Investment Strategy & Research

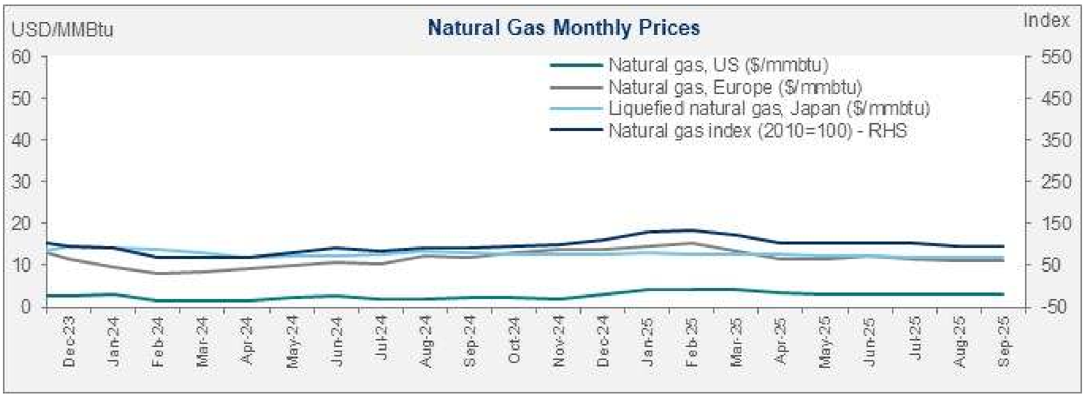
Natural Gas Market Update October-2025

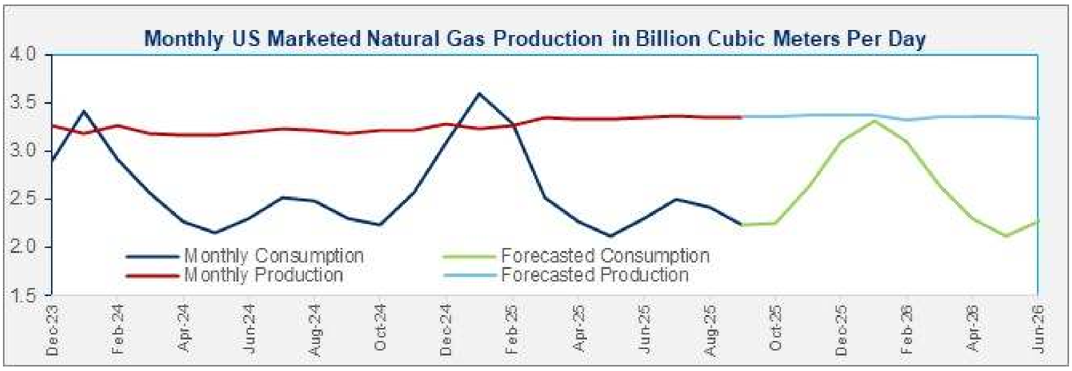
Natural gas prices moderated during Q3-2025 due to improved supply…

Global natural gas prices showed a diverging performance in Q3-2025, with regional benchmarks sometimes moving in different directions as underlying fundamentals evolving unevenly. According to the World Bank, average monthly prices for European natural gas declined by 5.7% y-o-y to USD 11.12/MMBtu. Likewise, the World Bank's average monthly prices for liquefied natural gas (LNG) in Japan recorded a modest y-o-y decrease of 9.7% in September-2025, settling at USD 11.72/MMBtu. However, average monthly U.S. natural gas prices rose by 32.1% y-o-y in September-2025, reaching USD 2.97/MMBtu over the same month. Despite these regional differences, the World Bank's average monthly natural gas prices index registered y-o-y gains in each of the three months of Q3-2025, signaling broad upward pressure within the period. Complementing these trends, the Gas Exporting Countries Forum (GECF) reported that TTF spot prices averaged USD 10.98/MMBtu in August-2025, marking a 4% m-o-m and 10% y-o-y increase in that month. Looking ahead, global natural gas prices are expected to experience additional upward pressure mainly because of the upcoming cold season, with seasonal demand dynamics likely to reinforce price support into winter.

Several factors underpinned the overall y-o-y uptick of U.S. natural gas prices during Q3-2025, including higher gas demand driven by increasing LNG exports and stronger structural consumption from the U.S. Power Sector. According to Shippingmatters.ca, U.S. LNG exports reached a record high of 9.4 million metric tonnes during September-2025, exceeding the previous record of 9.3 million metric tonnes set in August-2025. Another key reason explaining the overall y-o-y rise in U.S. natural gas prices during Q3-2025 is that U.S. gas prices in Q3-2024 were unusually low, creating a favorable base effect. By contrast, the y-o-y decline of European natural gas prices during Q3-2025 was mainly attributed to a combination of abundant LNG supply arriving in the region during the period and higher y-o-y Norwegian gas flows, both of which helped ease market tightness and anchor pricing.

