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Impact of the Iran conflict on LNG markets

Could this crisis impede LNG's long-term role in Asia's energy system?

Christopher Doleman

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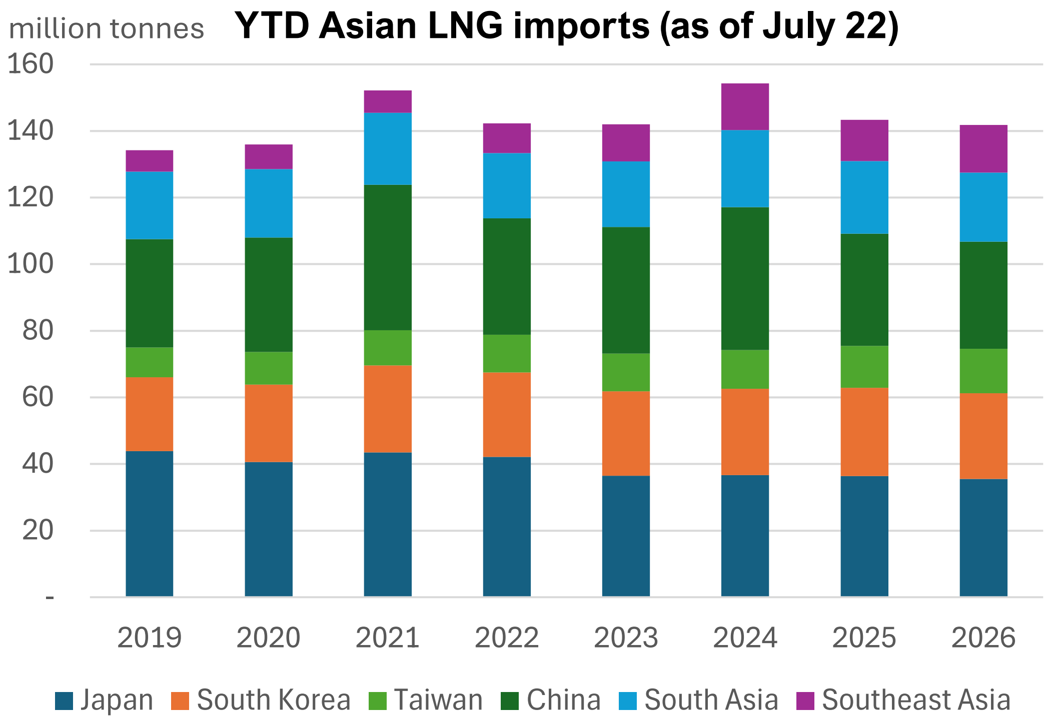
28 July 2026

LNG faced many difficulties in Asia before Feb 28 …

- Projects face long delays, higher capex
- Prices are extremely volatile, and the region is filled with many price-sensitive buyers
- Imports strain forex reserves
- Major markets are buying less
- Renewable energy is eating into demand



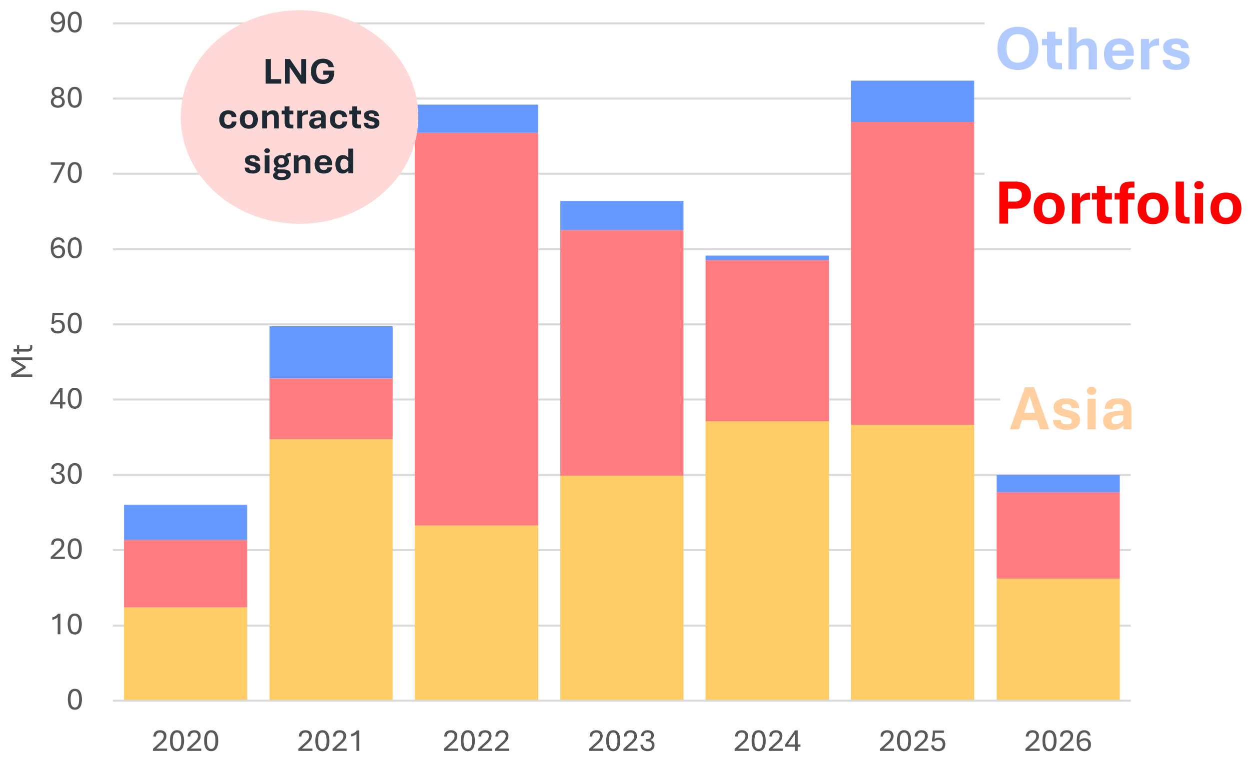
… and the crisis is exacerbating most of these issues.

Source: Kpler.

