

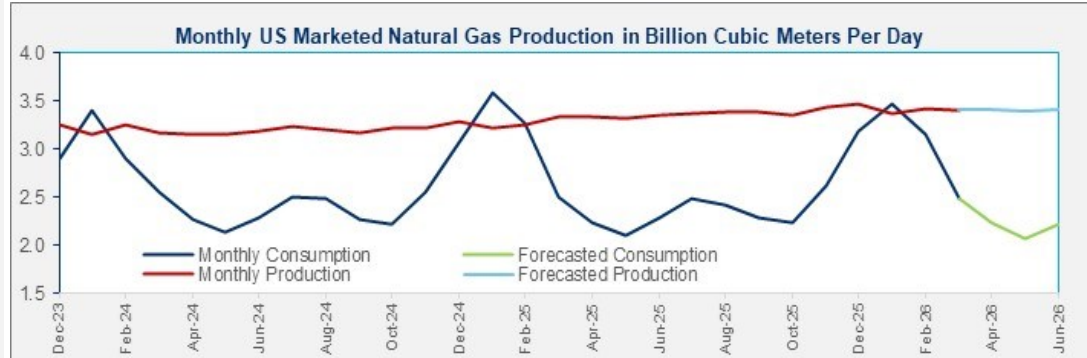
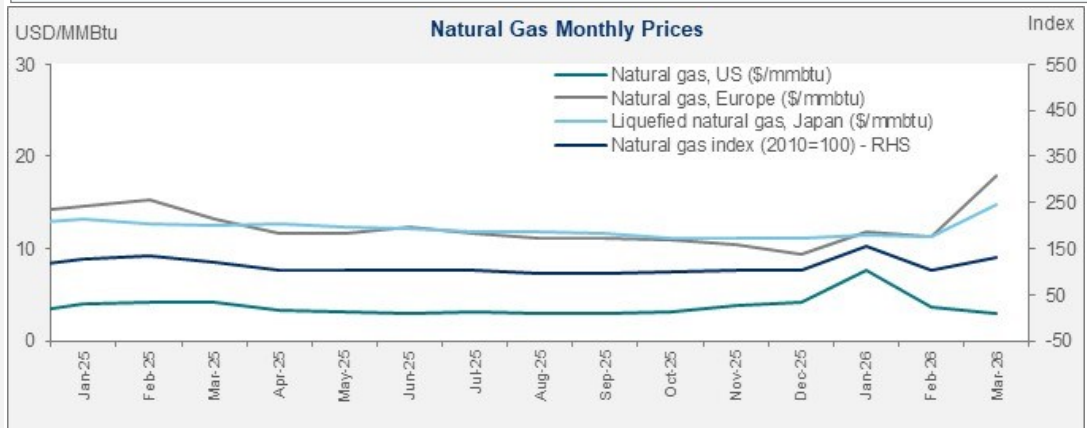
Natural Gas Market Update

May-2026

Natural gas prices surge in Q1-2026 led by Middle East conflict...

Global natural gas prices, barring the US, recorded notable growth in the first quarter of 2026 mainly due to the supply disruption by the war in the Middle East. According to the World Bank, average monthly EU natural gas prices in March-2026 surged by 35.3% y-o-y, reaching USD 17.91/MMBtu the highest prices since January-2023. The rise was primarily attributed to the sustained uncertainty of the war in the Middle East combined with the closure of the Strait of Hormuz and its continuing supply disruption. According to the EIA, the closure of the strait has affected over 10 Bn cubic feet per day (Bcf/d) of global LNG supplies, or roughly 20%, mostly from Qatar's Ras Laffan export facility. According to reports, around 20% of Qatar's Ras Laffan LNG refinery has been damaged due to the war and the facility is not expected to back online until the end of Q3-2026. Moreover, QatarEnergy has declared long-term force majeure on several LNG delivery contracts with buyers in China, South Korea, Italy and Belgium. In addition, Liquefied Natural Gas prices Japan/Korea also experienced a substantial growth in March-2026, when prices increased by 18.4% y-o-y, averaging USD 14.85/MMBtu. This increase was also largely driven by the disruption of the war in the Middle East as well as the continuing closure of the Strait of Hormuz. In contrast, US average monthly natural gas prices saw a significant decline 26.2% decline in March-2026 weighed down by rising inventories and mild weather. However, despite the supply shock, prices remained below the 2022 crisis heights, with the prices being supported by higher LNG exports from the US and Canada and weaker seasonal demand.

