

Natural Gas Market Update

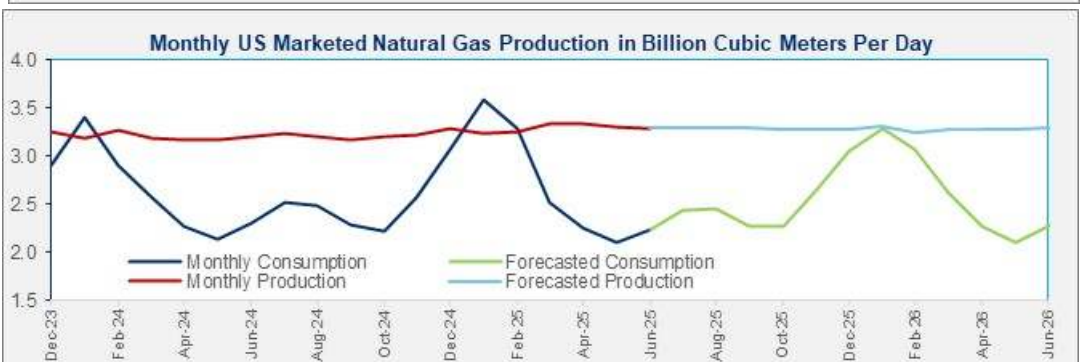
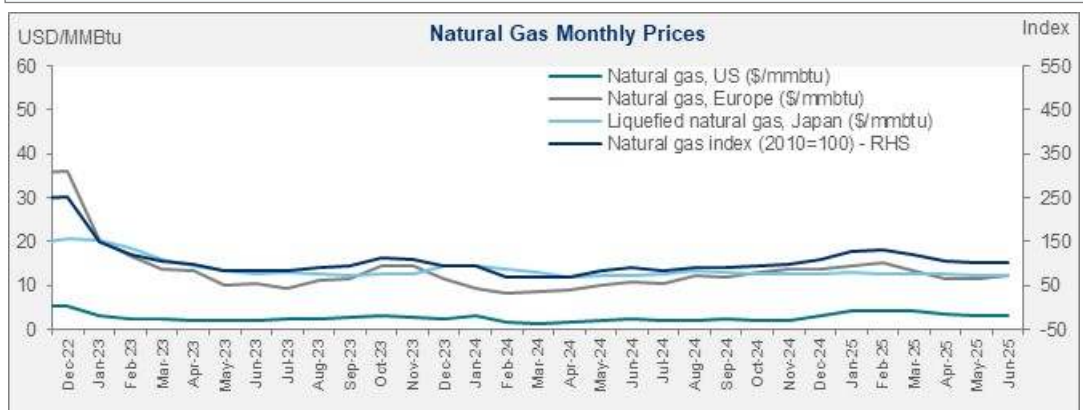
July-2025

Natural gas prices rise during Q2-2025 driven by geopolitical tensions and cold weather...

Global natural gas prices experienced moderate growth in the second quarter of 2025. According to the World Bank, average monthly U.S. natural gas prices rose by 20.3% y-o-y in June-2025, reaching USD 3.02/MMBtu. Meanwhile, average monthly prices for European natural gas increased by 13.8% y-o-y during the same month, reaching USD 12.37/MMBtu. Similarly, the World Bank's average monthly prices for liquefied natural gas (LNG) in Japan recorded a modest y-o-y increase of 1.1% in June-2025, reaching USD 12.26/MMBtu. Overall, the World Bank's average monthly natural gas prices registered y-o-y gains in each of the three months of Q2-2025. Additionally, according to the Gas Exporting Countries Forum (GECF), TTF spot prices averaged USD 12.3/MMBtu in June-2025, marking a 14% y-o-y increase.

The global rise in natural gas prices was primarily attributed to heightened demand in the North America and Asia Pacific regions, along with escalating geopolitical tensions in the Middle East. The surge in prices was accompanied by growth in global LNG imports throughout the three-month period from April-2025 to June-2025. Notably, according to the GECF, global LNG imports in June-2025 increased by a robust 9.4% y-o-y to 34.8 Mt, representing the strongest annual growth rate in LNG imports since November-2022. This growth was mainly driven by European countries, which faced elevated reinjection demand as they continued reducing Russian pipeline gas imports and contended with both declining domestic production and reduced Norwegian gas output due to maintenance.

A major factor driving the global increase in natural gas prices has been the accelerated pace of LNG procurement by European countries in preparation for the upcoming cold season. Currently, natural gas storage in the EU stands at 65.1% of capacity and must reach 90% by November-2025. Consequently, the EU is expected to continue ramping up LNG purchases to meet this target. Moreover, the EU's push for a transition to low-emission energy sources, combined with its resolve to reduce reliance on Russian energy imports, has served as another significant driver of increased natural gas consumption in the region. In contrast, in the Asia region, rising natural gas prices, particularly for LNG, have prompted some key countries to scale back their LNG imports due to cost concerns.



