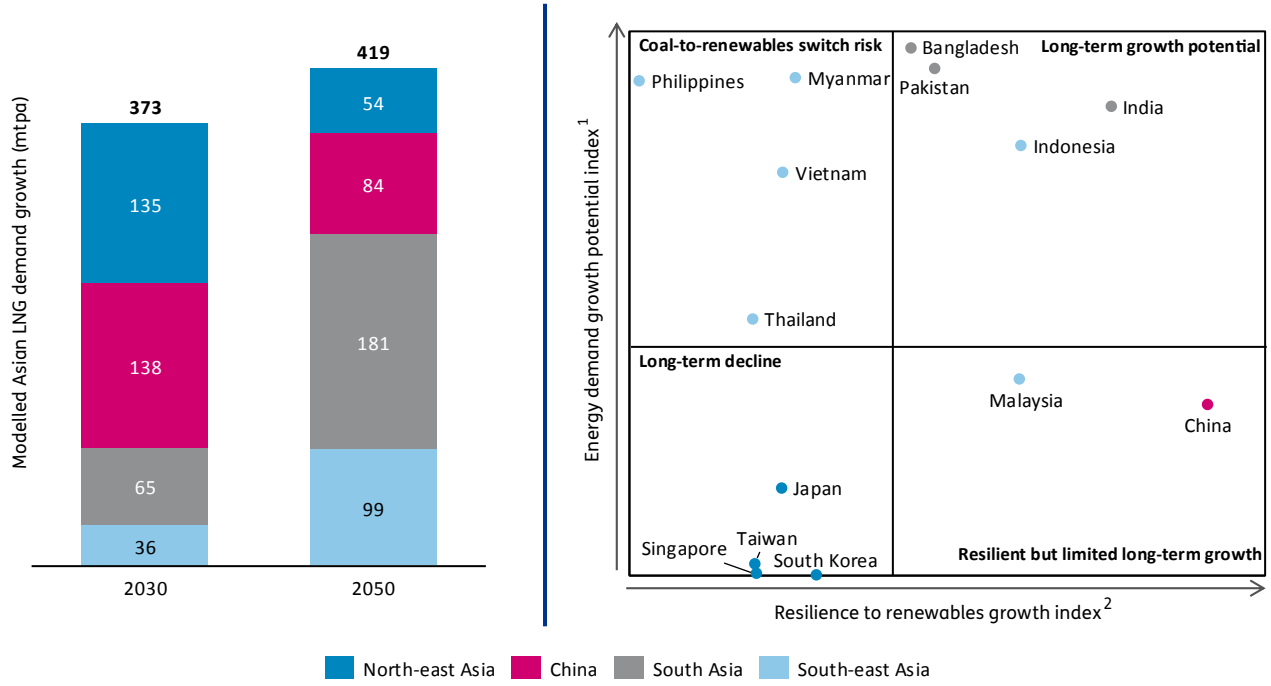


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Asia will be the engine room for LNG growth

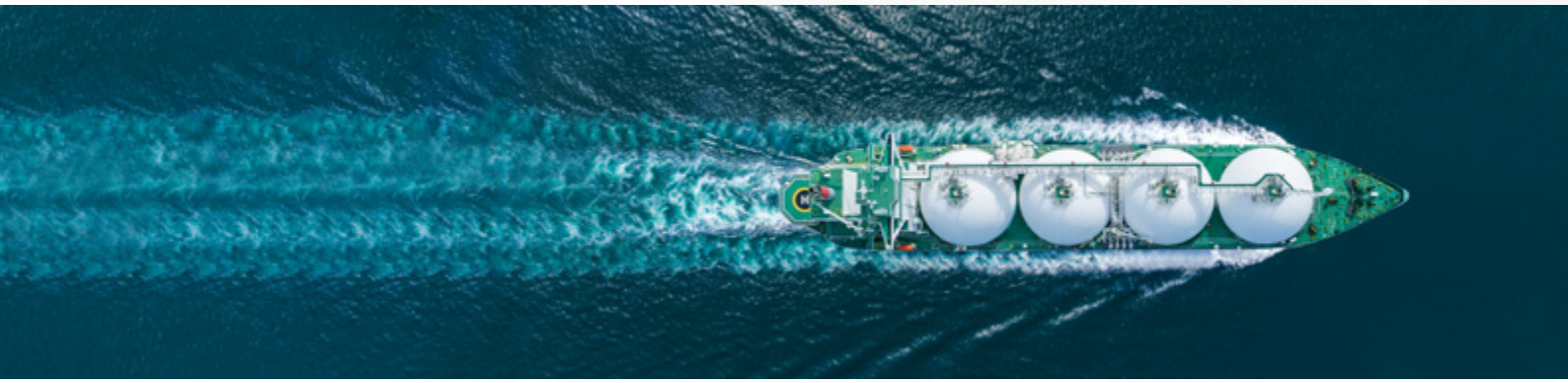
The extent to which Asian LNG markets realise their potential growth to 2050 will be the key driver of the size of the future LNG market. The greatest potential for LNG growth comes from the relatively price-sensitive South-Asian markets where some re-gas infrastructure already exists but has been sparsely utilised since the European gas crisis. By contrast, there is a risk nascent gas markets – including Vietnam & Thailand, turn away from LNG as a transition fuel. These markets may favour a direct switch from coal to renewables if long-term prices and contracts do not incentivise the expansion of demand, and LNG producers and governments do not invest in the development of downstream gas value chains.

The growth of Asian LNG markets will be heavily influenced by the per capita consumption growth potential and the non-power share of gas



1) Calculated based on the current level of energy demand per capita and the projected population growth to 2040 using IEA World Balances and the Network for the Greening of the Finance System stated policies scenario data.

2) Calculated as the share of total gas consumption that is not currently taken by power generation using IEA World Balances data.