Portfolio players are speculating on Asian demand

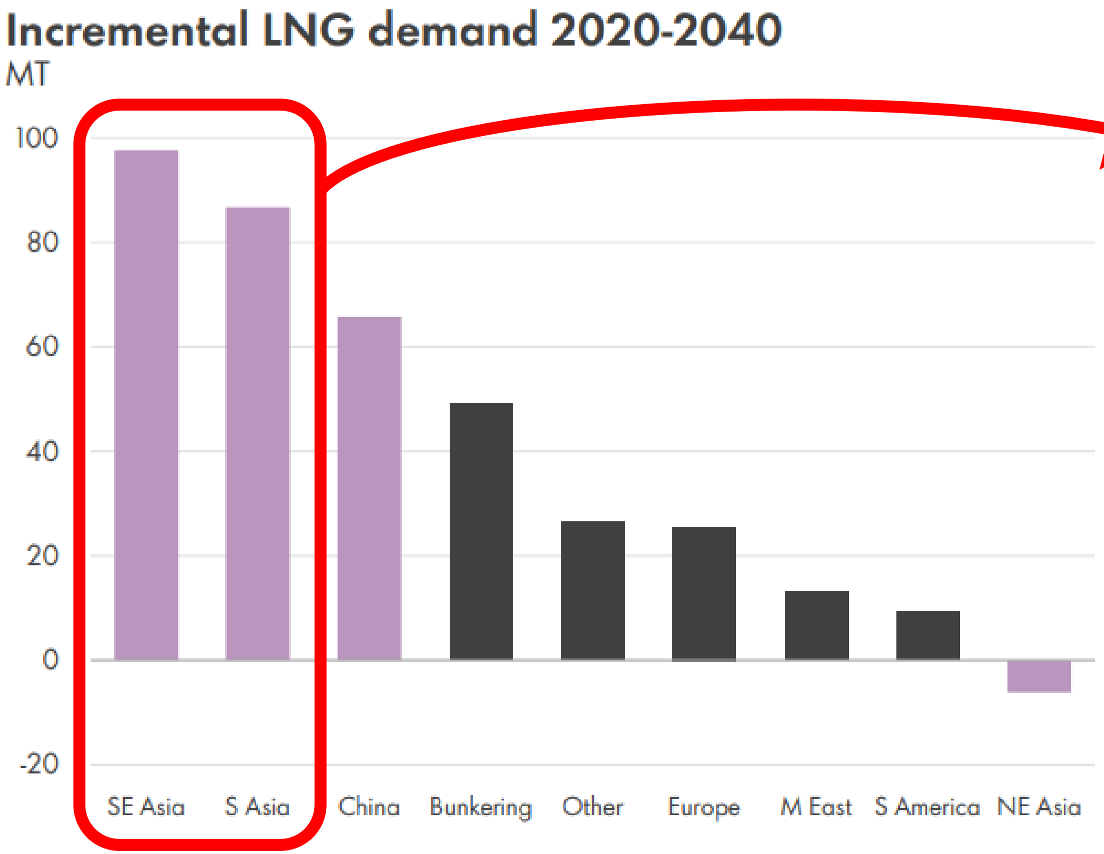
- Buyers likely looking to sign more long-term contracts to escape volatile spot markets.
- **Portfolio players**, not end-users, have been the largest signatories of long-term contracts around the world (e.g. Shell, TotalEnergies, and BP).
- Large buyers in Japan and China are reselling record volumes of LNG (e.g. JERA, PetroChina).
- Nearly half of 2026 Asia contracts are buyers looking to expand their trading footprint (e.g. JERA, PTT).

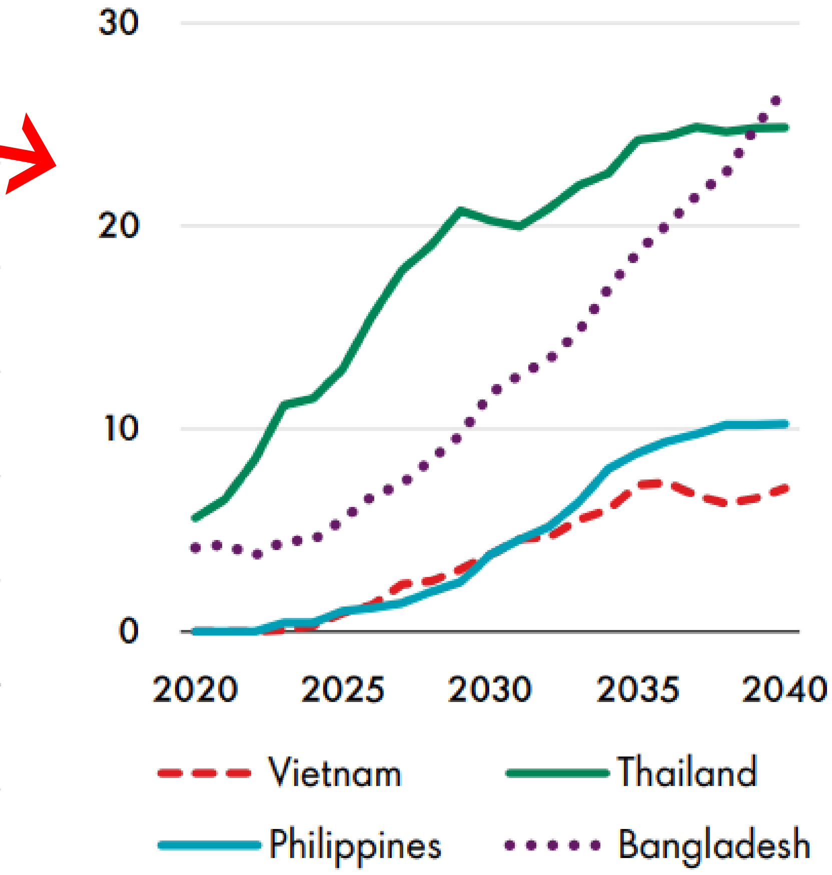
LNG contracts signed this decade



Source: IEEFA analysis; BNEF; ICIS.

