

Natural Gas Market Update

April-2025

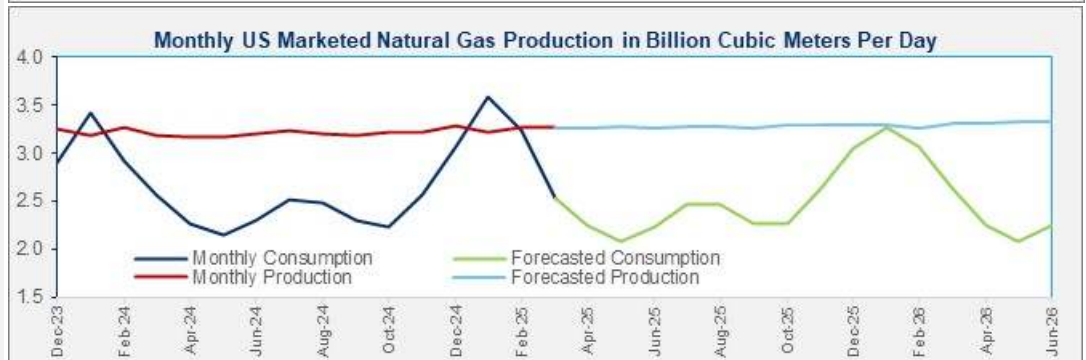
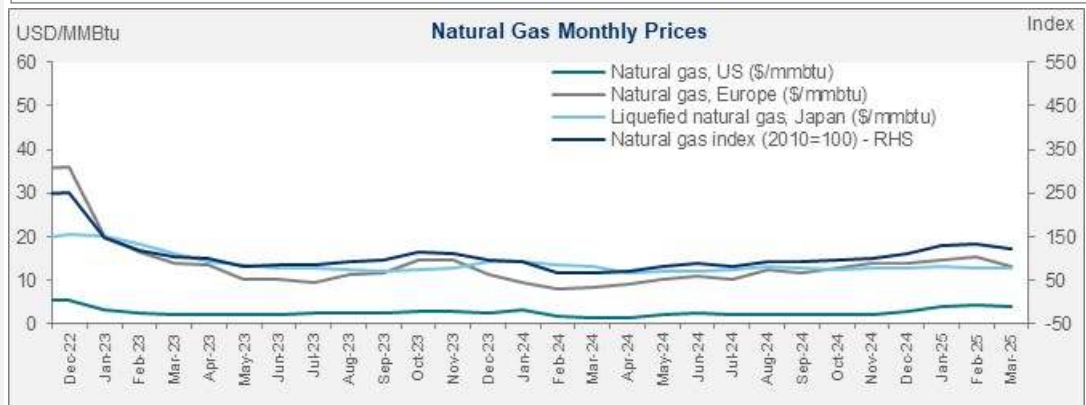
Natural gas prices rise during Q1-2025 driven by increased demand from cold weather...

Global natural gas prices recorded notable growth in the first quarter of 2025. According to the World Bank, average monthly U.S. natural gas prices in March-2025 surged by 175.2% year-on-year (y-o-y), reaching USD 4.13/MMBtu. The rise was primarily attributed to increased domestic gas demand driven by a combination of expanding data center operations and strong LNG export activity. In parallel, European natural gas prices also experienced a substantial improvement. In March-2025, prices in the region increased by 54.7% y-o-y, averaging USD 13.24/MMBtu. This increase was largely driven by a severe winter season across Europe during 2024/2025, which significantly elevated heating-related gas consumption throughout the continent.

In contrast, Japan's LNG price saw a moderate decline. The average price dropped by 3.7% y-o-y in March-2025 to USD 12.7/MMBtu, reflecting relatively stable demand conditions and softer weather impacts in comparison to Europe and the U.S. Overall, the World Bank's natural gas index rose by 79.4% y-o-y in March-2025, reaching an average monthly value of 121.65 points. This overall increase underscores the strengthening of the global gas price environment amid growing consumption and constrained supply.

According to the International Energy Agency (IEA), natural gas supply fundamentals are expected to remain tight throughout 2025. This supply tightness is likely to sustain pressure on global gas demand, despite a more modest forecast for consumption growth. During the 2024/2025 heating season, global LNG supply rose by 2%, with the majority of incremental volumes sourced from the United States. A key contributor to this supply growth was the commencement of operations at the Plaquemines LNG facility in Louisiana, which alone accounted for nearly 50% of the total new LNG supply additions during the winter period.

Looking ahead, the IEA projects a moderate 5% increase in global natural gas supply during 2025, equivalent to approximately 27 bcm. North America is expected to drive around 85% of this growth, supported by the entry of several new liquefaction projects into operation. These include the Corpus Christi Stage 3 expansion in the U.S. and LNG Canada in British Columbia. However, this increase in North American output will likely be partially offset by continued declines in Russian pipeline gas flows to Europe, limiting overall global supply flexibility.



Sources : EIA, World Bank and Kamco Invest Research

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Despite supply challenges, global natural gas demand is forecast to grow modestly by 1.5% in 2025. This compares with higher growth rates observed in recent years and reflects a broader regional slowdown, particularly in Asia. Demand in Asia is expected to grow by 2% in 2025, down from 5.5% in 2024, signaling a notable deceleration in consumption momentum.