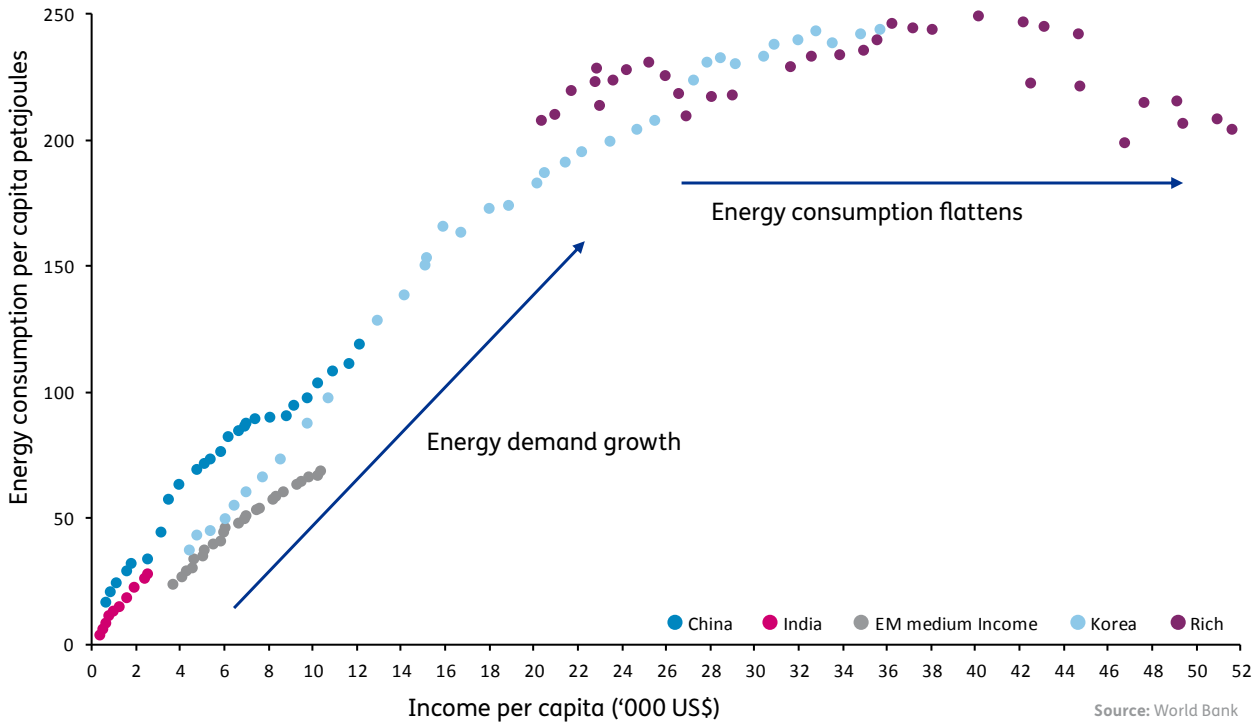


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...Driven by rising energy consumption

Asia's accelerating economic development is fuelling strong growth in energy demand. As incomes rise, per-capita energy consumption increases sharply, reflecting industrialisation, urbanisation, and rising living standards. China and India are still in this growth phase, while more advanced economies such as Korea show how demand eventually stabilises once incomes reach higher levels. This transition underscores both the scale of investment opportunities and the policy challenges ahead. Meeting demand sustainably will require balancing security of supply, affordability, and decarbonisation. Asia's trajectory will be central to global energy markets, shaping commodity flows, technology deployment, and the pace of the energy transition. Notably, RES growth is expected to be insufficient to meet power demand growth even as consumption flattens, underscoring the role fossil fuels will play in the energy mix.

Income vs energy consumption, 1970–present



Source: World Bank

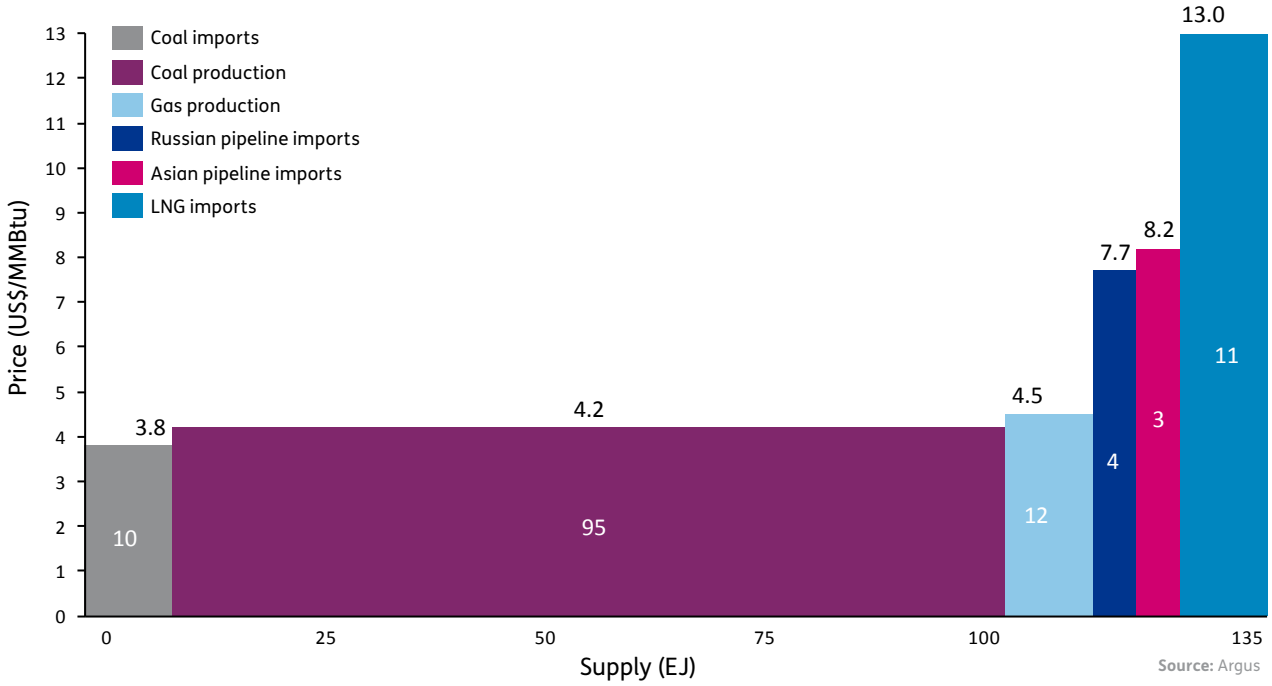


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In China, LNG remains relatively expensive

China's fuel mix reflects both cost dynamics and supply diversity. Domestic coal and gas remain the cheapest sources, while Russian and Asian pipeline imports offer relatively competitive alternatives. By contrast, LNG imports are materially more expensive at around $13/MMBtu, positioning them as the marginal source of supply. Despite higher costs, LNG plays a critical role. LNG primarily serves the eastern demand centres, where the cost of transporting gas produced or imported from the west or the north of the country is relatively expensive. It also provides flexibility and supply diversity, particularly during seasonal peaks or when pipeline flows and domestic production are constrained.

