

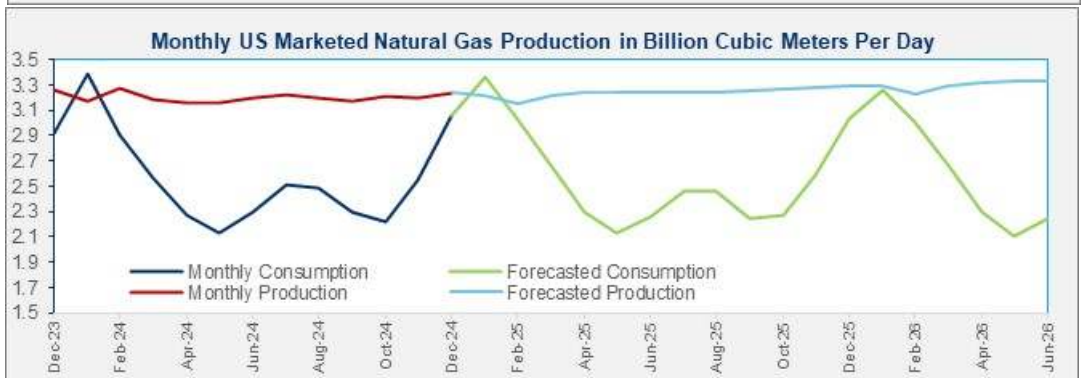
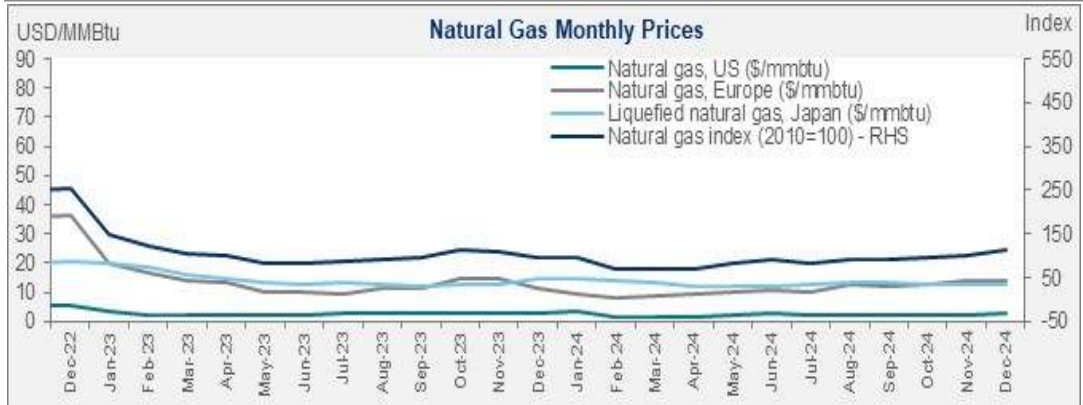
Natural Gas Market: 2024 - The Year That Was

Natural gas demand realigns with new supply sources...

Key global natural gas prices have increased during 2024. According to the World Bank, US average monthly natural gas prices for December 2024 increased by 19.6% y-o-y to reach USD 3.02/MMBtu. Similarly, European natural gas prices for December 2024 jumped 20.4% y-o-y, averaging the month at USD 13.86/MMBtu reflecting a steeper-than-expected decline in storage levels and increased uncertainty surrounding the Ukrainian transit of Russian gas. Meanwhile, the average monthly Japanese LNG price for December 2024 witnessed an 11.6% y-o-y drop at USD 12.76/MMBtu. Overall, the World Bank's natural gas index witnessed a 16.9% y-o-y increase during 2024 to close the year at an average of 111.2 points. The jump in US and EU natural gas prices was mainly attributed to record heating demand triggered by the cold induced by an incoming polar vortex and the adjustment of supply disruptions respectively.