According to the IEA, global LNG production declined by 8% (or 4 bcm) y-o-y in March-2026, mainly due to a drop in loadings from Qatar and the United Arab Emirates, which fell by 9.5 bcm compared with the previous year. However, this decline was partly offset by higher LNG production and exports from new projects in North America and Africa. Despite the steep fall in LNG production, global LNG deliveries declined less sharply than loadings, falling by just 2% (or 1 bcm) y-o-y in March-2026. This disproportion between LNG production and LNG loadings is mainly attributed to the shipping time required for the disruption to materialize. Moreover, global LNG deliveries declined by 10% y-o-y (or more than 3 bcm) in the first 20 days of April, according to the IEA.



Sources : EIA, World Bank and Kamco Invest Research

Junaid Ansari
Head of Investment Strategy & Research
+(965) 2233 6912
jansari@kamcoinvest.com

Mohamed Ali Omar
Associate
+(965) 2233 6906
momar@kamcoinvest.com

Overall, the disruption caused by the war in the Middle East is expected to have far-reaching effects beyond a near-term supply shock. The war in the region has already prompted the loss of around 120 bcm of cumulative LNG supply for the period 2026-2030, according to the IEA. The expected losses stemming from the Middle East conflict account for around 15% of the expected global LNG supply over the 2026-2030 period.

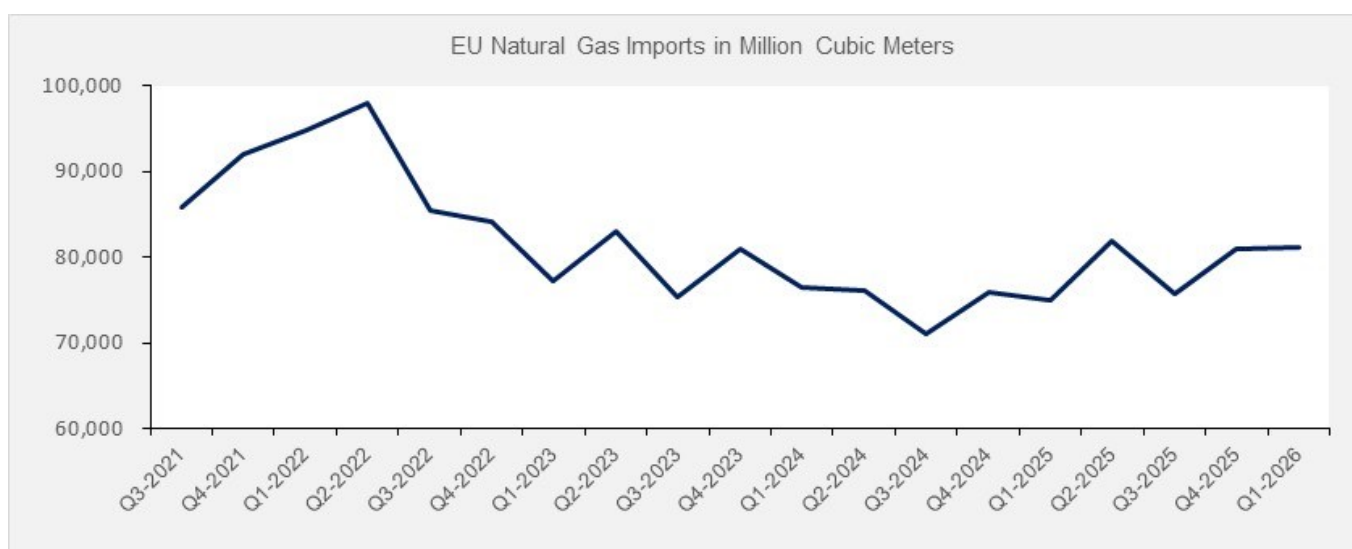
EIA Forecast - US Natural Gas Supply and Consumption in Billions Cubic Feet Per Day				
	2024	2025	2026-e	2027-e
Marketed Production	103.07	107.74	109.59	112.60
Consumption	90.33	91.88	90.61	92.75
LNG Exports	11.90	15.10	17.00	18.60
Henry Hub Spot Prices (\$/thousand cubic feet)	2.19	3.53	3.67	3.59

Sources : EIA and Kamco Invest Research

Natural Gas Consumption

Aggregate gas consumption in some of the major gas-consuming countries, which account for three-quarters of global gas demand, witnessed an increase of 1% y-o-y to reach 662 bcm for the first two months of 2026, according to the GECF. This moderate growth was mainly registered in the EU, the Middle East, and Asia, while North America showed a decline. This moderate consumption is expected to improve in 202. According to the GECF, global natural gas consumption is expected to reach 1.2% y-o-y for the full year 2026, supported by robust gas demand growth.