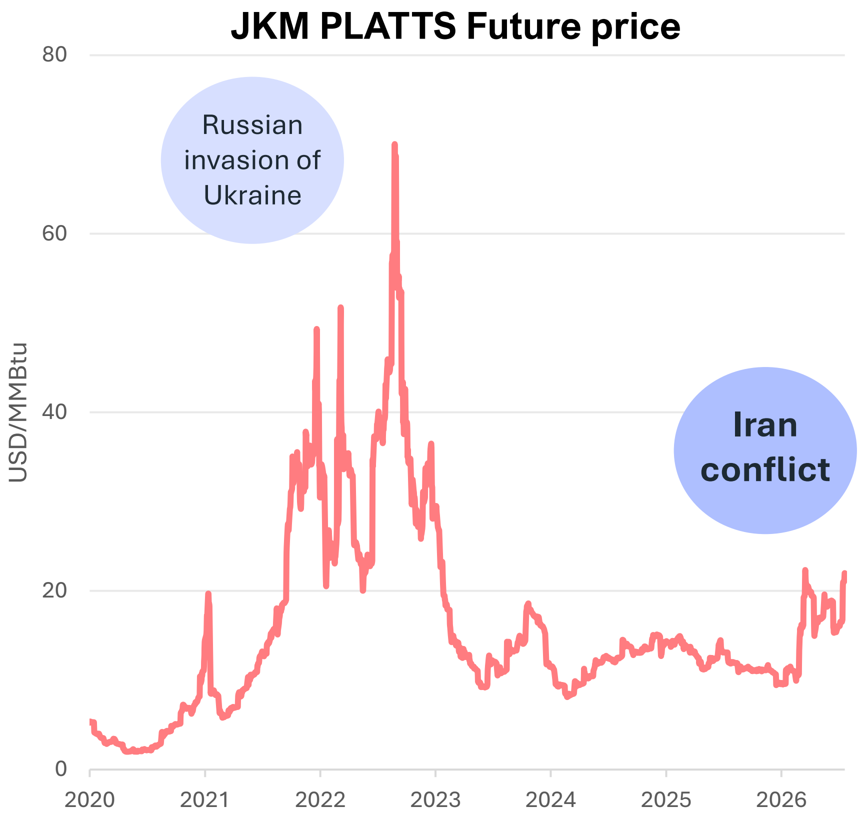
The LNG industry is counting on Asia

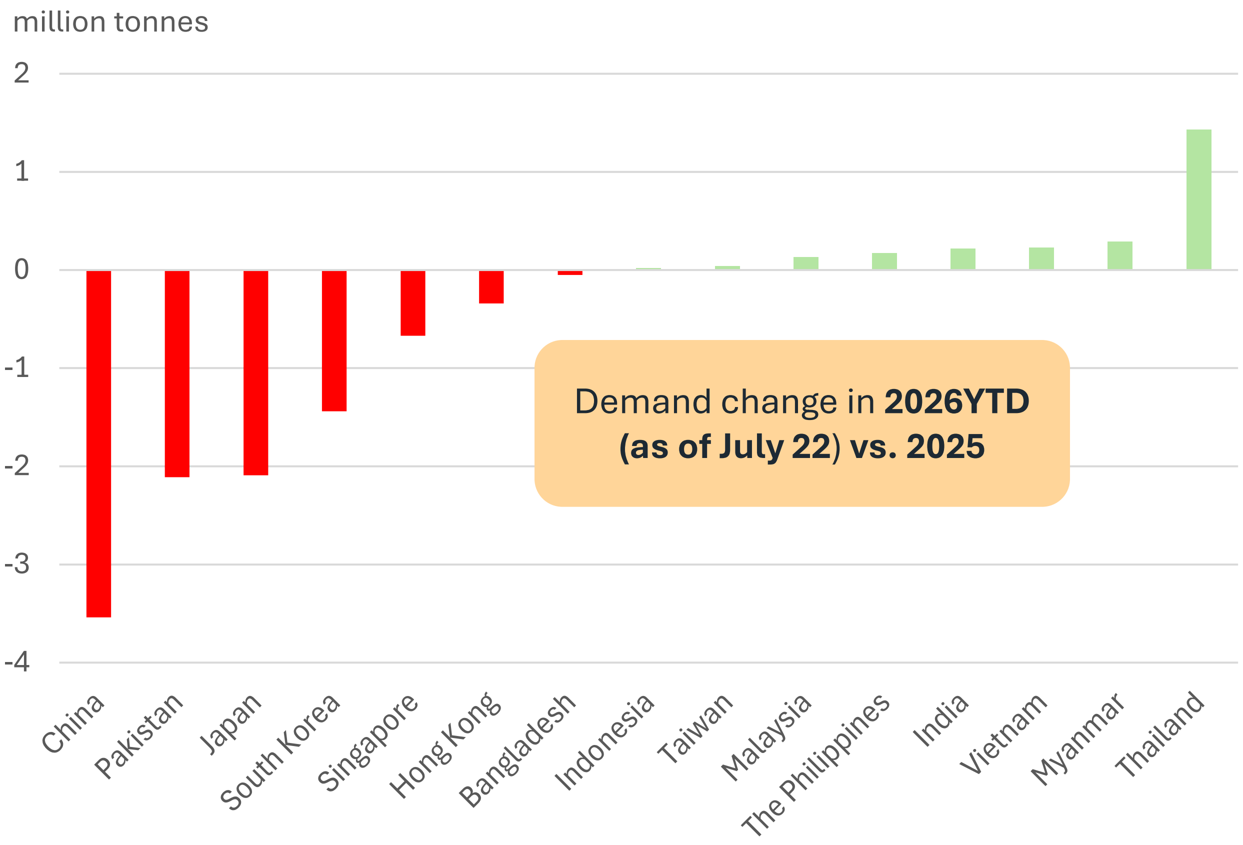




Source: Shell LNG Outlooks.

The crisis is a reminder: LNG prices are extremely volatile





Source: IEEFA analysis based on Investing.com; Kpler.

LNG Costs at US$21/MMBtu

Cost of one LNG cargo	Annual fuel cost for 1GW LNG plant	Cost per unit of electricity	Avoided fuel cost from 1 GW of solar
$77 million	**$1.03 billion**	**$161/MWh**	
856 MW *of solar capacity*	**11.4 GW** *of solar capacity*	**$40/MWh**	**$4.5 billion** *over 25 years*

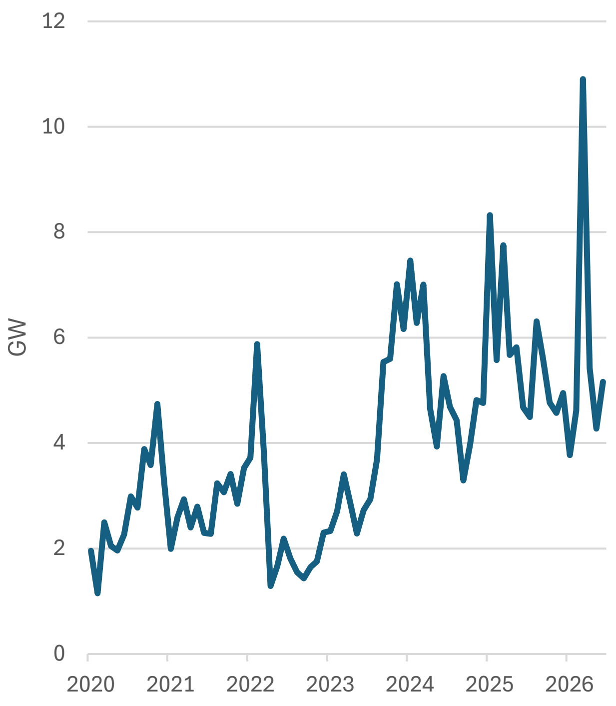
Solar Equivalents

Source: IEEFA.

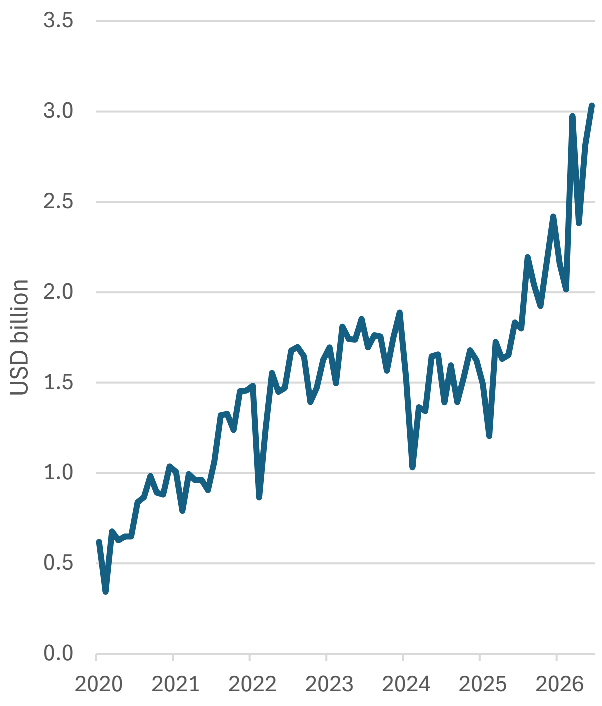
Asia is embracing renewables in response to the crisis

- Per-unit panel costs from China have fallen 56% since 2022.
- Current LNG prices make gas-fired power uncompetitive with firm solar plus storage.
- In March 2026, imports of Chinese solar panels set a monthly record in Asia.
- Under ideal conditions, solar takes 1-2 years to build.
- Several countries are increasing both renewable policy support and renewable ambitions to reduce dependency on imported fuels.

Monthly Chinese solar panel imports



Value of monthly Chinese battery imports



Source: Ember; IEEFA analysis.

Sewing the seeds of longer-term demand destruction

Notable efforts to reduce LNG exposure since March 2026				
Vietnam repurposing a 4.8GW LNG-to-power project to RE	LNG-to-power project cancelled in the Philippines, the third in 6 months	China's Sinopec cancelled LNG expansion project	Taiwan aiming to restart 3.84GW of nuclear reactors by 2028	Korea restarting 4.75 GW of nuclear by May 2026, fast-tracking 7 GW of renewables and 1.3 GW of storage
5 Mtpa	**1 Mtpa**	**1 Mtpa**	**3 Mtpa**	**6 Mtpa**
Potential long-term LNG demand impact				
16 Mtpa				

Source: IEEFA.