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

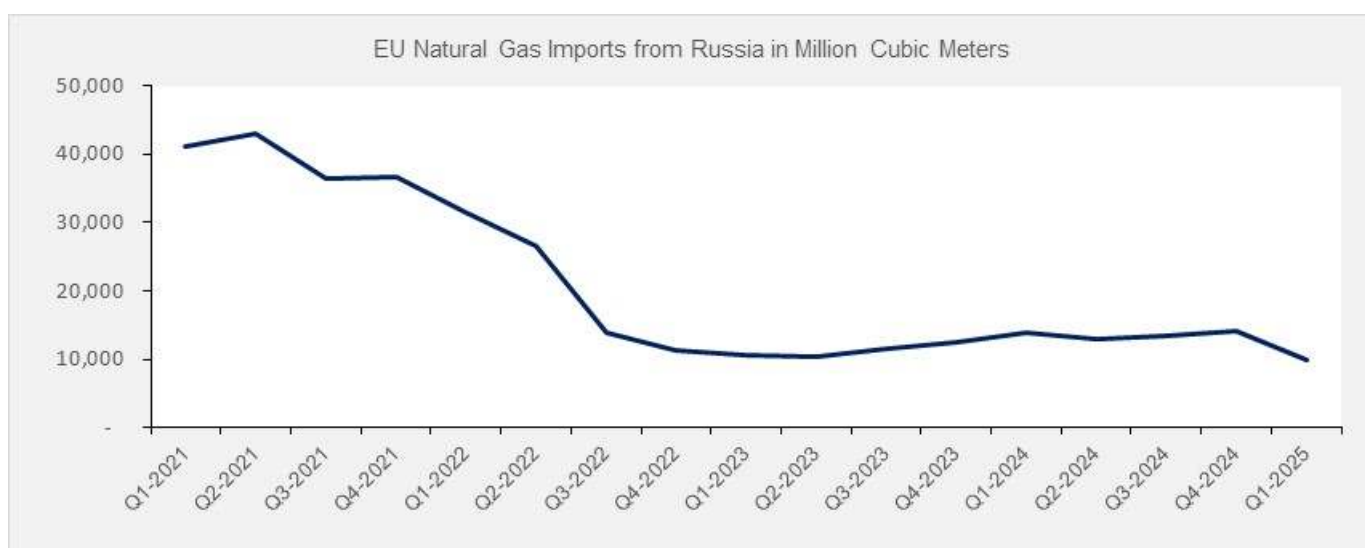
Sources : EIA and Kamco Invest Research

The ongoing realignment of global natural gas supply chains, largely induced by the Russia-Ukraine conflict, continues to shape market dynamics. Following a steep decline of 18% in LNG imports to Europe during 2024, recovery trends are now evident. In Q1-2025, European LNG imports recorded a 20% y-o-y increase, signaling a strong rebound. Despite this uptick, gas storage inventories across Europe remain below the levels observed at the end of the last two winter seasons. As a result, Europe is expected to require additional LNG volumes to restore adequate inventory levels in preparation for the 2025/2026 heating season.

Natural Gas Consumption

In the Asia-Pacific region, natural gas demand is projected to expand by 2% in 2025, reflecting a sharp slowdown from the 5.5% increase recorded in 2024. The deceleration is largely attributed to weaker consumption patterns in China. During the 2024/2025 heating season, China's natural gas demand declined due to milder winter temperatures, which reduced the need for heating. In addition, lower industrial activity and elevated gas prices contributed to a reduction in gas demand, especially across the industrial sector.

By contrast, natural gas demand in Japan and South Korea increased over the same period. Both countries experienced colder-than-average winter weather, which drove up gas consumption. According to the GECF monthly report, South Korea's natural gas demand rose by 14% y-o-y to reach 6 bcm, primarily driven by colder weather and continued transmission disruptions in the coal-fired power generation sector. In the European Union, natural gas consumption surged by 21% y-o-y in February-2025, reaching 38 bcm.



