

# The US and Qatar to drive LNG supply growth

Global LNG capacity is set to grow by more than 45% by the end of this decade with significant supply additions coming from both the US and Qatar. However, there are risks facing some capacity



Historically, Qatar has been the world's largest LNG supplier - but the ramping up of capacity from the US and Australia over the last decade has seen that position fall

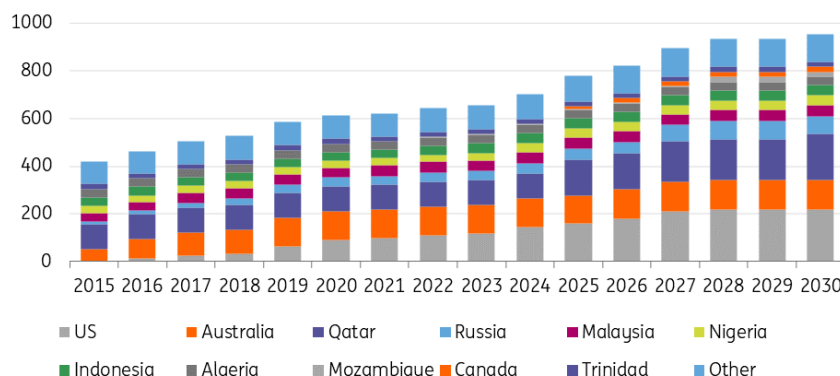
## LNG supply ramps up

Unfortunately for gas markets, the developments in Russian pipeline flows to Europe coincided with a period of limited new LNG export capacity starting up. This has left less flexibility in the market and has caused extreme strength and volatility in prices.

Between 2021 and 2023, only 41bcm of LNG export capacity started up compared to 110bcm in the three years prior. However, there is a significant amount of LNG export capacity scheduled to start up from the second half of this year through to 2030. Between 2024 and the end of this decade, a total of 300bcm of new LNG export capacity is set to start up. This will take total LNG export capacity to more than 950bcm by the end of 2030, 45% higher than at the end of 2023.

The US and Qatar will make up the bulk of this new capacity. This should ease tightness concerns that have been looming over the market since 2022.

## Significant growth in global LNG export capacity in the years ahead (bcm)



Source: IGU, EIA, press releases, ING Research

### US LNG supply boost

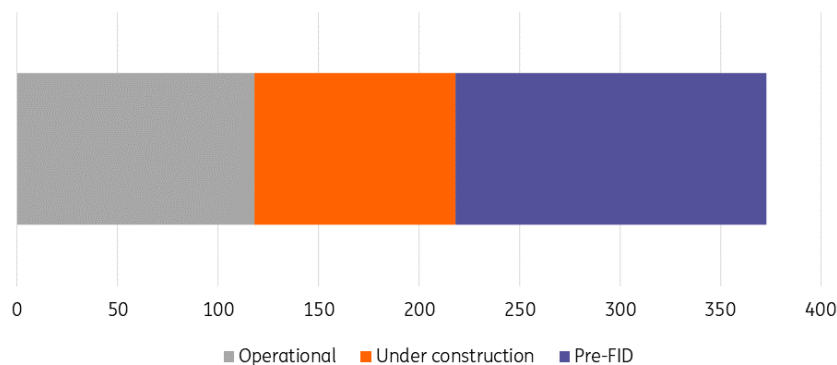
The US has been the key driver behind LNG export capacity in recent years. In 2016, the US had 12bcm of export capacity, made up of Trains 1 and 2 at Sabine Pass. However, the abundance of cheap natural gas led to significant investment in LNG projects, which saw the US going from a minimal player in the LNG market to the largest exporter in 2023 with 118bcm of capacity.

The bulk of this capacity started up between 2019 and 2020 and coincided with the demand hit we saw due to Covid restrictions. Over these two years, almost 61bcm of export capacity started up, equivalent to around 51% of total export capacity at the end of 2023. However, since 2022 there has been far less new capacity, with just 20bcm starting up. This is set to change as we move into the latter part of 2024. There is 101bcm of capacity currently under construction, which is set to start between the second half of 2024 and the end of this decade. This would take the total US LNG export capacity to 218bcm, an 85% increase from current levels. There are risks that some of the projects scheduled to start up this year and next will be delayed. There have already been reports that Golden Pass, which was set to start operations in the first half of 2025, could be pushed into the second half of the year.