According to the GECF (Gas Exporting Countries Forum), global gas demand growth for 2025 is expected to be subdued, reaching 1.6% for the year, primarily as a result of falling gas use in the Industrial Sector and softer demand in Asian importers such as Japan.





Sources : EIA, World Bank and Kamco Invest Research

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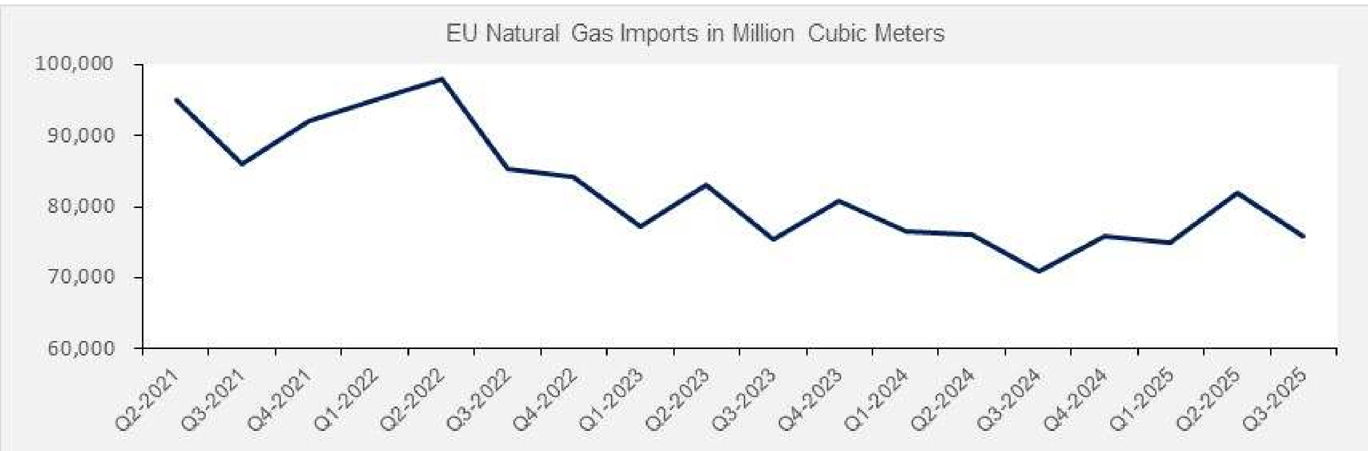
On the geopolitical front, continuing instability caused by the ongoing Russia-Ukraine conflict, as well as the war on Gaza, is putting global gas supply routes at risk in certain regions such as the EU. Moreover, the prevailing and sometimes escalating instability is placing dwindling Russian gas supply to the EU at further risk, heightening concerns about security of supply and winter preparedness. Addressing this challenge, the EU has extended its gas inventory rule until 2027. In addition, the EU has introduced flexibility to the rule that previously required 90% storage capacity by November 1st, revising it so that member states can meet the 90% storage capacity threshold target anytime between October 1 and December 1, thereby allowing operators to optimize injection schedules amid volatile market conditions.

Natural Gas Consumption

Global natural gas consumption is expected to improve moderately during 2025, mainly due to growth of gas consumption in the EU, UK, and North American regions. This improvement is expected to be partially offset by a decline in natural gas consumption across parts of Asia. Natural gas consumption in the EU reached 202.7 bcm for the first eight months of 2025, witnessing a 4.6% y-o-y increase from 193.7 bcm in the corresponding period of 2024. However, EU gas consumption declined marginally by 1.8% y-o-y to 33.2 bcm for the August-2025 and July-2025 period, mainly as a result of higher renewables production in the region's power generation mix coupled with lower demand in the residential and industrial sectors. That said, an early cold snap can abruptly lift natural gas consumption in the region by increasing heating needs and shifting the merit order in power. As of October-2025, EU gas storage levels are around 82% to 83% capacity, which is lower than last year's previously filled capacity, according to the European Commission. The European Union's gas imports from Russia declined by 39.2% y-o-y during Q3-2025 to 8.2 bcm compared to 13.4 bcm in Q3-2024. It is noteworthy that EU gas imports from Russia during Q3-2021 (before the Russia-Ukraine conflict) stood at 36.3 bcm. Most of the reduced gas imports from Russia are being offset by higher EU LNG imports from the U.S., which jumped by 110.1% y-o-y during Q3-2025 to reach 20.5 bcm against 9.8 bcm in Q3-2024, underscoring the shift toward diversified and flexible supply sources.