China fuel mix by price and energy supply, 2024



Source: Argus

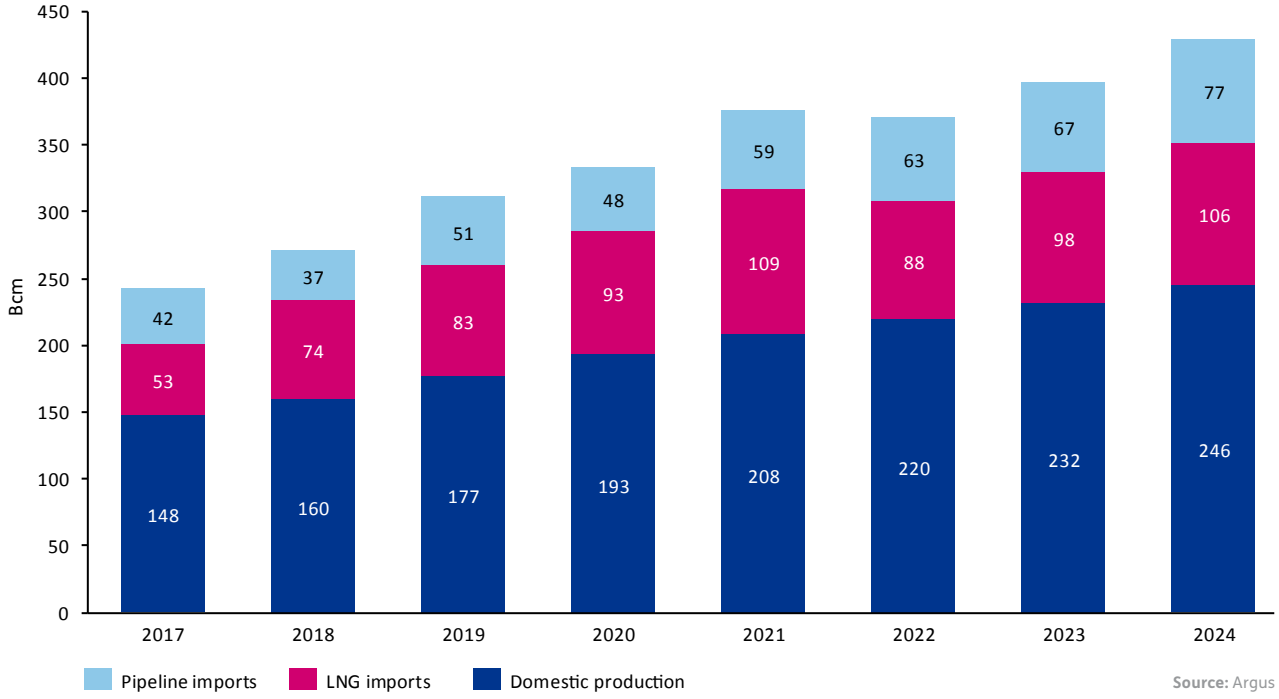


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...But remains a crucial source of flexibility

China's gas strategy under the 14th Five-Year Plan places security of supply and diversification at its core. Domestic production is being pushed higher to reduce import dependence, while pipeline flows from Central Asia and Russia provide a more stable foundation — with Power of Siberia 1 already ramping up and Power of Siberia 2 gathering momentum to further strengthen ties. For Beijing, LNG is less about volume security than about optionality, complementing efforts to expand domestic output and deepen strategic pipeline partnerships.

China gas supply balance (Bcm)



Source: Argus

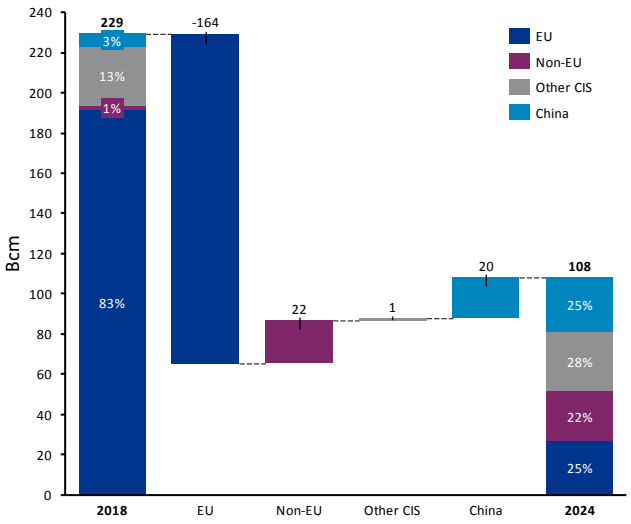


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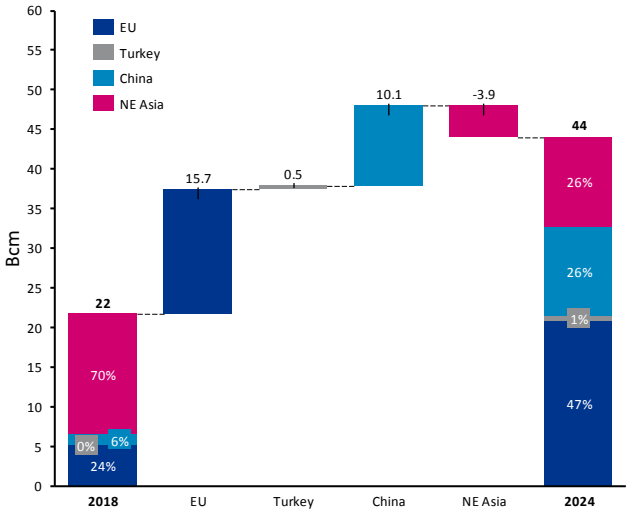
Russia's curtailment of pipeline gas flows to Europe...

Russian gas exports have been fundamentally reshaped between 2018 and 2024. Pipeline deliveries to the EU, historically the cornerstone of Russia's export portfolio, collapsed by around 160 bcm following the 2022 invasion of Ukraine. Overall pipeline exports have more than halved as a result. There have been some incremental gains to export markets, in particular China—where the Power of Siberia 1 pipeline ramped up to around 20 bcm per year—partly offsetting the loss. LNG exports, by contrast, almost doubled to 44 bcm, supported by Yamal and Sakhalin running near full capacity and modest new additions, with Europe and China absorbing most of the extra volumes.

Change in Russian gas exports 2018-2024



Change in Russian LNG exports 2018-2024



Source: Energy Institute

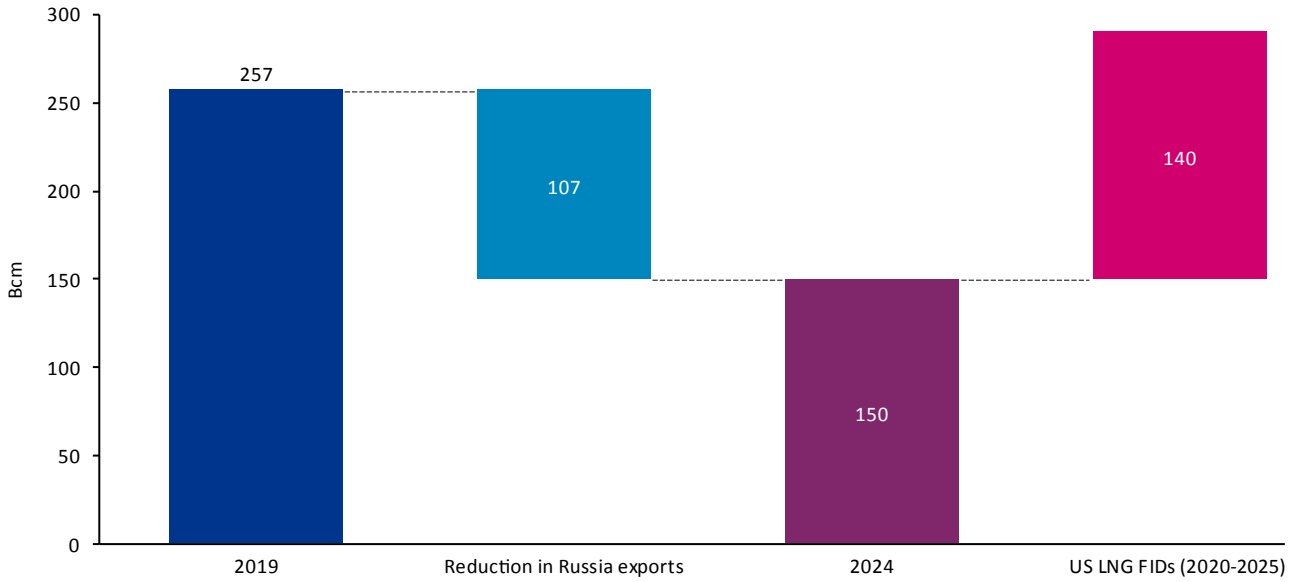


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...Opened the door for US LNG to fill the gap

The collapse in Russian gas exports since 2019 has left a major gap in global supply. The US has emerged as the big winner, seizing the opportunity to expand LNG capacity with 140 bcm of new FIDs since the crisis. By mid-2025, the volume of US LNG FIDs not only replaces lost Russian exports but surpasses them, cementing US's position as a dominant global LNG supplier and reshaping global gas trade in its favour.