EU natural gas consumption in Q1-2026 improved moderately by 1% y-o-y to reach 114.4 bcm, compared to 113.2 bcm in Q1-2025. Most of the EU natural gas consumption came in January-2026, when gas consumption in the region jumped 10% y-o-y to 47 bcm due to robust heating demand in the residential sector. Meanwhile, consumption in the remaining two months witnessed a y-o-y drop of 4.4% each month. The drop in EU natural gas consumption during February and March-2026 was mainly due to unusually milder temperatures in the region. In South Asia, according to the IEA, natural gas demand in the region increased by 7 bcm during the October-February period before the closure of the Strait of Hormuz. In China, colder weather together with higher gas use in industry and the power sector supported stronger gas demand during the heating season. However, the country's LNG imports declined by 6% y-o-y over the heating season. In Japan, natural gas consumption in Q1-2026 improved marginally by 0.7% to reach 25.8 bcm, compared to 25.6 bcm in Q1-2025. Most of the growth in Japan's gas consumption during the quarter came in January-2026, while gas consumption in February and March-2026 declined. For South Korea, Q1-2026 natural gas consumption improved by 1.9% to reach 18.5 bcm, compared to 18.1 bcm in Q1-2025.



Sources : Bruegel and Kamco Invest Research

In the US, Q1-2026 natural gas consumption declined by 1.6% to reach 273.1 bcm, compared to 277.5 bcm in Q1-2025, according to data collected by the GECF. Of the three months in the quarter, natural gas consumption in the US increased only in March-2026, improving by 0.5% to reach 77.4 bcm, mainly reflecting higher demand in the power generation sector. According to the IEA, overall North American natural gas consumption during the 2025/26 winter remained close to the levels seen during the previous heating season.

As a result of the disruption caused by the closure of the Strait of Hormuz to global LNG supply, several Asian countries are undertaking demand-side and fuel-switching measures to lower their use of natural gas. The duration of the effective closure of the Strait of Hormuz is a key uncertainty that will affect global gas demand in 2026. Each month without LNG cargo transiting the strait leads to approximately 10 bcm of LNG supply shortfall, resulting in a downward adjustment of demand expectations in key importing regions.

Natural Gas Production

Global gas production was estimated to have increased by 2.2% y-o-y to stand at 729 bcm for the first two months of 2026, compared to 713.2 bcm in the corresponding period of 2025. All major gas-producing regions (except Europe) witnessed positive production variation, with US dry natural gas production opening 2026 with y-o-y growth of 4.2% in Q1-2026, extending the positive momentum of 2025. Robust feed gas demand from LNG export facilities, combined with cold spells in the northeastern and southern regions of the US, established a pronounced demand-side draw on the domestic market. However, US January-2026 natural gas production was partly constrained by Winter Storm Fern, which led to approximately 2.1 bcm of lost production across the three major basins. These losses would otherwise have contributed approximately 0.7% more natural gas to quarterly y-o-y growth. North America led global natural gas production during the first two months of 2026, representing around 30% of global production, followed by Eurasia and the Middle East, which represented 22% of production. According to the GECF, the forecast for global gas production for the full year of 2026 has been lowered to 1.2%, mainly driven by geopolitical developments in the Middle East.

In terms of global gas trade, global LNG imports declined by 1.7% y-o-y to 36.3 Mt in March-2026, the first y-o-y decline since January-2025, prompted by dwindling LNG supply due to the blockage of the Strait of Hormuz, particularly from Qatar and the UAE, according to the GECF. However, this impact was not immediately felt by consumers, as it was partially softened by a transit lag, with LNG cargo loaded in February-2026 continuing to reach markets despite a sharper 6.8% fall in global LNG exports. In terms of regional LNG trade, Asia faced the largest decline, with imports hitting a seven-year low for March-2026 as the market braced for a tightening supply squeeze, especially significant given that over 80% of the LNG transiting the Strait was destined for Asian markets before the conflict.