In Asia, according to an Oxfordenergy.org report, China's LNG imports declined by 11.5% y-o-y to 23.1 bcm in Q3-2025 compared to 26.1 bcm in Q3-2024. China's 9M-2025 LNG imports declined by 19.3% y-o-y to reach 62.9 bcm as compared to 77.9 bcm in 9M-2024. Despite the falling LNG imports, China's natural gas demand is expected to witness moderate growth during 2025, mainly driven by the Power Sector and underpinned by new gas-fired power plants and increasing transport demand. In Japan, total natural gas consumption for July-2025 and August-2025 reached 16 bcm, slightly lower than the total for the corresponding period of 2024, which stood at 16.3 bcm. The slight fall in Japanese gas consumption was attributed to public holidays and the Obon season, which temporarily lowered industrial and business activity. Similarly, aggregate natural gas consumption in South Korea for July and August-2025 witnessed a 3.3% y-o-y decline to 8.1 bcm, compared to 8.4 bcm in the corresponding months of 2024. The fall in the country's gas consumption was mainly due to the growth of coal as a fuel for power generation during the period. In context, Asia's natural gas consumption slowdown during Q3-2025 can be observed through its LNG imports, which totaled 88.1 bcm against 91.2 bcm in Q3-2024, reflecting softer utility demand and competitive generation economics.



Sources : Bruegel and Kamco Invest Research

In the U.S., natural gas consumption declined by nearly 2% during Q3-2025 to reach 219.4 bcm compared to 223.7 bcm in Q3 -2024, according to data collected by the EIA. The fall in U.S. gas consumption was mainly due to a decline in the power generation sector, which is the principal driver of U.S. gas demand. According to GECF, U.S. natural gas consumption in the Power Sector fell by 10% y-o-y, or 4.3 bcm, in August-2025 and by 7.5% (3.2 bcm) in July-2025. In contrast, the U.S. residential and commercial sectors registered growth during Q3-2025, partially offsetting the power sector weakness. However, in terms of 9M-2025 consumption, U.S. natural gas use improved marginally by 1.3% to reach 702.7 bcm, up from 693.7 bcm in 9M-2024, reflecting structural demand resilience and weather variability. In Canada, natural gas consumption during Q3-2025 is expected to witness moderate growth.

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	107.00	107.00
Consumption	89.00	90.00	92.00	92.00
LNG Exports	12.00	12.00	15.00	16.00
Henry Hub Spot Prices ($/thousand cubic feet)	2.50	2.20	3.40	3.90