The risks are real and the industry knows it

"It's quite clear, for our customers in Asia, a crisis in 2022, another one in 2026, **reliability from an affordability point of view of the LNG will be questioned**. ... **It's not very good news, I agree, for the LNG markets**." – CEO of TotalEnergies during Q12026 earnings call

"LNG also competes with other sources of energy, including coal, oil, nuclear, hydroelectric, wind and solar energy... As a result of these and other factors, **LNG may not be a competitive source of energy internationally**." – Venture Global IPO prospectus

"The trajectory of demand remains **deeply uncertain**, influenced by conflicting market drivers." – President, International Group of Liquefied Natural Gas Importers

"The longer it takes to commit new LNG supply sources, the less LNG we will need as renewables fill the gap...I have worked in LNG for over 34 years and I truly believe that **this industry's 'time in the sun' is approaching an end**." – Email from the president of an LNG consulting firm

Thank you

Contact

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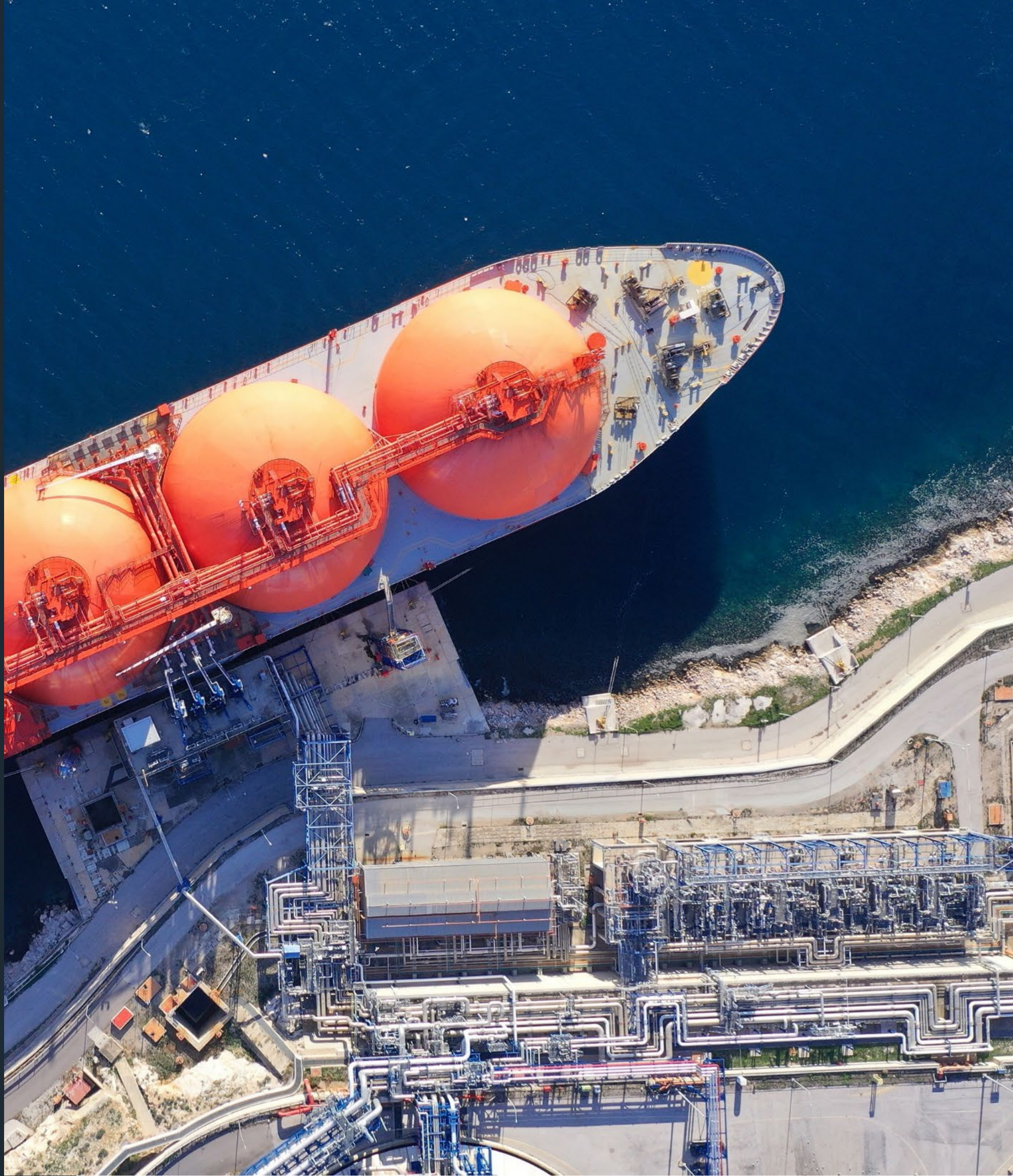
Canadian LNG and Global Oversupply