Russian Gas Exports & US LNG FIDs, 2019-2024



Source: Argus



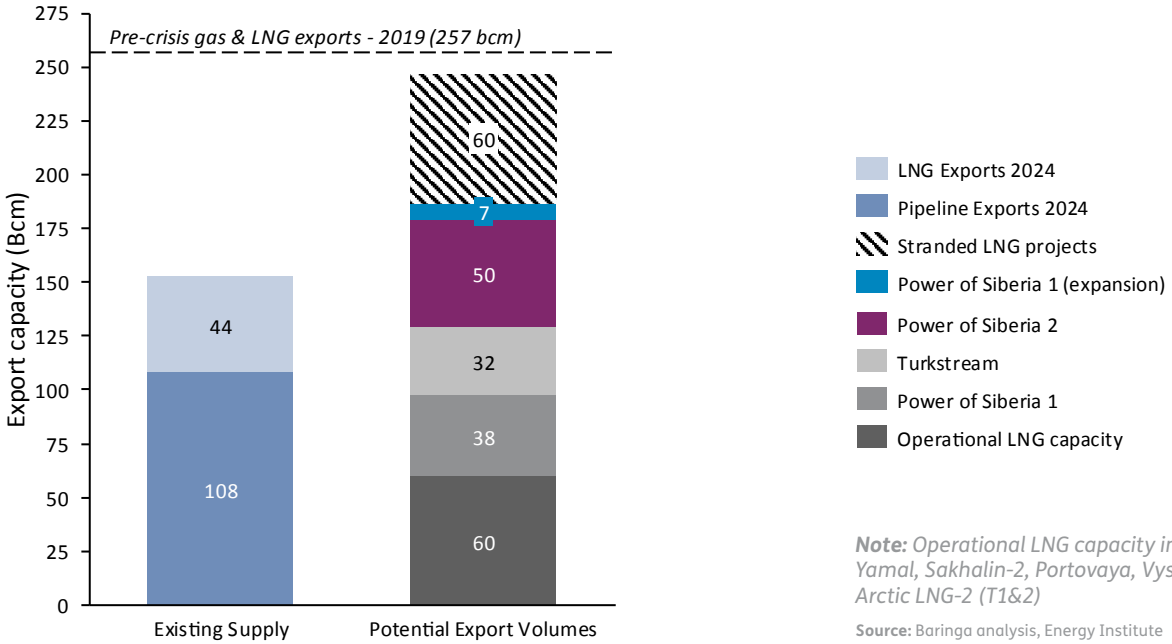
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Russia's Sino-pipeline pivot

Despite plans to expand both LNG and pipeline capacity, Russia faces extreme challenges in restoring gas exports to pre-crisis levels. Sanctions are delaying projects such as Arctic LNG-2 and constraining new FIDs, limiting both construction and long-term sales agreements. The most viable growth opportunity lies in the recently approved Power of Siberia 2 (PoS 2) pipeline, which would link Russian production to northern and western Chinese markets.

There are uncertainties around the timing and utilisation of PoS 2, but the binding memorandum between the two nations – in addition to the recent arrivals of a sanctioned Russian LNG cargo from Arctic LNG-2 in China – is a signal of stronger geopolitical ties. It's an indication China may need less US LNG, increasing its bargaining power as existing LNG contracts expire. The expansion of Power of Siberia 1, a planned Eastern route, and the PoS 2 agreement could together add close to 60 bcm of capacity. These projects would diversify China's import routes and reduce its relative reliance on LNG in the medium-term, even as LNG remains critical to meeting overall demand growth.

Even in a best-case scenario, Russian exports will struggle to return to their pre-crisis levels, but a pivot towards Chinese markets could significantly influence the global LNG balance into the 2030s



Note: *Operational LNG capacity includes: Yamal, Sakhalin-2, Portovaya, Vysotsk, Arctic LNG-2 (T1&2)*

Source: Baringa analysis, Energy Institute



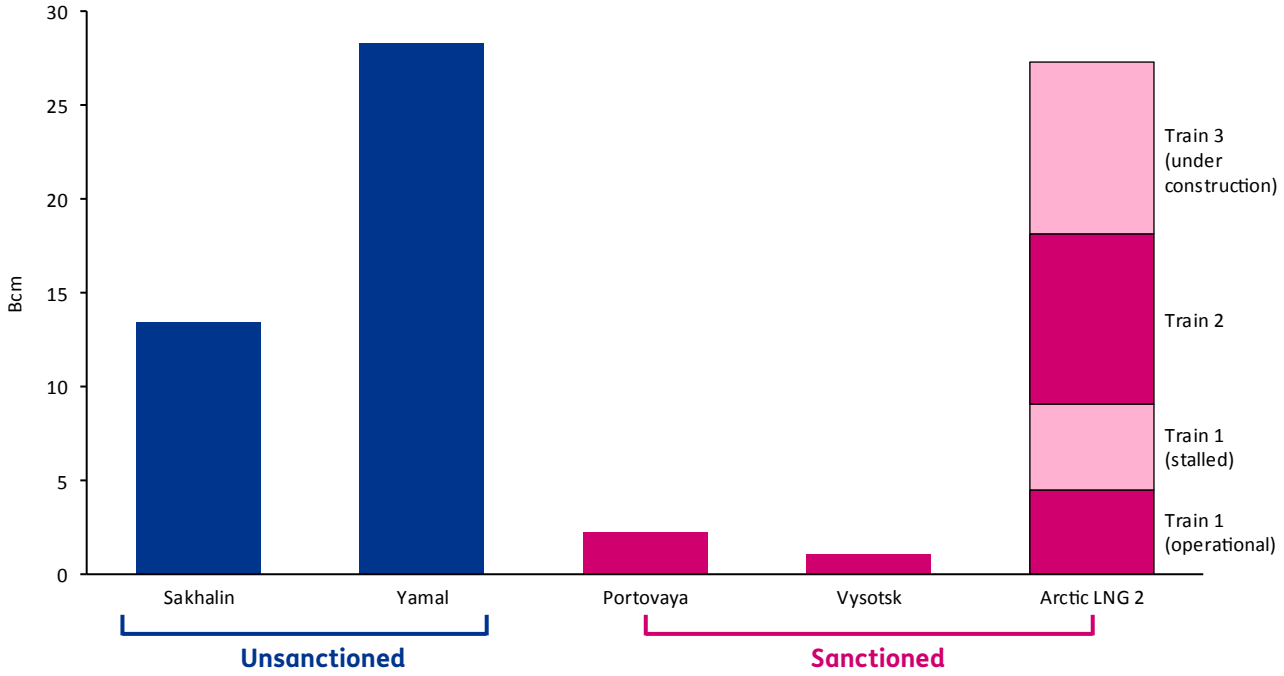
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And a new LNG-axis?

