

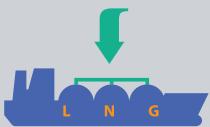
Fact Sheet

Japanese Utilities are Looking to Offload Excess LNG Supply in Emerging Asia

Once the largest global importer of liquefied natural gas (LNG), Japan's demand for the fuel has fallen rapidly in recent years. As a result, the country's gas and power utilities face a surplus of LNG purchase commitments and are increasingly focused on marketing and selling the fuel abroad.

Fact 1:

Japan's demand for LNG has fallen rapidly in recent years and is set to continue decline over the coming decade.



Nuclear restarts and renewable deployment have reduced gas-fired generation and in turn LNG imports to 67 million tonnes (mt) in 2023. LNG imports are a third below peak levels in 2014 and the lowest amount since 2009.



Japan has restarted 12 nuclear reactors since 2014, with 15 more potentially available for restart. Approved restarts over the next two years could reduce LNG demand by a further 6 mt. LNG demand will fall by an additional 12.5 mt if all additional reactors under review come online.



Over the last decade, solar capacity has risen 3.5-fold and wind capacity 60%, while renewable generation has risen from 1.7% to 14%. METI's [Sixth Strategic Energy Plan](#) is calling for renewable's share of the power mix to hit 24% by 2030.



Given the looming glut in LNG supply emerging this decade, this competition could lower the profitability of LNG resales. During previous periods of LNG oversupply, Japanese buyers often reported losses associated with reselling LNG.

Sam Reynolds | Research Lead, LNG/Gas, Asia

Fact 2:

Japan's domestic demand for LNG is set to fall faster than LNG purchase requirements.



- The surplus of Japan four largest utilities — JERA, Tokyo Gas, Osaka Gas, and Kansai Electric — could increase from 9.8 mt today to almost 12 mt this decade.
- Japan's largest LNG buyers companies have repeatedly acknowledged that they have more LNG than is necessary to meet domestic demand.
- The Sixth Strategic Energy Plan envisions the role of gas in the power mix falling 53% this decade, which could see LNG demand fall between 25.7 and 31.6 mt by 2030.

Fact 3:

Japan's LNG buyers are cultivating demand in South and Southeast Asia to offload surplus LNG volumes.



- Utilities are investing in midstream and downstream gas infrastructure, such as regasification terminals and LNG-fired power plants and offering engineering and consulting services to inform energy and power roadmaps across the region.
- Japan's major utilities are highly active in countries across Asia, including the Bangladesh, Indonesia, Malaysia, Pakistan, Philippines, Singapore, Taiwan, Thailand, and Vietnam.
- Corporate strategies for Japan's major LNG buyers aim to tilt revenue share towards overseas revenues.

Fact 4:

Government policies are encouraging Japanese companies to transact higher LNG volumes and offload them to emerging markets.



- Wary of losing influence on the global LNG market as demand requirements fall, Japan is promoting further contracting despite declining domestic demand at home.
- Japan's [New International Resource Strategy for Enhancing LNG Security](#) strategy includes a 2030 handling target of 100 mt for Japanese buyers, well above the current contracted volumes of 79 mt and identifies Southeast Asia as a potential target for the surplus.
- The [Asian Zero Emission Community \(AZEC\)](#) initiative aims for the development of decarbonization strategies across Asia that are tailored to each country's circumstances, but in practice appears to be replicating Japan's energy mix and strategy across the region.

Fact 5:

Japanese utilities are increasingly focused on marketing and reselling the fuel abroad, putting them in more direct competition with global suppliers.

- LNG sales by Japanese companies to third countries surged from 14.97 mt in FY2018 to over 38 mt in FY2021. Although domestic sales have declined, the total volume of LNG transacted by Japanese companies increased over the same timeframe.
- Once considered purely consumers of LNG, Japanese buyers may increasingly compete with LNG sellers across the value chain, including marketers, portfolio players and other merchant utilities, for potential customers in prospective markets.



In Japan, higher generation from restarted nuclear facilities, additional renewable energy capacity, carbon neutrality ambitions, demographic fundamentals, and the introduction of competition in the retail gas and electricity sectors present hard limits to domestic expansion.”

Christopher Doleman | LNG/Gas Specialist, Asia, IEEFA