New global LNG projects multiply risks of global glut

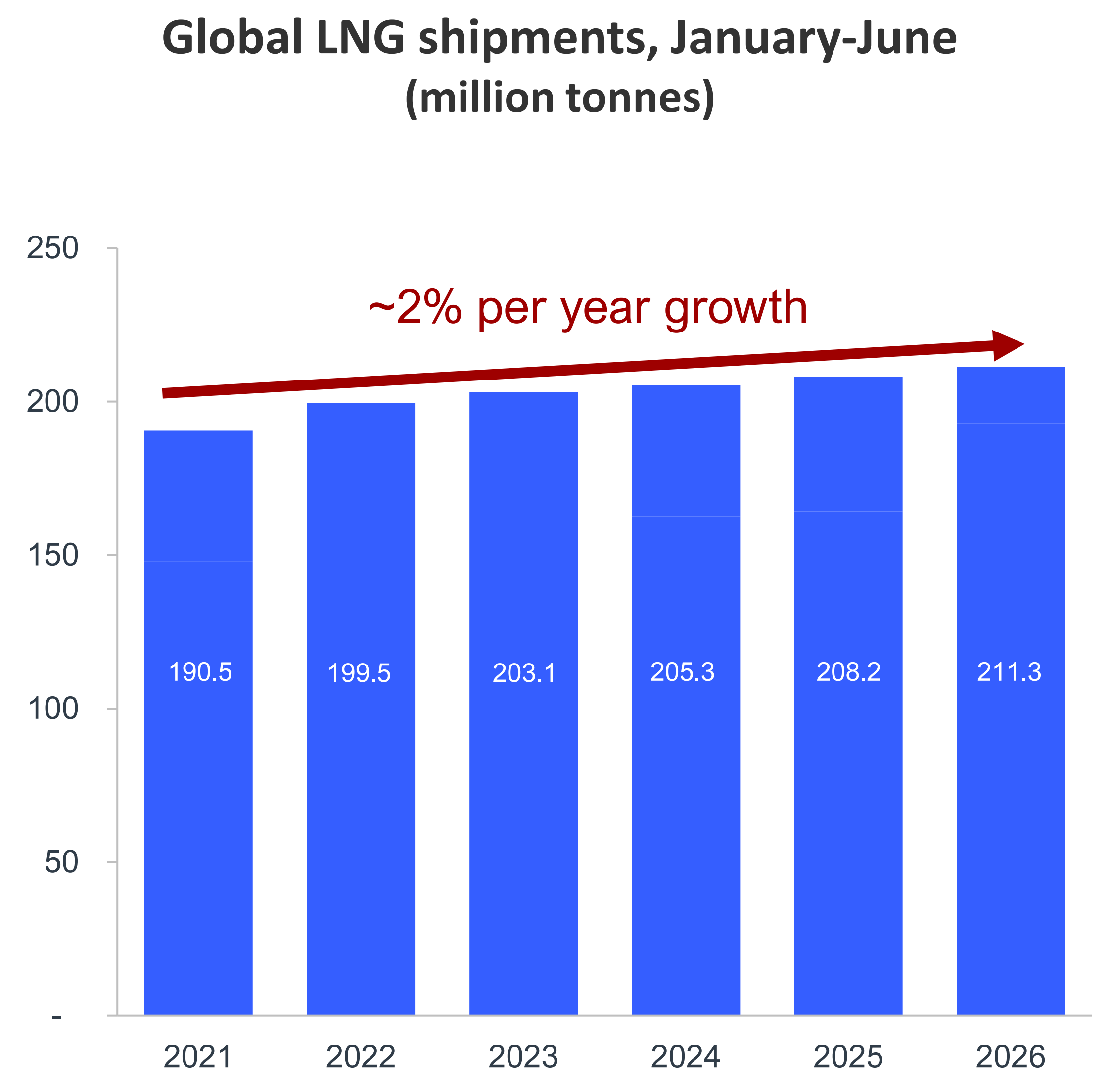
Clark Williams-Derry, IEEFA

July 28, 2026



Slow growth in LNG shipments

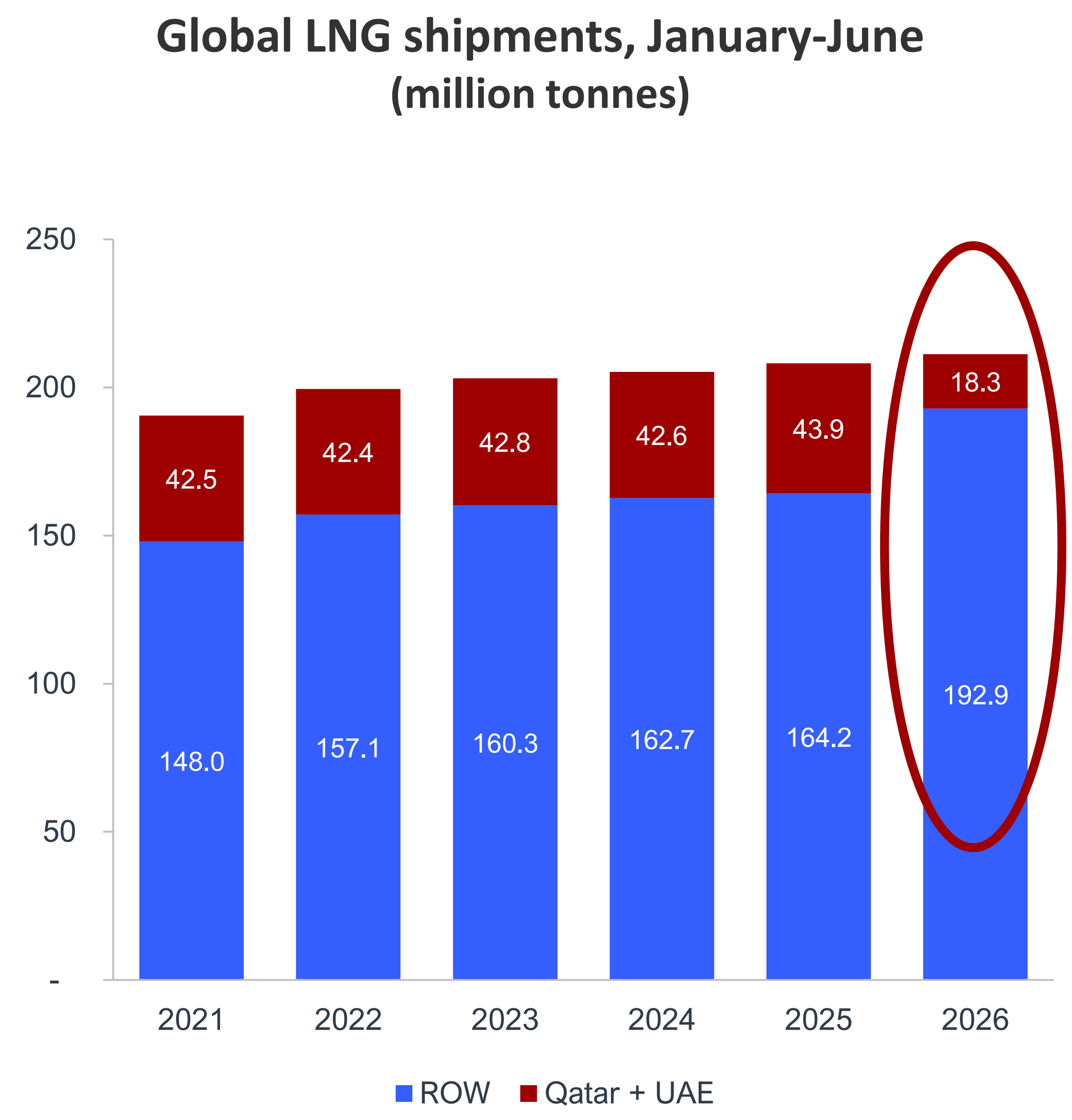
- January - June: Global LNG output grew by 11% since 2021.
- Average of 2% annual increase since the world emerged from COVID.
- For 2026, the “steady as she goes” volumes conceal dramatic shifts.



Source: Kpler

Two huge 2026 supply stories

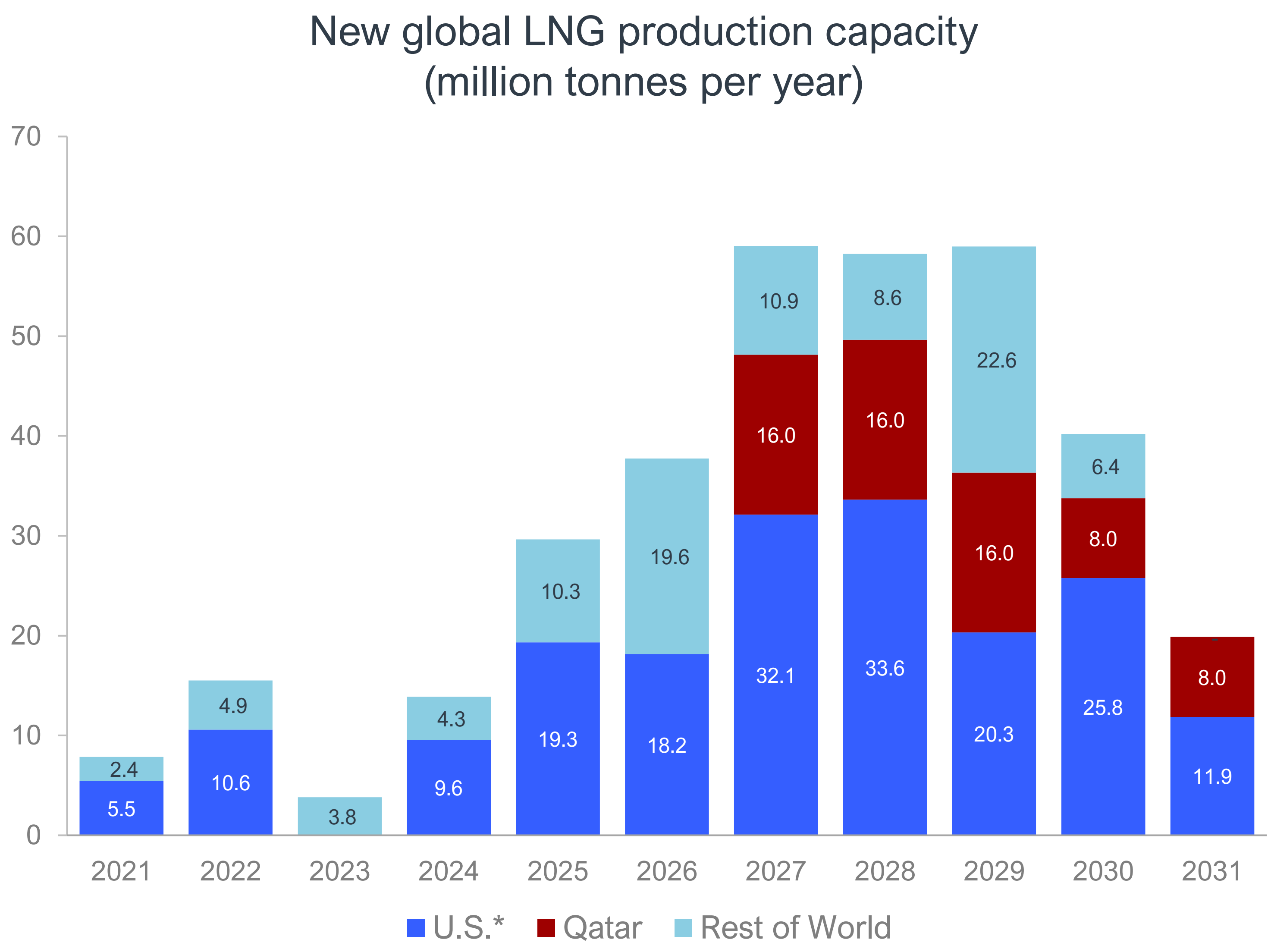
- **Closure of the Strait of Hormuz** bottled up output from Qatar and UAE.
- Total Persian Gulf output fell by 25.6 million tonnes (58%) through June 2026.
- The rest of the world grew by 28.7 million tonnes: 17% year-over-year growth in the first half of the year.