Political interference is the other key risk, and more so for projects that have not been approved. The Biden administration temporarily paused any further export project approvals due to concerns over the economic and environmental impact. However, since then a federal judge in the US has blocked the government's pause on project approvals.

There is also a large number of projects in the US awaiting a final investment decision (FID), according to the EIA. Its data shows that almost 155bcm of capacity is awaiting an FID. If these projects go ahead, it is unlikely that much of this supply will come to market before 2030. In our supply numbers, we have only included projects that are currently under construction.

## Status of US LNG export capacity (bcm)



Source: EIA, ING Research

## Australian LNG supply to edge lower

Australia is the second largest global LNG exporter, exporting 111bcm in 2023. It has the largest capacity, however, standing at 120bcm. Given the upcoming capacity additions from the US and Qatar, this will not be the case for much longer. There is little in the way of significant export capacity set to start up in Australia in the coming years.

The Pluto LNG expansion project will see a second train added to the Western Australian facility with an additional 7bcm of capacity. This second train is expected to start up in 2026. While it will likely provide a short term boost to Australian LNG exports, this will probably be short-lived, with supply falling from other projects due to a combination of falling exploration expenditure and declining reserves. Woodside plans to shut one of its five trains at its North West Shelf project in 2024 due to falling feedstock supply. The Australian government estimates that LNG exports from Australia will total around 107bcm by 2028, down 3% from 2023 levels. Concerns over domestic gas shortages have plagued Australia, particularly on the east coast.

There are plans to build four LNG import terminals in Australia, with the first already near completion, suggesting that the country will play a less important role as a supplier for global markets in the longer term (post-2030).

## Qatar goes big

Historically, Qatar has been the world's largest LNG supplier. The ramp-up of capacity from the US and Australia over the last decade has seen that position fall – although it still makes up a sizeable 20% of global LNG export supply.

Qatar is, however, currently in the process of increasing its export capacity from 105bcm to 193bcm by 2030. This will be done in phases, with 44bcm set to start up over 2025 or 2026, then a further 22bcm by 2027 and the final 22bcm by 2030. This would see Qatar becoming the second largest supplier with just the US in the lead, potentially making up around 23% of global supply by 2030.

Favouring Qatar is its position of being the lowest-cost LNG producer, which certainly would make it feel more comfortable given expectations of a surplus environment in the latter part of this decade. Qatari LNG is even more competitive when considering revenue from associated liquids

production.

## Russian sanctions create supply uncertainty

Russia is the fourth largest LNG exporter, making up around 8% of global supply in 2023 – and it has ambitions to grow further. Current export capacity stands just shy of 41bcm, while by the end of this decade, capacity is estimated to increase to more than 75bcm. However, there is plenty of risk hanging over this additional capacity. The 27bcm Arctic 2 LNG project has faced several delays and issues due to Western sanctions. While the first train of the project is in the process of starting up, export volumes are only a fraction of capacity.

Furthermore, Russian LNG faces the risk of European sanctions. The European Commission banned the re-export of Russian LNG from EU ports, which would make it increasingly difficult for Russia to get LNG into Asia – particularly in the winter months, when the Northern route to Asia (through the Arctic) is frozen.

If the EU plans to target Russian LNG, the natural next step after banning the re-export of Russian LNG from EU ports would be a ban of Russian LNG into the EU. However, complicating this would be long-term contracts that some EU buyers will have with Russia. Regardless, the European Commission still has a target of fully phasing out Russian fossil fuels by 2027.

## African LNG growth depends largely on Mozambique

By the end of this decade, Africa is set to see a little more than 37bcm of new LNG supply capacity. This includes 11bcm of new capacity from Nigeria, 4bcm from Congo, 3bcm from Mauritania, around 1bcm from Gabon and almost 18bcm from Mozambique. The biggest risk to this capacity comes from Mozambique's onshore LNG project. Not only is it the largest project under construction on the continent, it has also faced significant delays in recent years due to security concerns in the region. Further delays to the project cannot be ruled out.

## Canada and Mexico set to become LNG suppliers

In addition to a substantial amount of US LNG supply capacity, North America is also set to see new capacity from Canada and Mexico. In Canada, 22bcm of capacity is set to start up between 2025 and 2028. This includes Trains 1 and 2 from the LNG Canada project and 3bcm from Woodfibre in 2028. Meanwhile in Mexico, close to 10bcm of capacity is scheduled to start up between 2024 and 2026. This includes the Altamira project and the Energia Costa Azul project.

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