Aggregate global natural gas consumption is estimated to have increased for the second consecutive year in 2024 and to witness a 2.8% y-o-y increase to reach 4,212 bcm, compared to 4,097 bcm in 2023, according to the IEA. Comparatively, total global natural gas production witnessed a smaller gain of 1.4% to reach 4,191 bcm compared to 4,134 bcm in 2023. The Asia-Pacific region witnessed the biggest portion of natural gas consumption growth in 2024, comprising 43.5% of the 50 bcm increase in global natural gas consumption, led by China, which alone comprised 29% of the global natural gas consumption gain. On the other hand, despite an overall expectation of unchanged natural gas consumption in Europe. The region's gas storage levels declined at the fastest rate in eight years towards the end of 2024, mainly due to a combination of colder temperatures and reduced wind speeds.

Global natural gas supply realignment induced by the Russia-Ukraine conflict continues to influence the world's natural gas supply chains. As EU countries looked to wean themselves off Russian natural gas, new natural gas (LNG) suppliers entered the market, led by the US. US LNG exports are estimated to have reached a new record high of 86.9 million metric tons in 2024 (0.8% higher than US LNG shipments in 2023), of which 50.4% is expected to be destined for Europe.



Sources : EIA, World Bank and Kamco Invest Research

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The US was the largest global LNG exporter in 2023. However, Europe's natural gas purchases from the US stabilized over the last two years. According to Kpler, Europe is expected to purchase 43.8 million tons of LNG from the US in 2024 compared to 56.5 million tons of LNG in 2023. The decline of EU LNG imports forced US LNG exporters to find new buyers. In the Asia-Pacific region, natural gas consumption witnessed moderate growth of 5.5% y-o-y to reach 956 bcm in 2024 compared to 906 bcm in 2023, according to the IEA. China represented nearly 45% of the Asia-Pacific region's natural gas consumption in 2024, reaching 426 bcm, up from 393 bcm in 2023. Comparatively, natural gas consumption in North America edged up marginally by 1.8% y-o-y in 2024 to reach 1,178 bcm compared to 1,157 bcm in 2023. US natural gas consumption in 2024 reached 946 bcm, up from 928 bcm in 2023.

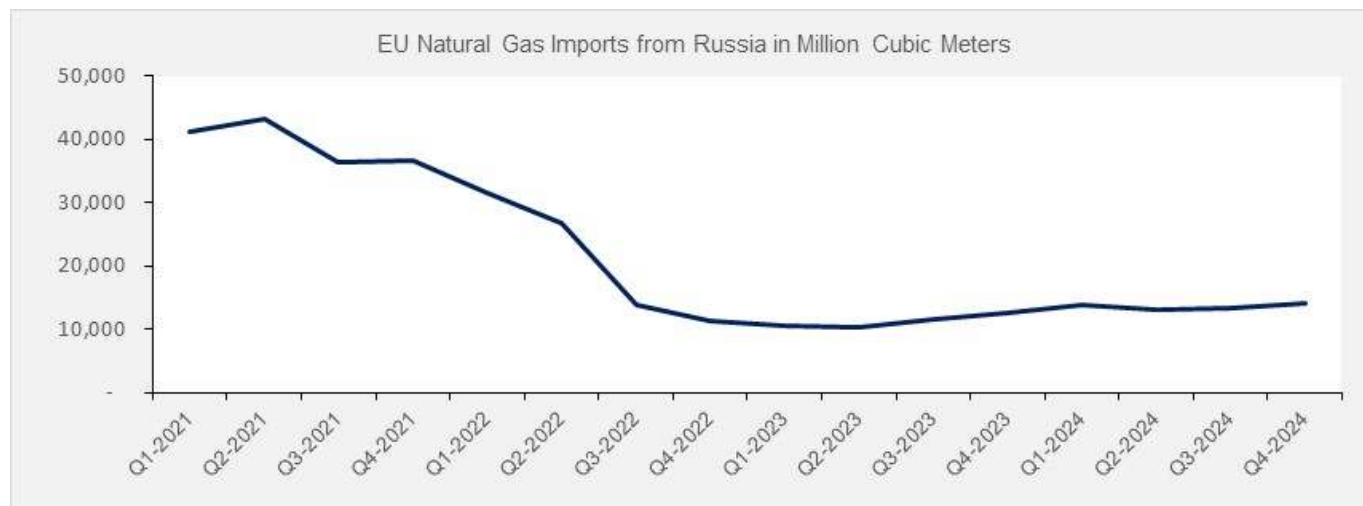
EIA Forecast - US Natural Gas Supply and Consumption in Billions Cubic Feet Per Day				
	2023	2024	2025-e	2026-e
Marketed Production	104.00	103.00	105.00	107.00
Consumption	89.00	90.00	91.00	90.00
LNG Exports	12.00	12.00	15.00	16.00
Henry Hub Spot Prices (\$/thousand cubic feet	2.50	2.20	3.10	4.00