Source: Kpler

A tidal wave of new global LNG capacity is coming online.

We are just at the beginning stages.



Source: IEEFA, based on IEA, IGU, GIIGNL, company reports.
U.S. includes Mexican projects sourced with U.S. gas.

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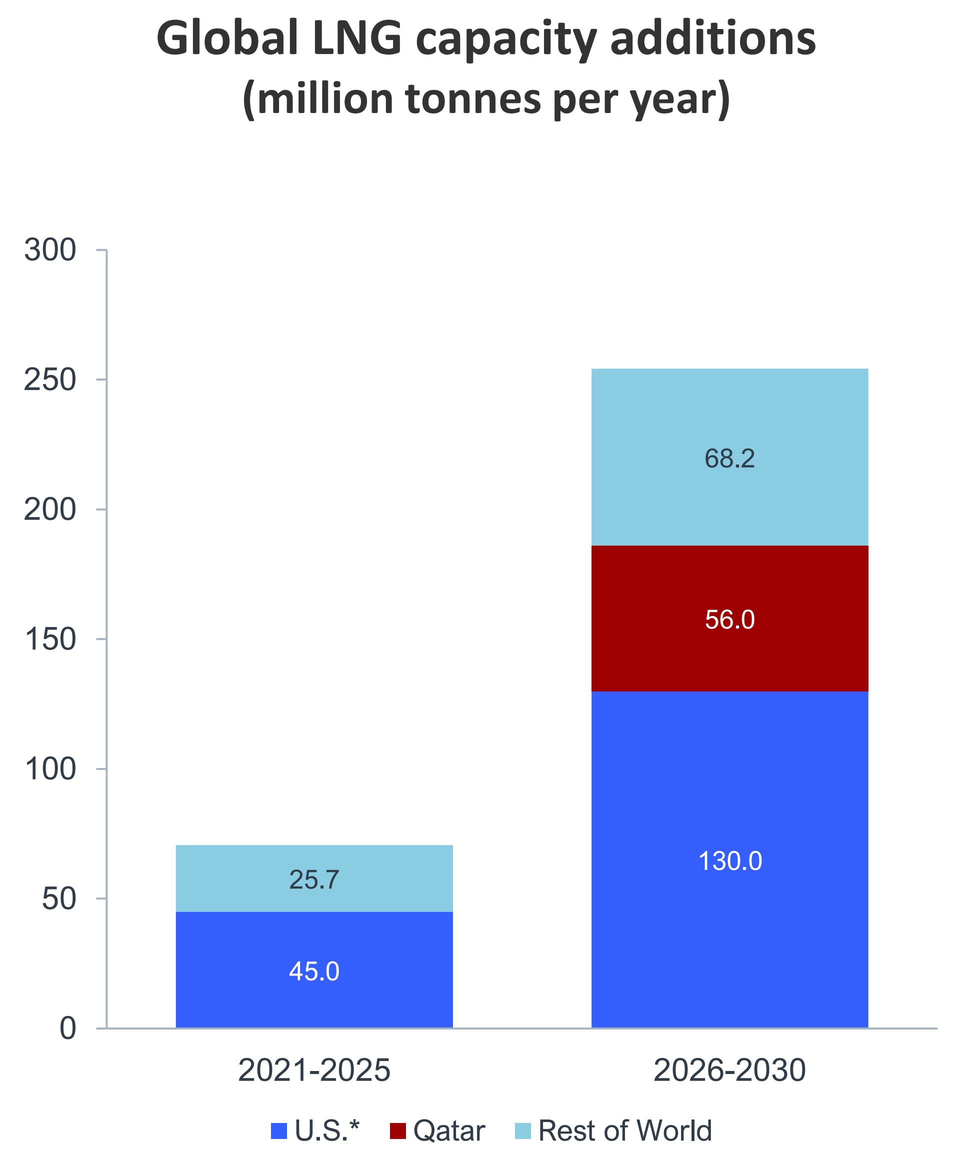
Unprecedented supply growth

- 254 million tonnes of new LNG capacity coming online from 2026-2030.
- Supply will grow more than 3 times as fast through 2030 as it did from 2021 through 2025.
- Global market challenge: how low will spot prices have to go to clear the market?



Source: IEEFA, based on IEA, IGU, GIIGNL, company reports.
U.S. includes Mexican projects sourced with U.S. gas.