Sources : EIA, Kamco Invest Research

Natural Gas Production

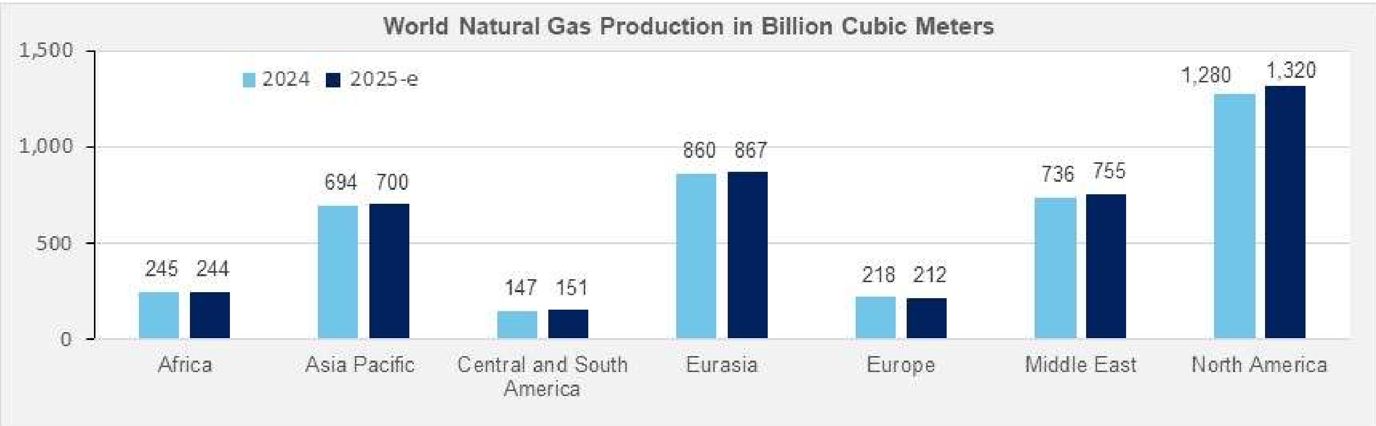
Global natural gas production in Q3-2025 was led by North American countries, especially the U.S., which continued to expand output on the back of efficient basins and sustained investment. Natural gas production (marketed production) in the USA increased by 3.7% y-o-y to reach 308 bcm in Q3-2025, compared to 297.5 bcm in Q3-2024, according to the EIA. Moreover, U.S. natural gas production improved by 3.9% for the first nine months of 2025 to reach 906.6 bcm, up from 872.2 bcm during the corresponding period in 2024. Furthermore, according to the EIA, U.S. natural gas production in 2026 is expected to average 118 bcf per day (3.35 bcm per day) or 1222.8 bcm during the year, against actual natural gas production of 1170 bcm in 2024. The EIA expects most of the production growth will come from the Appalachia, Permian, and Haynesville regions of the U.S., which are projected to produce 69% of overall U.S. output during 2026. In terms of LNG exports, the U.S. is expected to add over 5 Bcf/d (0.142 bcm/d) of LNG export capacity combined over 2025 and 2026, reinforcing its role as a pivotal supplier to global markets. According to the EIA, Plaquemines LNG Phases 1 and 2 and three trains of Corpus Christi LNG Stage 3 are poised to enter service in 2025 and 2026. Plaquemines LNG is an enormous LNG export terminal in Plaquemines Parish, Louisiana, USA. The terminal has a capacity of approximately 24 Mt/year, with plans to expand and become the largest LNG terminal in the U.S. In comparison, the Corpus Christi LNG Stage 3 terminal is an expansion of the existing Corpus Christi Liquefaction (CCL) terminal in Texas, USA. Overall, the EIA forecasts that U.S. LNG exports will average 15 Bcf/day (0.424 bcm/day) in 2025 and increase to 16 Bcf/day (0.425 bcm/day) in 2026. The expected additional U.S. LNG exports in 2026 are forecasted to head to China, pending a likely end to the tariff war, and also to the EU, as they continue to wean themselves off Russian natural gas imports, thereby reshaping trade flows and reinforcing energy security objectives for key import regions.

Natural gas production in Europe reached 107.0 bcm for the first seven months of 2025 as compared to 112.7 bcm for the corresponding period in 2024. The 5.1% y-o-y decline in gas production reflects the declining gas production of Norway, the largest natural gas producer in Europe. Moreover, smaller gas producers such as the UK and Netherlands witnessed a reduction in their output during the period. Norway's natural gas production decline was mainly attributed to the reduced gas production of Snohvit gas field as a result of scheduled 3-month maintenance which ended August-2025. Natural gas production in the Asia Pacific region reached 409.1 bcm for the Jan-2025-July-2025 period mirroring the same level of production during the corresponding period in 2024. China's cumulative natural gas production reached 152.3 bcm for the first seven months of 2025 recording a 6.2% y-o-y increase from its 143.8 bcm production during the corresponding period in 2024. China's natural gas production capacity is expected to grow in the near and medium term as the country recently discovered new estimated 100 bcm shale gas at the Yongchuan onshore field.

Sources : Oxford Energy and Kamco Invest Research

GCC Market Outlook

The Middle East region is expected to surpass Asia in terms of natural gas production in 2025 with the GCC region producing the majority share of the gas, according to Rystad Energy. The Middle East region's current natural gas output is estimated to reach 70 Bcf/d and is expected to increase by 30% by 2030. The expected natural gas production is mainly a projection of the significant investment in gas production by primarily GCC countries namely Qatar, UAE, Saudi Arabia and Oman. Overall, the Middle East region is expected to add around 20 Bcf/d of natural gas production by 2030 of which 50% of it will be available for export. Currently Qatar, UAE and Saudi Arabia are leading significant natural gas production capacity expansion projects in the GCC region. So far, according to MEED Projects, the UAE awarded USD 8.2 Bn worth of gas contracts for the first nine months of 2025 while Qatar and Saudi Arabia have awarded USD 9.3 Bn and USD 7.3 Bn worth of gas contracts, respectively during the similar period. Some of the largest contracts awarded in the GCC during this year is the USD 5 Bn North Field Production Sustainability (NFPS) project which entails sustaining high gas production from the field. Another major gas contract awarded during this year is the USD 5 Bn contract for the first phase Rich Gas Development project which aims to increase operational efficiency across four ADNOC Gas facilities including Asab, Buhasa, Habshan (Onshore), and the Das Island liquefaction facility (Offshore).



Sources : IEA, Bloomberg and Kamco Invest Research

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