Sources : EIA and Kamco Invest Research

Natural Gas Consumption

In the Asia-Pacific region, the growth in natural gas demand was mainly driven by a strong increase from China and India, where both markets recorded robust growth rates during 2024. In particular, the combination of economic growth, low LNG prices during the first half of the year, and widespread heatwaves in the region underpinned the overall growth of natural gas consumption. Lower domestic LNG prices compared to diesel prices, coupled with increased gas demand due to the summer heatwave, underpinned China's natural gas consumption growth in the transport and power sectors, respectively. In contrast, natural gas consumption in Japan remained flat for the first ten months of 2024, according to the IEA. Gas consumption in Japan's power generation sector improved due to the cold weather in March 2024 and the summer heatwave. However, the uptick in natural gas consumption in the country was offset by a 2% decline in activity in the industrial sector.

Natural gas consumption in the North America region witnessed an estimated marginal (20 bcm) improvement in 2024, mainly driven by growth in the gas-to-power sector. In contrast, gas consumption in the residential and commercial sectors remained flat during the year. US natural gas consumption in 2024 was mainly driven by growth in the power sector due to higher electricity consumption caused by heatwaves.



Sources : Bruegel and Kamco Invest Research

Similarly, gas consumption in Canada improved moderately during 2024, mainly supported by gas demand growth in the industrial and power sectors. According to the IEA, natural gas consumption in the North America region is estimated to be close to the current yearly consumption level due to the balance between expected gas use in the residential and commercial sectors, weighed down by an anticipated decline in gas-to-power consumption in the region.

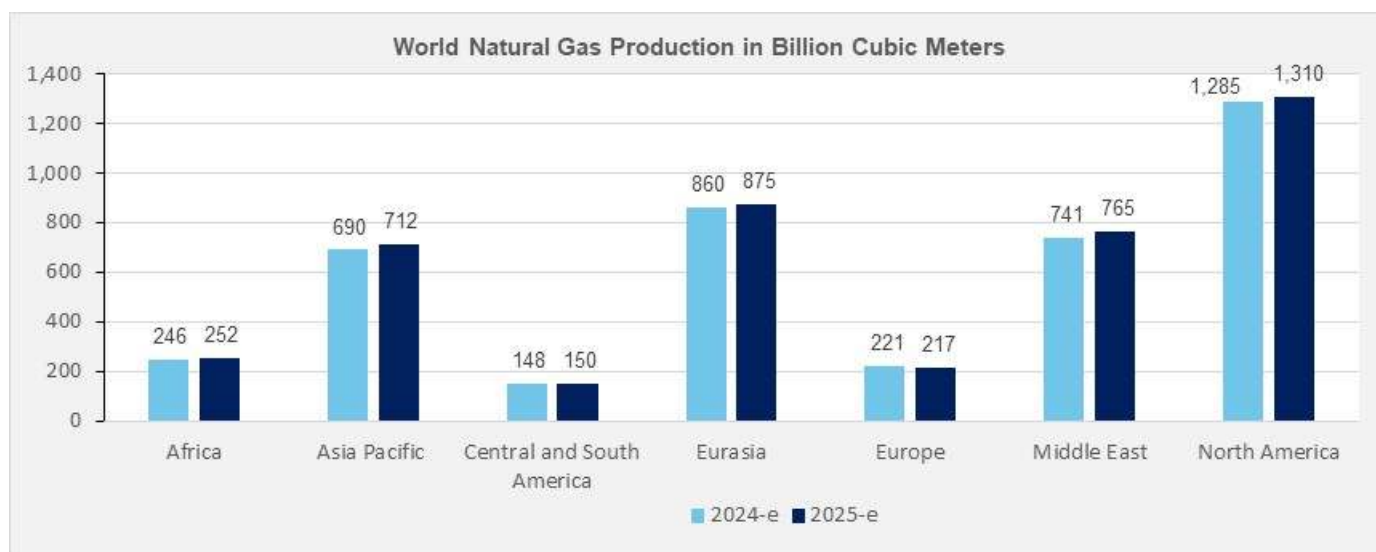
In OECD European countries, natural gas consumption stayed flat, recording a marginal uptick of 0.5% (2.5 bcm) during 2024. Natural gas consumption in OECD European countries plummeted during Q1-2024 due to mild weather conditions, which led to lower heat demand during the period. This decline in demand was mainly offset by robust natural gas demand during the fourth quarter of the year, mainly because of colder weather and lower wind power production.