Recent arrivals of LNG cargoes from the US-sanctioned Arctic LNG-2 project in China may signal further cooperation between Russia and China, as the parties test the extent to which the US may follow through on sanctions.

In the months ahead, several scenarios could play out for Arctic LNG-2, which will have implications for supply over the near-term. Should the sanctioned cargoes trigger repercussions from the US on Chinese buyers, it is likely no further loadings will take place. The lifting of sanctions would not be in best interests of the US, whose pre-FID and existing LNG supply directly competes with Russian LNG. But if sanctions are instead eased, Russian LNG exports to China over winter may increase. Over the medium-term, this could lead to the reinstatement of contracts between Arctic LNG-2 and its majority Chinese buyers, increasing the overall global LNG supply in 2026 by 2-3% and reducing prices.

Russian LNG exports by project, 2024



Note: Arctic LNG 2 represents potential full capacity once complete. Exports of Portovaya, Vysotsk, Sakhalin, and Yamal are from 2024.

Source: Baringa analysis

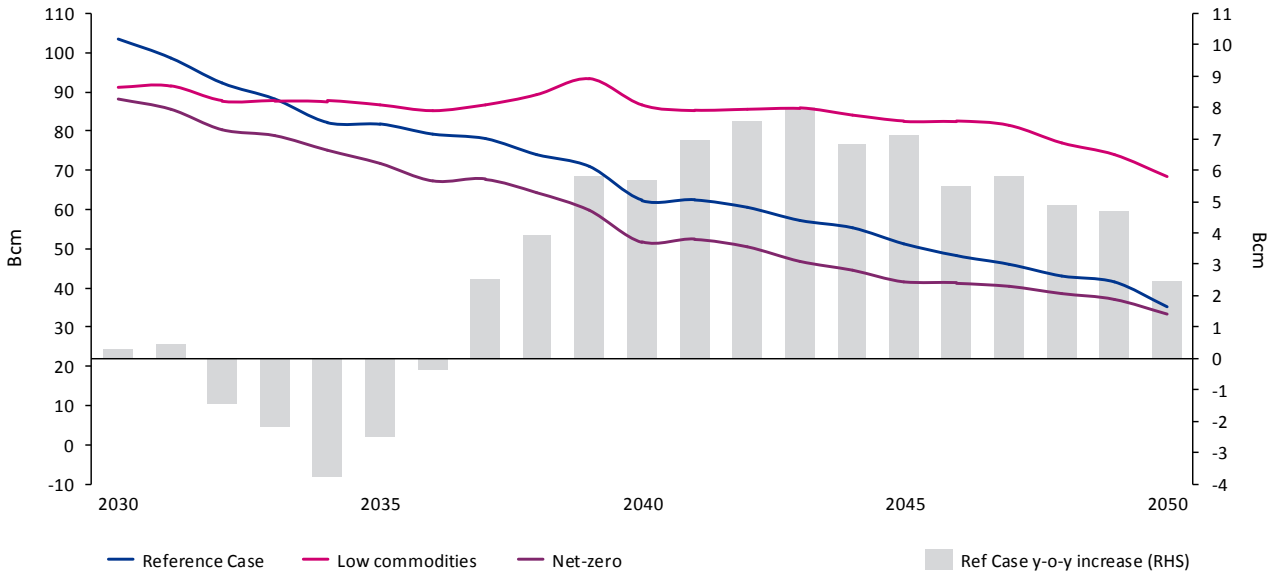


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EU power sector decarbonisation

The ability of the EU to achieve its power sector decarbonisation objectives over the next decade will be an early indicator of persistence of gas demand through the global energy transition. Baringa's Reference Case gas demand for power has been revised upwards year-on-year, reflecting a general slowing in the pace of the energy transition across Europe. In a world where renewable deployment slows further, elevated consumption in European markets will tighten global balances through the 2030s and 40s. Under this scenario, we could expect markets to remain vulnerable to supply disruptions and periods of price volatility. As a result, RES penetration will be a key pillar to watch as a signal for the potential role that gas may fill in the global energy mix going forward.

The potential role of gas in power in Europe varies significantly depending on RES deployment



Source: Baringa Power Market Modelling (Reference Case)

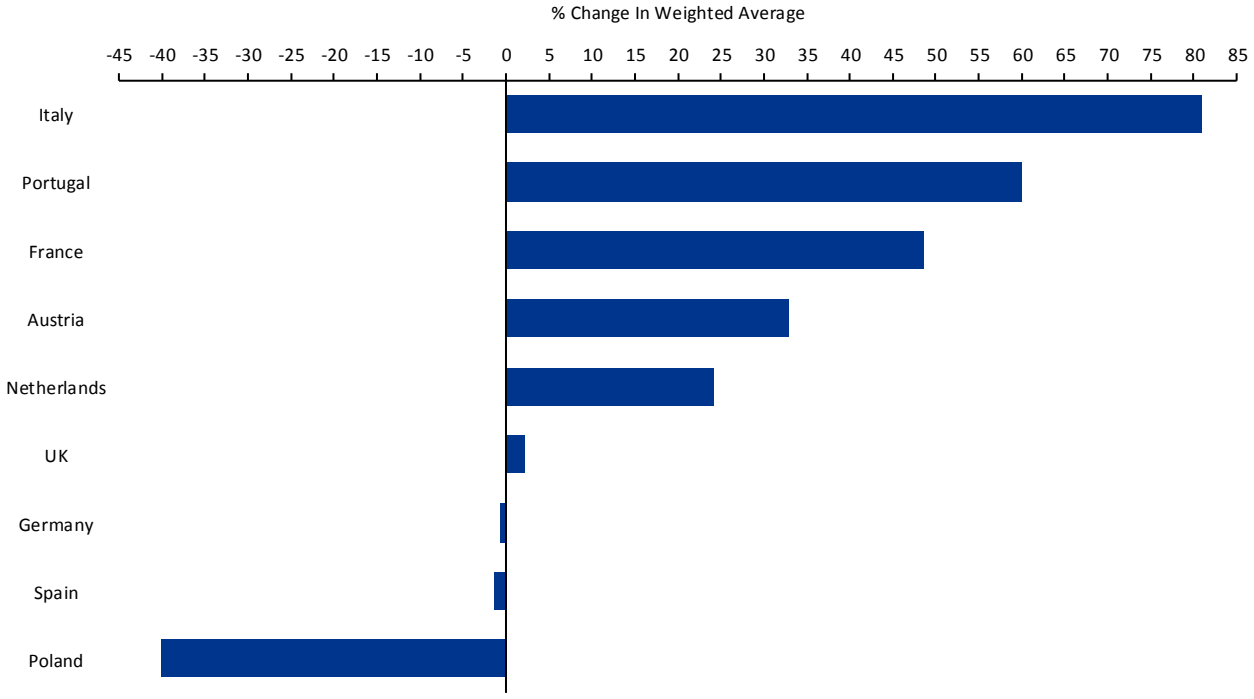


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Recent elections have weakened climate consensus

The 2024 'year of elections' led to significant shifts in Europe and around the world – in large part a rejection of incumbents, but also a growth in support for climate sceptics across many markets. These are not generally outright climate deniers, but more nationalist parties sceptical of the costs and speed of the transition.