Sources : Bruegel and Kamco Invest Research

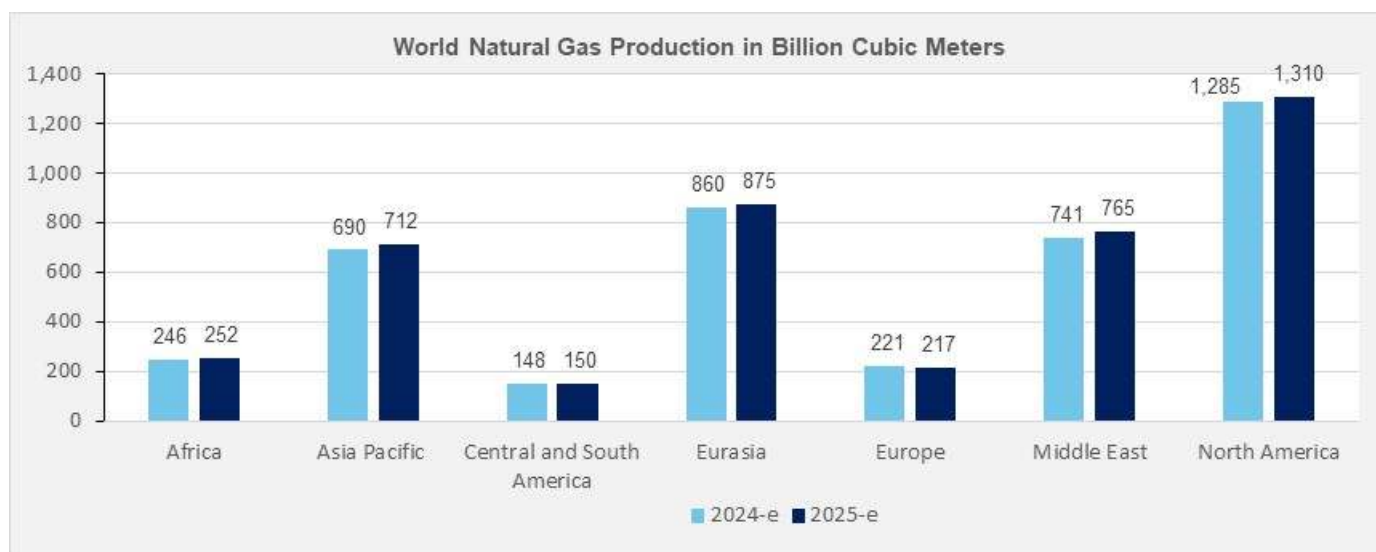
This marked the sixth consecutive month of growth and reflected increased demand from the residential and power generation sectors amid persistently cold weather. Germany, the EU's largest economy and gas consumer, registered a 27% y-o-y increase in gas consumption in February-2025, reaching 10 bcm. Germany's consumption increased consistently for six months, driven by colder temperatures during the winter. Similarly, Italy recorded a 16% y-o-y increase in gas demand in February-2025, reaching 7.4 bcm. This growth was supported by higher consumption across the residential, power generation, and industrial sectors. Residential gas use in Italy rose by 11% y-o-y to reach 4 bcm, mainly due to unseasonably cold weather during the month.

In North America, natural gas consumption increased by 7% y-o-y to 89 bcm. The U.S. recorded broad-based demand growth across multiple sectors. Gas-fired power generation increased by 3% y-o-y, while the residential and commercial sectors posted significant gains of 23% and 10%, respectively. In Canada, gas consumption rose by 14% y-o-y in February-2025, reaching 15 bcm. Growth was driven by strong demand across the residential (27%), commercial (25%), and industrial/power generation (7%) sectors, highlighting widespread consumption gains across the country.

Natural Gas Production

Following a marginal decline in 2024, U.S. natural gas production is expected to recover in 2025. This turnaround is attributed to increasing LNG export demand and a recovery in domestic prices during the latter half of 2024. Two primary factors are expected to support this growth: a rise in storage injection requirements and improved market pricing conditions. In February-2025, U.S. natural gas production slightly exceeded February-2024 levels, reaching 83.5 bcm. This increase reflected higher demand amid cold weather and the impact of rising Henry Hub prices, which contributed to more favorable production economics.

From January to February-2025, cumulative U.S. gas production rose by 1.1% y-o-y to 171 bcm, only 2 bcm below the production level for the same period in 2024. The Energy Information Administration (EIA) forecasts that U.S. natural gas consumption in 2025 will rise by 0.8% to 91.2 bcf/d (2.58 bcm/d), suggesting a relatively stable demand outlook. Marketed natural gas production in the U.S. is projected to increase by 2.0% to 114.4 bcf/d (3.24 bcm/d) in 2025. Sector-wise, the EIA expects the share of natural gas in electricity generation to decline from 42% in 2024 to 40% in 2025. Regarding pricing, the EIA projects the Henry Hub natural gas spot price will average USD 4.3/MMBtu in 2025, rising to USD 4.6/MMBtu in 2026, primarily due to anticipated growth in LNG export demand.



Sources : IEA, Bloomberg and Kamco Invest Research

GCC Market Outlook

In the Gulf Cooperation Council (GCC) region, the natural gas market is projected to expand in 2025. According to businesssearchinsights.com, the market was valued at USD 43.93 Bn in 2024 and is forecast to increase to USD 45.95 Bn in 2025. Several factors are contributing to this growth, including the region's accelerating transition toward cleaner energy sources, as well as strategic investments in hydrogen production.

Natural gas is increasingly being leveraged in the GCC to support hydrogen production, in line with national decarbonization agendas. Countries with substantial gas reserves are intensifying efforts to produce blue hydrogen. Saudi Arabia, in particular, is poised for strong growth, with the IEA projecting a 4.1% increase in gas output in 2025. This is largely due to the expected commissioning of key projects, such as Jafurah Phase 1 and Tanajib. The Jafurah development is expected to add 2 bcm annually to national gas capacity, while the Tanajib project is forecast to contribute up to 27 bcm per year.

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