Sources : EIA, World Bank and Kamco Invest Research

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China, for instance, has the flexibility to reduce LNG purchases by boosting pipeline imports from Russia and Central Asia. In terms of consumption, global natural gas demand is projected to grow by 2% in 2025, primarily supported by increased demand in the Asia and North America regions. Similarly, global natural gas production is expected to expand by 2% in 2025, largely driven by anticipated output increases in the Middle East.

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	106.00	105.00
Consumption	89.00	90.00	91.00	91.00
LNG Exports	12.00	12.00	15.00	16.00
Henry Hub Spot Prices (\$/thousand cubic feet)	2.50	2.20	3.70	4.40

Sources : EIA and Kamco Invest Research

According to GECF data, EU natural gas consumption rose by 2.5% y-o-y to 57.5 bcm in Q2-2025, up from 56.1 bcm in Q2-2024. Likewise, U.S. natural gas consumption recorded a y-o-y increase of 0.9%, reaching 202.5 bcm compared to 200.6 bcm in Q2-2024. Meanwhile, in the Asia Pacific region, China's natural gas consumption amounted to 106.6 bcm over the three months from March-2025 to May-2025, reflecting a marginal y-o-y growth of 0.1%.

On the production side, U.S. natural gas output rose by 0.6% y-o-y in Q2-2025 to reach 271.6 bcm, up from 269.9 bcm in Q2-2024. Overall, global natural gas demand is expected to decelerate in 2025 but regain momentum in 2026, according to the IEA. For the full year 2025, global gas demand is forecast to slow from a growth rate of 2.8% in 2024 to around 1.3%. In particular, natural gas demand in the Asia Pacific region is projected to expand by less than 1% in 2025, marking the region's weakest annual growth in three years.

Natural Gas Consumption

Following a strong year of consumption in 2024, during which natural gas demand in the Asian region grew by 5.5%, gas demand declined by 1.5% y-o-y during the first half of 2025, according to the IEA. This downturn was largely attributed to weaker macroeconomic conditions, elevated LNG spot prices, and relatively mild weather in key regions such as northeast China. In China, natural gas consumption weakened during 1H-2025 despite notable growth in Q1-2025. A combination of softening economic fundamentals and unseasonably mild weather contributed to the decline in the country's gas demand during the first half of the year. In contrast, natural gas demand in Japan and South Korea declined by 1.2% and 2.5%, respectively, during Q2-2025, reaching 18.6 bcm and 11.3 bcm. In Japan, the reduction was primarily due to lower consumption in the power and gas sectors. Additionally, heavy rainfall in May-2025 led to a 5% increase in hydroelectric generation, according to GECF. In South Korea, the decline in natural gas demand was primarily driven by weaker consumption in the power generation sector during the period. In OECD Europe, natural gas consumption increased by 6.5% y-o-y, or 15 bcm, during H1-2025, with the bulk of this growth occurring in Q1-2025. The strong rise in gas consumption was largely driven by colder-than-average weather and reduced renewable power output. The power sector was the key contributor, accounting for nearly 80% of the region's incremental gas demand in 1H-2025, according to the IEA.

Gas-to-power demand in OECD Europe grew by 20% y-o-y, or 12 bcm, during the same period. Conversely, industrial gas consumption in the region declined by 2% y-o-y during 1H-2025 due to persistently high natural gas prices. Overall, natural gas demand in OECD European countries is forecast to increase by nearly 3% y-o-y in 2025, led primarily by continued strength in the power sector.

In North America, natural gas consumption rose by nearly 2.5%, or 13 bcm, during the first half of 2025. This increase was concentrated in Q1-2025, driven by colder weather in the early months of the year, which elevated heating demand—particularly in Canada and the northern U.S. In the U.S., natural gas consumption grew by 2.8% y-o-y to reach 479.5 bcm during 1H-2025, up from 466.4 bcm in 1H-2024, based on GECF data. The moderate increase was mainly supported by colder winter and spring temperatures, which boosted heating requirements across residential and commercial sectors. In Canada, natural gas demand rose by an estimated 5% y-o-y (or more than 3 bcm) during H1-2025. As in the U.S., colder temperatures contributed to higher consumption in the residential and commercial sectors, which together posted a y-o-y increase of over 10% during the first four months of 2025, according to the IEA. Moreover, combined demand in the industrial and power generation sectors rose by 3% y-o-y during the same period, supported by stronger gas-fired power output. In contrast, Mexico experienced a 4% y-o-y decline in natural gas consumption—equivalent to nearly 2 bcm—during the first half of 2025, primarily due to a decrease in gas-fired electricity generation.

Natural Gas Production

Natural gas production in the USA in 1H-2025 increased by 2.4% y-o-y to reach 542 bcm, as compared to 526.2 bcm in 1H-2024. The moderate production growth was mainly due to strong performance during Q2-2025, which offset a mixed production performance in Q1-2025. The gas production growth in the US reflected the impact of favorable market dynamics underpinned by elevated Henry Hub gas prices, along with increasing gas demand.