Change in voter support for climate scepticism in last election



Note: the weighted average has been calculated as a function of both vote share and climate scepticism rating of each party in power.

Source: Baringa Analysis and Havard political party rating

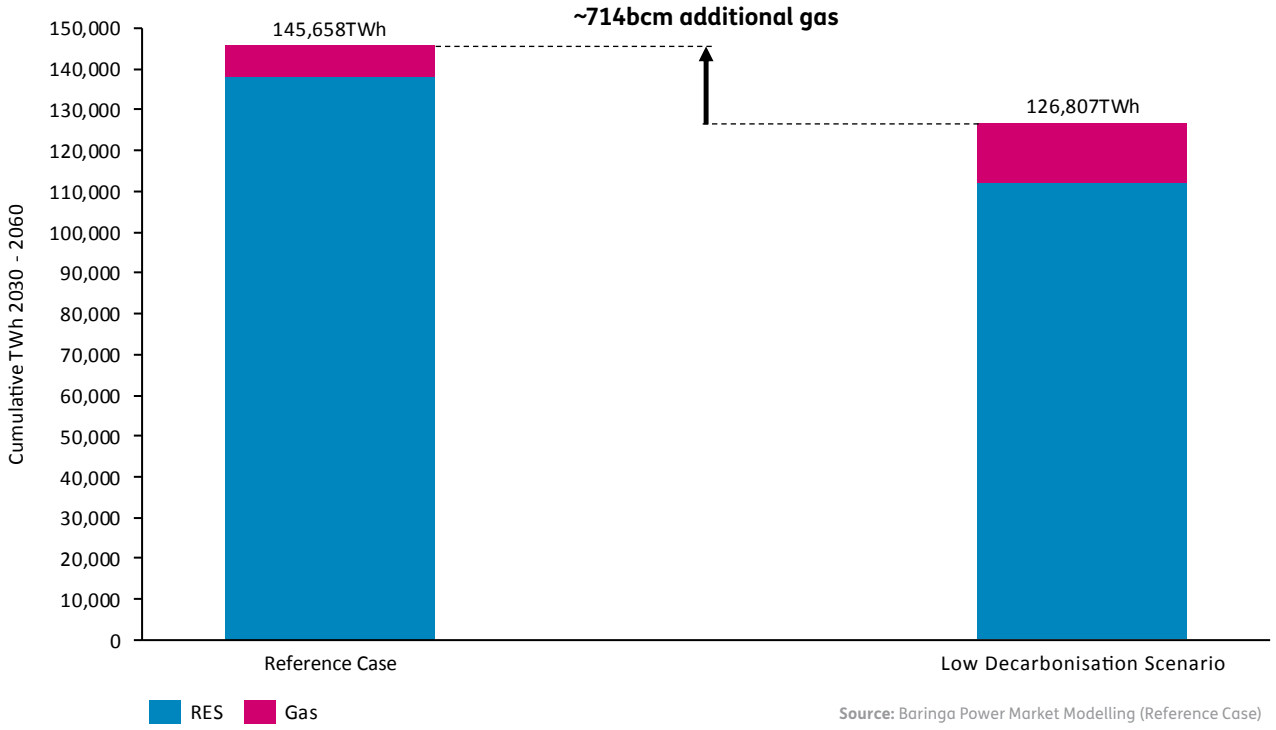


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Populism risks a slow decarbonisation pathway

Populist pressures could slow Europe's decarbonisation trajectory, with weaker policy support leading to reduced renewable buildout and higher gas generation. To the extent decarbonisation targets are not met, gas will fill the gap. The pathway would result in an additional **714 bcm of gas demand between 2030 and 2060.** To meet this extra power demand alone, additional LNG supply would be required, roughly equivalent to an extra two medium-scale LNG projects not currently marked for FID in our Gas Reference Case.

Cumulative generation of renewables and gas, 2030-2060



Source: Baringa Power Market Modelling (Reference Case)

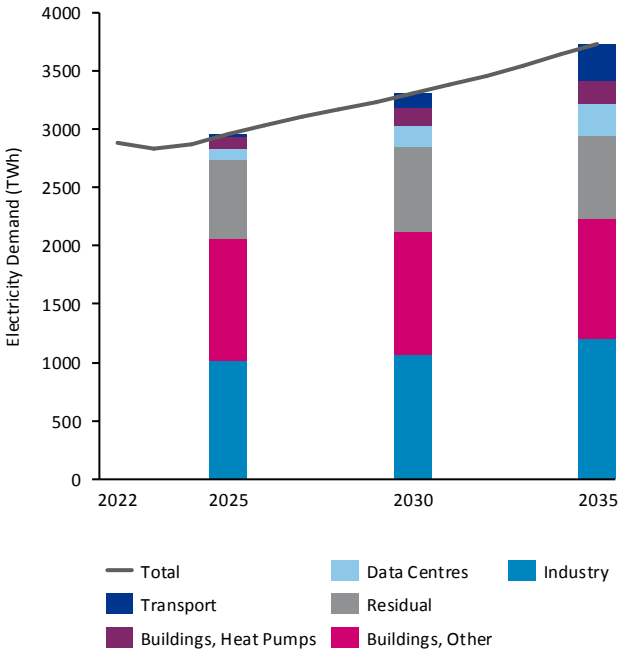


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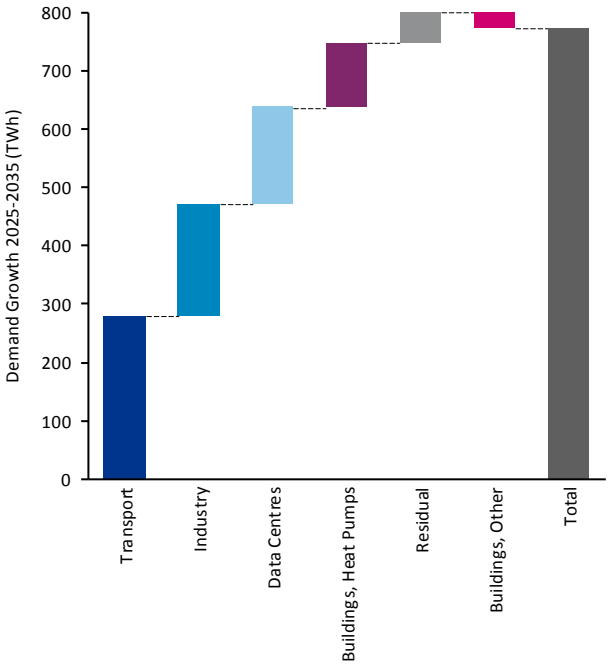
In any case, European power demand is set to rise sharply, driven by transport, industry and data centres

We see large power demand growth on account of electrification of transport, heat and industry as well as the growth of large power users such as data centres.