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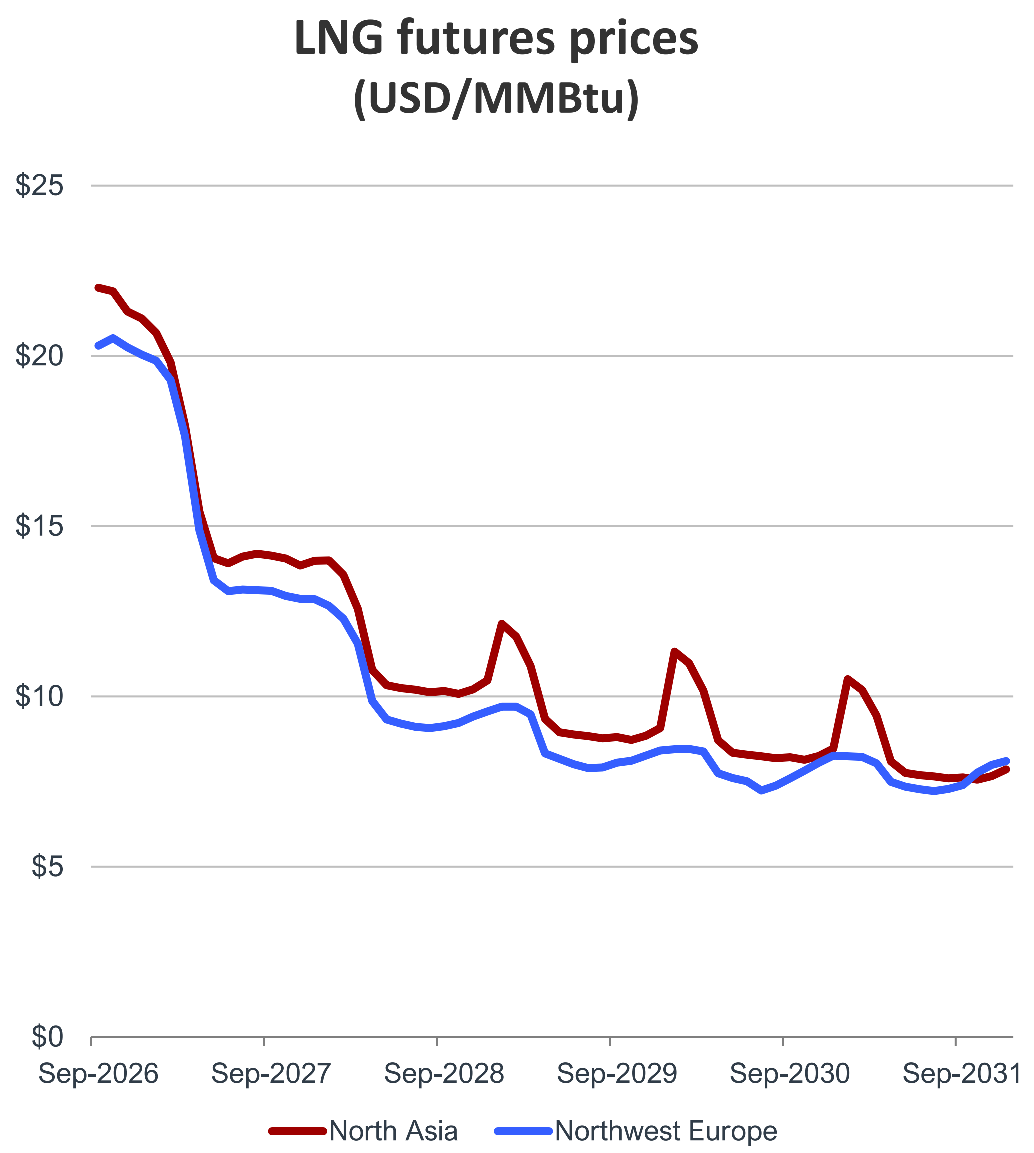
Futures: $10/MMBtu by 2028

- Futures markets anticipate rapid price declines as new supplies come online.
- Prices could fall sooner and faster if the Strait of Hormuz opens quickly.
- High-cost LNG suppliers will lose money selling into spot LNG markets.



Source: Intercontinental Exchange, as of July 27, 2026

Implications for LNG markets

- Rapid supply growth is poised to **send global LNG prices lower**.
- “Tidal wave” of supply will collide with **years of weak demand growth**.
- The LNG industry is hoping that low prices will lead to more demand.
- However, **LNG prices could remain volatile** due to geopolitical tensions, further suppressing demand growth.
- Renewables—cheaper and faster than gas—are gaining ground in Asia and Europe.
- LNG producers and traders will try to **stimulate gas demand** and **suppress alternatives.**

Thank you

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Canada’s LNG Buildout

Potential transmission channels from the Iran conflict

Mark Kalegha, Energy Finance Analyst, IEEFA

July 28, 2026

Current Status : Canadian LNG Buildout

OPERATING

- **LNG Canada — Phase 1**

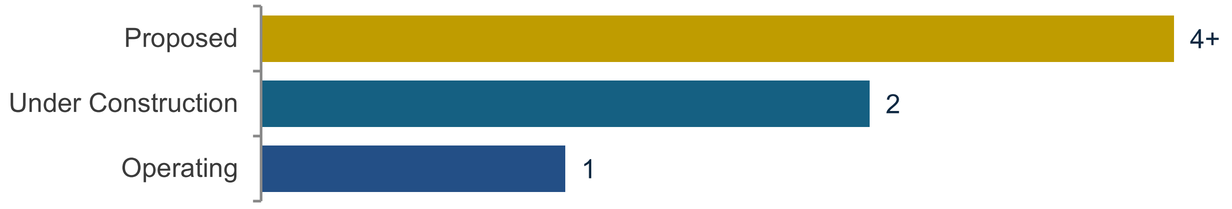
UNDER CONSTRUCTION

- **Cedar LNG**
- **Woodfibre LNG**

PROPOSED

- **LNG Canada – Phase 2**
- **Ksi Lisims LNG**
- **Tilbury Expansion**
- **Etc.**

Projects by Development Stage



Canada is shifting from a single proven export project toward deciding whether a second wave of multi-billion-dollar investment proceeds.

Headwinds: Operational, Environmental & Commercial

1

Gas Flaring

Upstream flaring intensity remains a recurring issue at first large scale export facility

2

Environmental Concerns

Increasing investor, regulator and public scrutiny of lifecycle GHG emissions and unplanned emissions

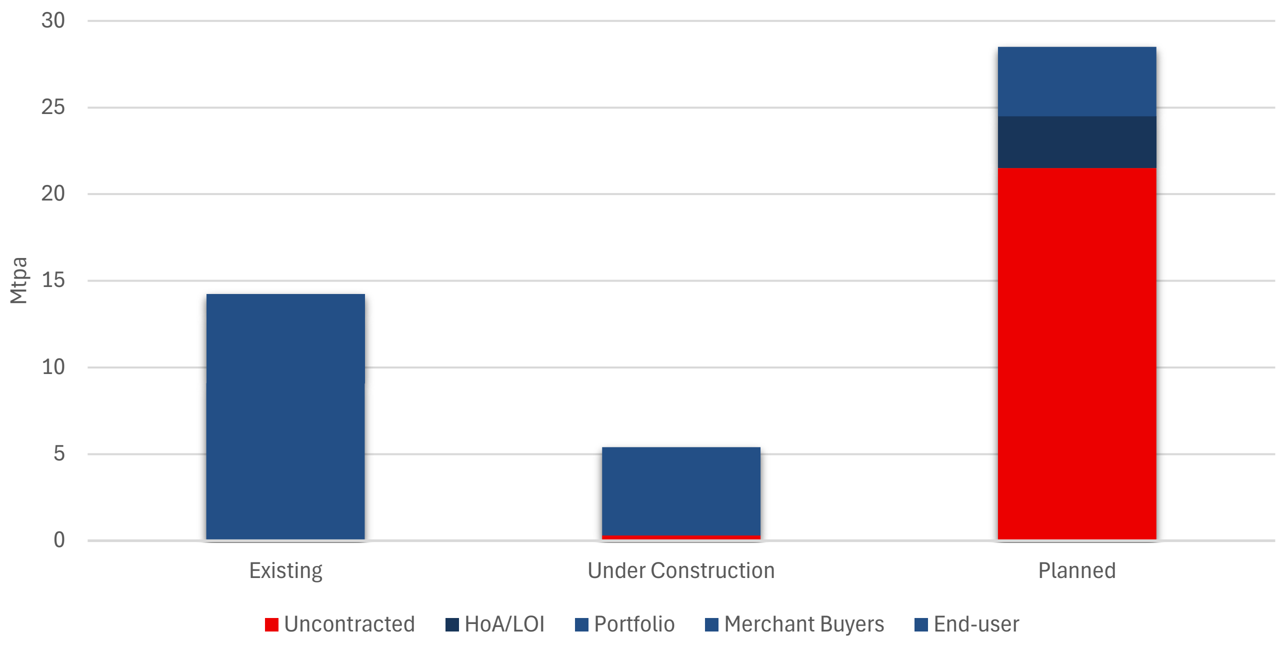
3

Contracting Pace

Limited long-term Sale and Purchase Agreements (SPA) signed beyond projects already under construction

Gap between proposed and commercially viable projects

- Off-taker support thus far concentrated in a few projects
- Most proposed projects remain without anchor customers
- Contracting a key precursor to Final Investment Decisions (FID)



Source: IEEFA, BNEF

Iran conflict: Potential transmission channels

1
Global LNG Price Volatility

Spikes in global benchmarks - JKM, TTF and Henry Hub impact producers and consumers.