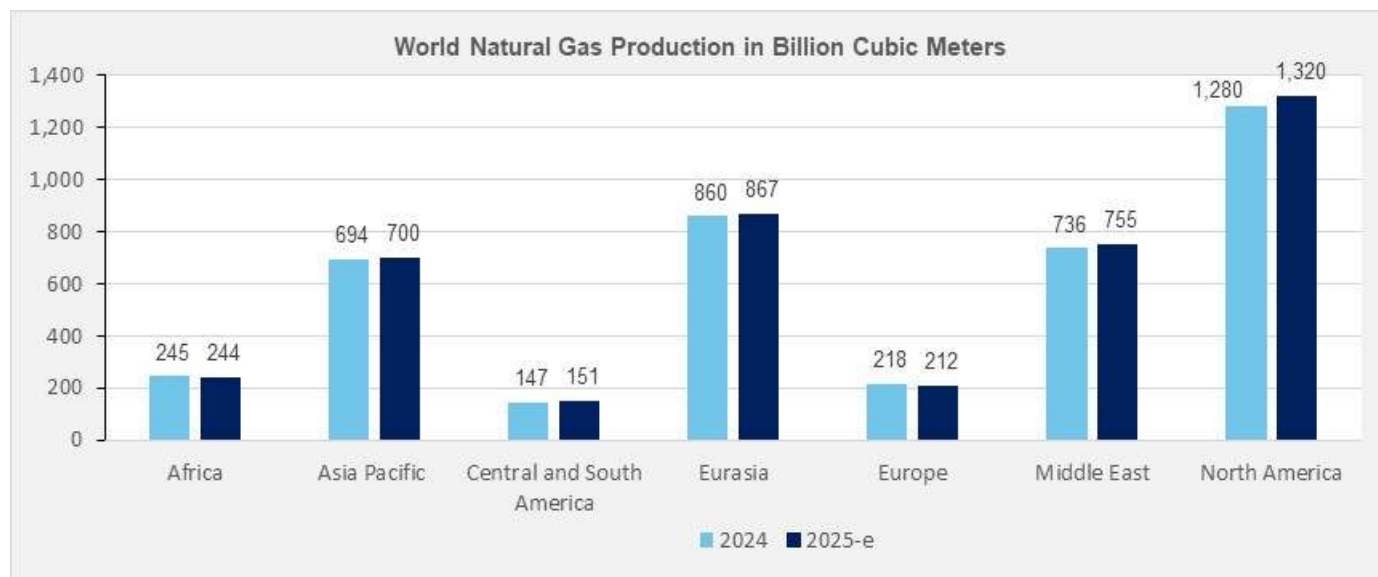
As of June-2025, the number of gas drilling rigs in the US stood at 112, and the Permian Basin accounted for nearly 50% of the current US drilling fleet, according to GECF. Moreover, the US total number of drilled but uncompleted wells in the onshore regions in June-2025 stood at 5,291 wells, as compared to 5,284 wells in May-2025. Cumulative natural gas production in Canada during the January–May 2025 period reached 82.5 bcm, recording a 1.5% y-o-y growth according to the GECF. Canada's moderate natural gas production for the period suggests that the country is well-positioned to maintain the production growth it witnessed in 2024, albeit at a slower pace. On the other hand, natural gas production in the Latin America and the Caribbean region reached 63.4 bcm during the five months between January–May 2025, mirroring the same output level during the similar period in 2024.

Natural gas production in the Asia Pacific region reached 293.7 bcm during the five-month period January–May 2025, remaining almost unchanged from the corresponding period in 2024. China represented over 37% of total natural gas production in the Asia Pacific region during the period. China's natural gas production during the five-month period January–May 2025 reached 109.6 bcm, as compared to 103.5 bcm in the corresponding period of 2024. China's increasing natural gas production during the period was assisted by the introduction of new gas production venues, notably the Phase II of its Shenhai Yihao gas field in the South China Sea, marking the completion of the country's largest offshore natural gas development thus far, with a designed production capacity of 4.5 bcma.

GCC Market Outlook

The recent conflict in the Middle East has underscored the Middle East and GCC's critical role in global energy supply security. According to the IEA, the Middle East region comprises 18% of global gas production and nearly 25% of LNG supplies. Natural gas production in the Middle East is projected to reach 755 bcm in 2025 and 780 bcm in 2026, compared to 736 bcm in 2024. The bulk of this production growth is expected to come from GCC countries, particularly Qatar and the UAE. Recently, the German state-owned gas trader SEFE signed an agreement with the UAE's ADNOC Gas to purchase 700,000 mt of LNG over the next three years in a deal valued at USD 400 Mn. The LNG will be supplied from the ADNOC Gas Das Island export facility. The UAE is actively ramping up its natural gas production.

ADNOC Gas recently announced it had awarded contracts worth USD 5 Bn for the development of Phase I of its Rich Gas Development Project. The awarded contracts focus on expanding key processing units to increase throughput and enhance operational efficiency across four ADNOC Gas facilities: Asab, Buhasa, Habshan (Onshore), and the Das Island liquefaction facility (Offshore). The Rich Gas Development Project is expected to facilitate the construction and development of new gas reservoirs within the country, resources that are essential for boosting LNG export capacity and supporting domestic gas self-sufficiency.



Sources : IEA, Bloomberg and Kamco Invest Research

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