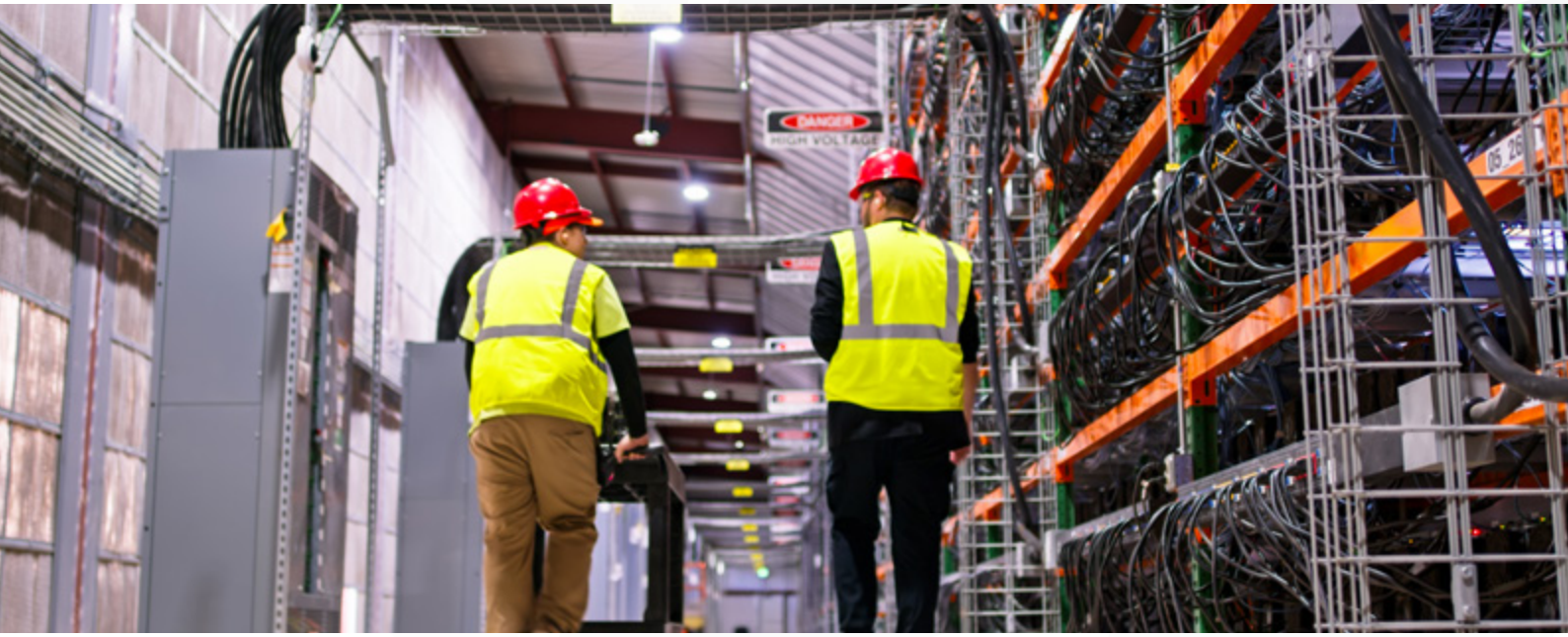
European electricity demand projection, Reference Case Q1 2025



Growth in European demand 2025-2035, Q1 2025 outlook



Source: Baringa Power Market Modelling (Reference Case)

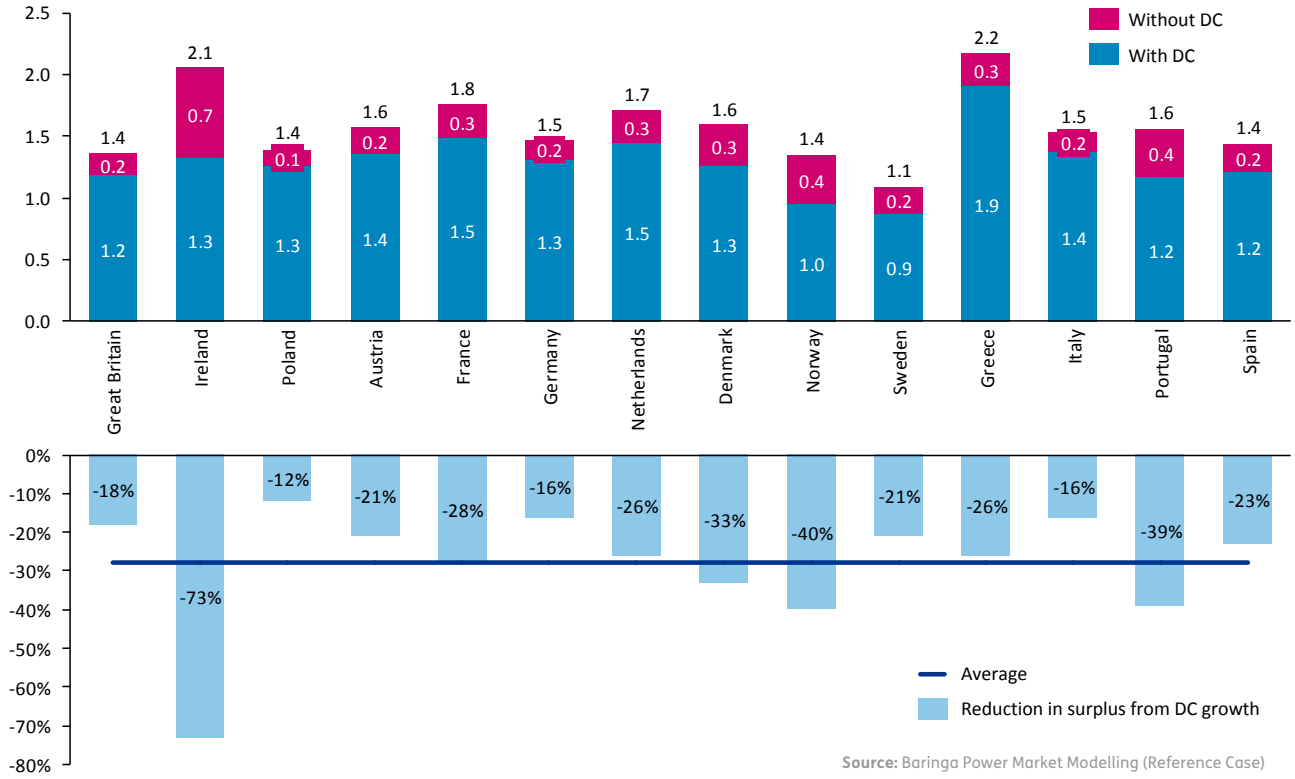


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Data centre growth is set to slow gas abatement in power

The rapid expansion of data centres across Europe is set to erode renewable generation surpluses and slow gas displacement in the power sector. Between 2025 and 2035, additional demand from data centres reduces the renewable surplus by an average of over 20%, with Ireland, Norway, and Spain facing the steepest impacts. While renewables continue to grow strongly, much of this capacity will be absorbed by digital infrastructure rather than displacing fossil generation. This dynamic underscores the continuing role of gas in maintaining system reliability.