2
Project Economics & Investment Case

Higher price volatility and shifting market dynamics may affect attractiveness of new LNG investments

3
Supply Diversification

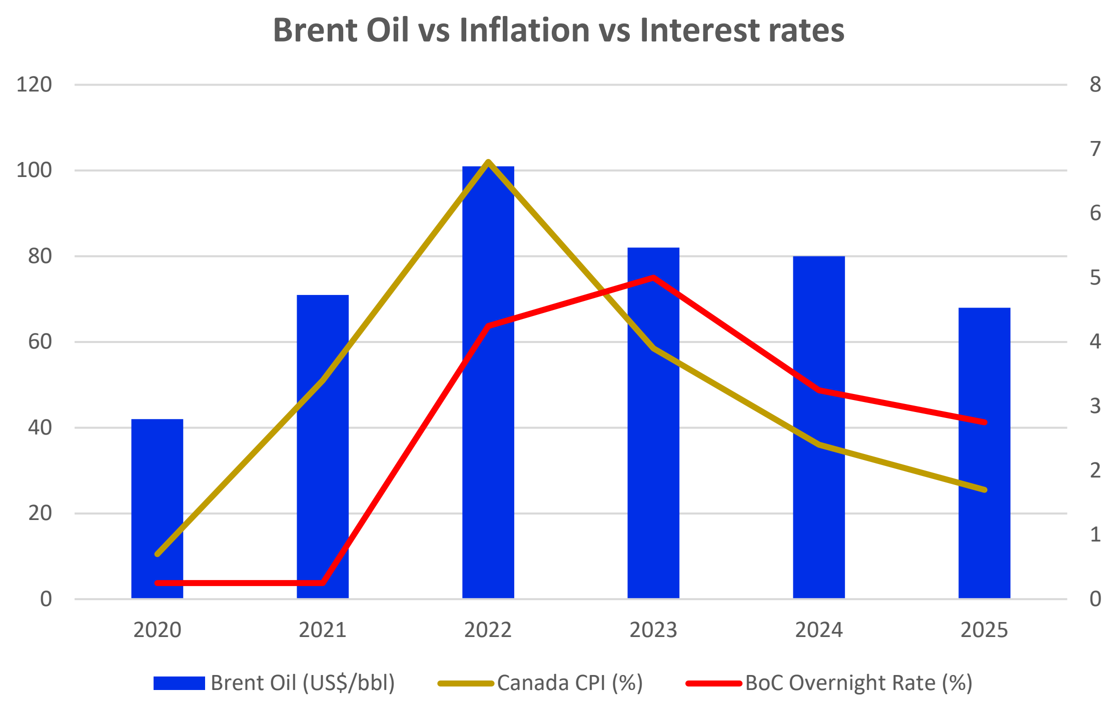
Geopolitical turbulence may increase the appeal of supply from stable producers

4
Asian Demand Response

Import dependent economies may accelerate fuel switching, renewable deployment and efficiency improvements

Price spikes may spur windfall gains – but benefits are distributed unevenly

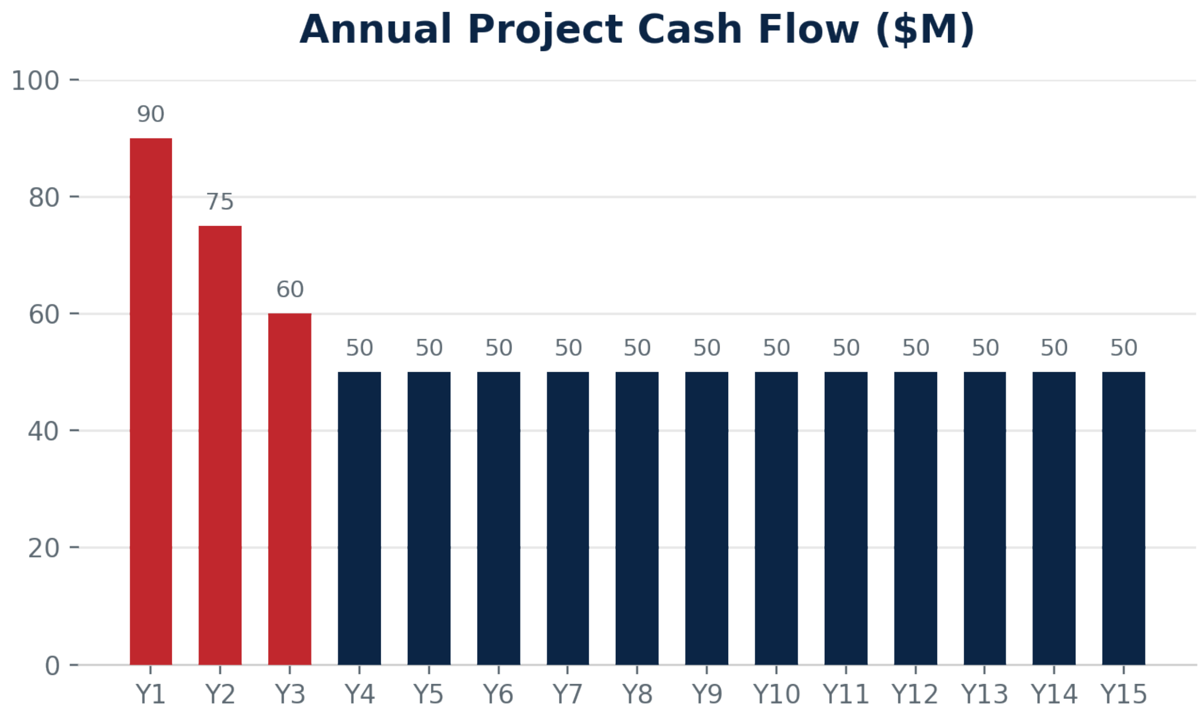
- Elevated prices provide boost to producer revenue and govt take
- Infrastructure constraints limit ability to scale LNG output in response
- Consumers and projects may face inflationary pressures and increasing borrowing costs



Source: Bank of Canada, Federal Reserve

Geopolitical premium may not translate to improved project economics

- Projects typically assessed over multi-decade horizons – with long leads
- Extrapolating price premium across project pipeline is risky
- Downside risks to price scenario:
    - Demand elasticity
    - Supply expansion (Glut)
    - Potential conflict resolution



Illustrative

The crisis may boost interest in Canadian exports - while weakening long-term LNG demand growth

STABILITY PREMIUM

- Increased interest possible from buyers seeking to diversify supply and reduce exposure to Persian gulf
- Canada perceived as geopolitically stable; production insulated from conflict zones and contested shipping corridors
- Key indicator: definitive SPAs and off-taker agreements

LONG-TERM EROSION RISK

- Asian buyers hold some of the strongest incentives globally to diversify away from LNG exposure;
- 1970s-style twin shocks, but at greater scale - and a lower threshold for demand disruption today
- More substitution options exist now than in past shocks: renewables, nuclear, efficiency

Key Takeaways

1. Canada is at an inflection point: A pioneer project is online, and now decisions are to be made on whether a second wave of multi-billion-dollar LNG projects proceed.

2. The Iran crisis may create a windfall for producers and govt revenue but is unlikely to durably reshape 40-year project economics.

3. Global geopolitical turbulence may increase the attractiveness of Canada as a supplier of LNG ….

4. ….But demand responses , policy adjustments and availability of substitutes may alter demand growth trajectory of LNG in key Asian economies.

Thank You

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