Natural Gas Production

Global natural gas production growth in 2024 was single-handedly driven by an increase in Russian natural gas production. Overall, global natural gas production increased by 57 bcm from 2023 to 2024, of which 44 bcm came from Russia. Despite driving global natural gas production growth in 2024, Russia's production was still lower than its pre-war level. Russian natural gas production stood at 762 bcm in 2021 compared to 682 bcm in 2022. The decline was mainly the result of EU sanctions prompted by the Russia-Ukraine conflict, leading to lower piped gas exports to Europe. According to Bruegel, EU gas imports from Russia stood at 54.5 bcm in 2023, down from 157 bcm in 2021. On the other hand, natural gas production in the US remained flat in 2024 at 1,060 bcm, slightly down from 1,061 bcm in 2023. Comparatively, gas production in the Middle East region improved by 2.2% (16 bcm) to reach 741 bcm compared to 725 bcm in 2023.

In its latest short-term energy outlook, the EIA forecasted that US natural gas consumption in 2025 would be 1.1% higher than in 2024 at 91.0 bcf/d (2.57 bcm/d), reflecting an expected stabilization in consumption. The EIA also estimates that US natural gas marketed production will reach 105.0 bcf/d (3.0 bcm/d) in 2025, witnessing an increase of 1.9% from 2024 to 2025. In terms of sectors, the EIA forecasts the US natural gas share of electricity generation to fall from 43% in 2024 to 41% in 2025. In terms of natural gas prices in the US, the EIA forecasts the Henry Hub natural gas spot price to average USD 3.10/MMBtu during 2025 and increase to USD 4.0/MMBtu in 2026 due to expected rising demand for LNG exports.

US net LNG exports are expected to grow by an estimated 25% in 2025 to reach 15.0 bcf/d (0.42 bcm/d). This growth will be supported by two new LNG export facilities (Plaquemines LNG and Corpus Christi LNG Stage 3) that started production in December 2024. Moreover, the EIA estimates that US LNG exports will grow further from 15 bcf (0.42 bcm) in 2025 to 16 bcf (0.53 bcm) in 2026. Additional export capacity from the Golden Pass facility, expected to come online in mid-2026, will also boost LNG exports.



Sources : IEA, Bloomberg and Kamco Invest Research

GCC

In the GCC region, natural gas production in Qatar recorded a 2% y-o-y decline, mainly due to decreasing domestic consumption as the country's rapid solar photovoltaic (PV) rollout takes effect. Qatar previously unveiled plans to produce 30% of the country's energy needs from solar by 2030 as part of its clean energy transition efforts. As global LNG supply rebalances due to conflicts and clean energy initiatives, Qatar has diversified its customers by signing long-term contracts with both new and old clients. In Q3 2024, Qatar signed a long-term natural gas supply contract with Kuwait. The two GCC countries signed a 15-year agreement for Qatar to supply 3 million tons of LNG per year to Kuwait's LNG terminal Al-Zour. According to the IEA, Qatar's natural gas production is expected to remain flat in 2025, as the nearest major gas expansion project is not expected until 2026. On the other hand, natural gas production in Saudi Arabia increased by 2% in 2024, driven by additional gas from the Hawiyah Gas Plant expansion project. Moreover, the Kingdom's natural gas production is poised to grow by 4% in 2025, mainly due to the commencement of gas projects (Jafurah Phase 1 and Tanajib).

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