RES Gen growth surplus on demand, with and without DC, 2025-2035



Source: Baringa Power Market Modelling (Reference Case)

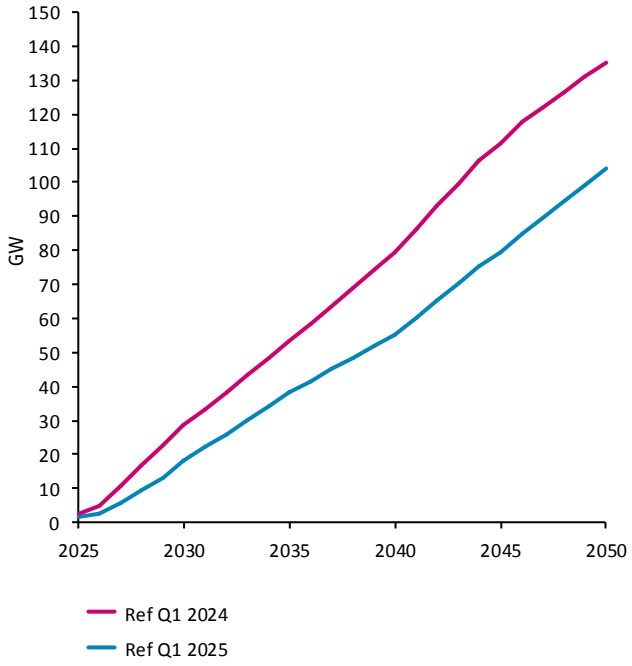


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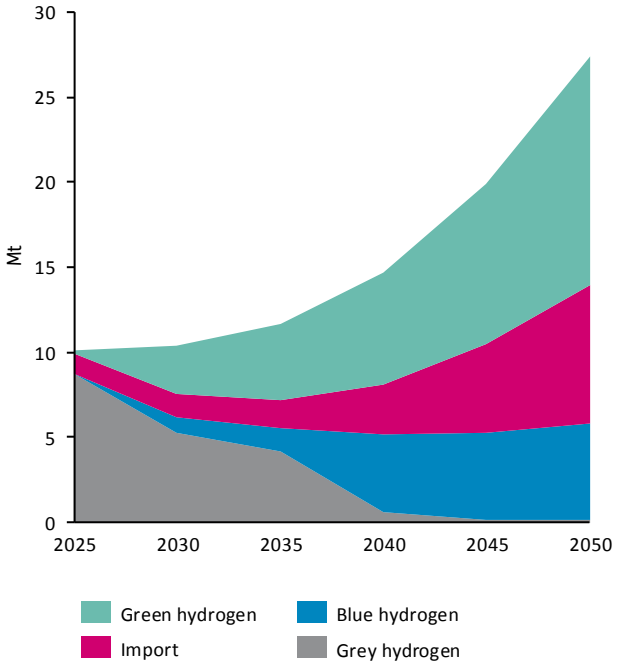
Thinking forward: Clean molecules

Expectations for green electrolyser hydrogen have been scaled back, with capacity projections now markedly lower than a year ago. In the near to medium term, Europe's hydrogen mix will be dominated by grey and blue molecules, reinforcing the role of gas as a critical feedstock. While green hydrogen gains momentum post-2035, slower deployment underscores the importance of gas in enabling early decarbonisation and providing a bridge to a cleaner system. This shift highlights gas's enduring role within Europe's energy transition.

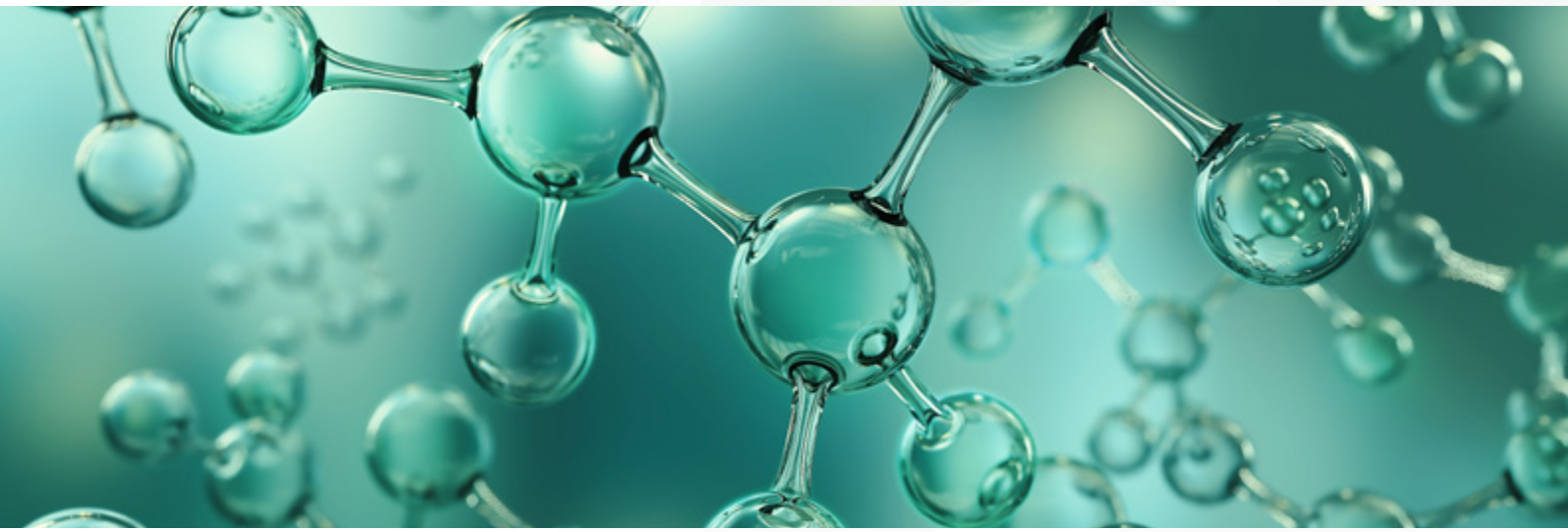
EU electrolyser capacity



European hydrogen supply mix



Source: Baringa Power Market Modelling (Reference Case)



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So what?

There are a range of implications from the changing market dynamics observed in global gas and LNG markets.

These run from the highest levels of geopolitics–for example, Sino-Russia relations and the global influence of the US–to more localised and specific gas market or value chain impacts which may influence LNG import/export economics or investment decisions.

These changes intersect to create a host of challenges and opportunities.

	Opportunities	Challenges
Liquefaction project Developers	• Customers have shown continued to show support for additional supply, supporting FIDs • Slowdown of energy transition alternatives to gas mean more demand for longer	• FID slowdown may be imminent given pace of recent expansion – when will they next wave come?
Gas Producers	• Slowdown of energy transition alternatives to gas mean more demand for longer • Demand surge from DC growth	• Increased focus on emissions intensity of whole value chain
Regas terminal developers and operators	• Bullish demand in Europe, emerging Asian markets • Capacity as security of supply (even with lower utilisation) • Evolution of service offerings into clean molecules / transition technologies	• Challenge of long-term commitments in Europe (even with strong fundamentals)
Traders	• 60%+ growth in global LNG trade by 2030 • Evolving European trade dynamics (ie more imports) • Opening up and growing emerging Asian and other markets by embracing pricing challenge	• Risk of low price period with massive LNG supply growth, PoS2 supply into China • Can trading margins be met with sales to price sensitive markets?
Buyers – Europe	• Attractive market for suppliers • Anticipated price softening lowers cost of purchase	• Uncertainty on demand and policy positions around gas – hard to take long-term positions
Buyers – APAC	• China positioned to benefit from ample supply options, softening LNG prices • Price softening opens window for latent LNG demand in Asia to be met	• Price uncertainty may impact ability to contract in price sensitive markets

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Gas market outlook

2025/26

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