The disruption in LNG trade came on the back of global LNG supply double-digit growth (10%) in 2H-2025 and 12% y-o-y (29 bcm) through the October-2025 to February-2026 period. In context, according to the IEA, overall global LNG production increased by 7% (38 bcm) in 2025, with over 70% of the growth coming in the second half of 2025. Most of the growth in global LNG production and supply came from the US in 2025, with the Plaquemines LNG Plant representing 60% of the growth in LNG supply in 2025. Moreover, global LNG supply was set for growth in 2026 (prior to the war in the Middle East), supported by continued LNG supply increases from the US. The IEA estimates that global LNG supply in 2026 will increase by over 7%, or more than 40 bcm. The closure of the Strait of Hormuz stopped Qatar and UAE LNG deliveries from leaving the strait from March-2026 onward. According to the IEA, GCC LNG deliveries in March declined by 45% y-o-y, or 45 bcm. While the March closure of the Strait of Hormuz led to the effective shut-in of about 10 bcm of liquefaction capacity from the Ras Laffan (Qatar) and Das Island (UAE) facilities.

GCC Market Outlook

The war in the region has severely disrupted regional and global gas markets. Barring deliveries to Kuwait, the entirety of LNG exports from Qatar and the UAE need to cross the Strait of Hormuz route to reach their destinations. In context, around 110 bcm (nearly 20% of global LNG trade) passed through the Strait of Hormuz in 2025. The vast majority of LNG exports from the region went to Asian importers, including China, India, and Pakistan. The disruption in LNG imports for Asian countries has prompted these countries to seek LNG from elsewhere, making the overall global supply of LNG tighter and prices higher. Moreover, the disruption has also caused several countries in Asia to shift their power generation from gas to coal.

The supply disruption from the war was not only confined to the closure of the Strait of Hormuz and near-term gas supply market disruption but is also expected to disrupt natural gas markets in the near and medium term as a result of some of the destruction of energy and gas infrastructure, such as the attack on LNG liquefaction facilities in Qatar's Ras Laffan. The IEA estimated that over 18 bcm of LNG production has been lost since the start of the conflict. In addition, QatarEnergy halted the production of certain downstream products, including urea, polymers, methanol, and aluminum, in early March-2026. The war damage to Qatar's Ras Laffan included the Pearl GTL (gas-to-liquid) plant and two LNG liquefaction trains with a combined capacity of 12.8 mtpa (17.5 bcm/yr), with repairs expected to take between three to five years. The damage to Qatar's Ras Laffan refinery is expected to translate into an overall cumulative loss of 50–90 bcm of LNG supply between 2026 and 2030.

Disclaimer & Important Disclosures

Kamco Invest is authorized and fully regulated by the Capital Markets Authority ("**CMA, Kuwait**") and partially regulated by the Central Bank of Kuwait ("**CBK**")

This document is provided for informational purposes only. Nothing contained in this document constitutes investment, an offer to invest, legal, tax or other advice or guidance and should be disregarded when considering or making investment decisions. In preparing this document, Kamco Invest did not take into account the investment objectives, financial situation and particular needs of any particular person. Accordingly, before acting on this document, investors should independently evaluate the investments and strategies referred to herein and make their own determination of whether it is appropriate in light of their own financial circumstances and objectives. The entire content of this document is subject to copyright with all rights reserved. This research and the information contained herein may not be reproduced, distributed or transmitted in Kuwait or in any other jurisdiction to any other person or incorporated in any way into another document or other material without our prior written consent.

Analyst Certification

Each of the analysts identified in this report, if any and where applicable, certifies, with respect to the sector, companies or securities that the individual analyses, that (1) the views expressed in this report reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this report.

Kamco Invest Ratings

Kamco Invest research is based on the analysis of regional and country economics, industries and company fundamentals. Kamco Invest company research reflects a long-term (12-month) target price for a company or stock. The ratings bands are:

- * **Outperform:** Target Price represents expected returns $\geq 10\%$ in the next 12 months
- * **Neutral:** Target Price represents expected returns between -10% and $+10\%$ in the next 12 months
- * **Underperform:** Target Price represents an expected return of $< -10\%$ in the next 12 months

In certain circumstances, ratings may differ from those implied by a fair value target using the criteria above. Kamco Invest policy is to maintain up-to-date fair value targets on the companies under its coverage, reflecting any material changes to the analyst's outlook on a company. Share price volatility may cause a stock to move outside the rating range implied by Kamco Invest's fair value target. Analysts may not necessarily change their ratings if this happens, but are expected to disclose the rationale behind their view to Kamco Invest clients.

Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Kamco Invest and shall be of no force or effect. The information contained in this document is based on current trade, statistical and other public information we consider reliable. We do not represent or warrant that such information is fair, accurate or complete and it should not be relied upon as such. Kamco Invest has no obligation to update, modify or amend this document or to otherwise notify a recipient thereof in the event that any opinion, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. The publication is provided for informational uses only and is not intended for trading purposes. The information on publications does not give rise to any legally binding obligation and/or agreement, including without limitation any obligation to update such information. You shall be responsible for conducting your own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this or other such document. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Kamco Invest is a party.

Nothing in this document should be construed as a solicitation or offer, or recommendation, to acquire or dispose of any investment or to engage in any other transaction, or to provide any investment advice or service. This document is directed at Professional Clients and not Retail Clients within the meaning of CMA rules. Any other persons in receipt of this document must not rely upon or otherwise act upon it. Entities and individuals into whose possession this document comes are required to inform themselves about, and observe such restrictions and should not rely upon or otherwise act upon this document where it is unlawful to make to such person such an offer or invitation or recommendation without compliance with any authorization, registration or other legal requirements.

'Kamco Investment Company (DIFC) Limited ("Kamco Invest DIFC"), Office 205, Level 2, Gate Village 1, Dubai International Financial Centre, a wholly owned subsidiary of Kamco Investment Company KSC (Public), is regulated by the Dubai Financial Services Authority (DFSA). Kamco Invest DIFC may only undertake the financial services activities that fall within the scope of its existing DFSA licence. The information in this document may be distributed by Kamco Invest DIFC on behalf of Kamco Investment Company KSC (Public). This document is intended for Professional Clients or Market Counterparties only as defined by the DFSA, and no other person should act upon it.

This document may not be distributed in Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority. The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. The recipients of this document hereby should conduct their own due diligence on the accuracy of the information relating to the contents of this document. If you do not understand the contents of this document you should consult an authorized financial advisor.

Risk Warnings

Any prices, valuations or forecasts are indicative and are not intended to predict actual results, which may differ substantially from those reflected. The value of an investment may go up as well as down. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including, without limitation, foreseeable or unforeseeable changes in interest rates, foreign exchange rates, default rates, prepayment rates, political or financial conditions, etc.).

Past performance is not indicative of future results. Any opinions, estimates, valuations or projections (target prices and ratings in particular) are inherently imprecise and a matter of judgment. They are statements of opinion and not of fact, based on current expectations, estimates and projections, and rely on beliefs and assumptions. Actual outcomes and returns may differ materially from what is expressed or forecasted. There are no guarantees of future performance. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. This document does not propose to identify or to suggest all of the risks (direct or indirect) which may be associated with the investments and strategies referred to herein.

Conflict of Interest

Kamco Invest and its affiliates provide full investment banking services, and they and their directors, officers and employees, may take positions which conflict with the views expressed in this document. Salespeople, traders, and other professionals of Kamco Invest may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desks that reflect opinions that are contrary to the opinions expressed in this document. Our asset management area, our proprietary trading desks and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this document. Kamco Invest may have or seek investment banking or other business relationships for which it will receive compensation from the companies that are the subject of this document. Facts and views presented in this document have not been reviewed by, and may not reflect information known to, professionals in other Kamco Invest business areas, including investment banking personnel. United Gulf Bank, Bahrain owns majority of Kamco Invest's shareholding and this ownership may create, or may create the appearance of, conflicts of interest.

No Liability & Warranty

Kamco Invest makes neither implied nor expressed representations or warranties and, to the fullest extent permitted by applicable law, we hereby expressly disclaim any and all express, implied and statutory representations and warranties of any kind, including, without limitation, any warranty as to accuracy, timeliness, completeness, and fitness for a particular purpose and/or non-infringement. Kamco Invest will accept no liability in any event including (without limitation) your reliance on the information contained in this document, any negligence for any damages or loss of any kind, including (without limitation) direct, indirect, incidental, special or consequential damages, expenses or losses arising out of, or in connection with your use or inability to use this document, or in connection with any error, omission, defect, computer virus or system failure, or loss of any profit, goodwill or reputation, even if expressly advised of the possibility of such loss or damages, arising out of or in connection with your use of this document. We do not exclude our duties or liabilities under binding applicable law.

KAMCO INVEST

Kamco Investment Company - K.S.C. (Public)

Al-Shaheed Tower, Khalid Bin Al-Waleed Street- Sharq

P.O. BOX : 28873, Safat 13149, State of Kuwait

Tel: (+965) 2233 6600 Fax: (+965) 2249 2395

Email : kamcoird@kamcoinvest.com

Website : www.kamcoinvest.com

Kamco Invest