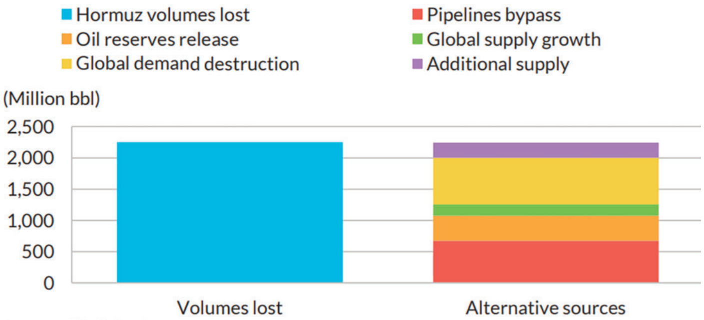
LNG Unlimited
LNG JOURNAL PUBLICATION 11 June 2026

LNG prices could collapse once ‘panic premium’ evaporates

The Iran war has created a two-way squeeze on LNG: it tightened supply from Qatar and the UAE while weakening demand in price-sensitive Asian market. If utility LNG buyers retreat, prices could collapse once the panic premium dissipates, analysts warn.

Global Oil Market Balance — Five- Month Hormuz Closure



Source: Fitch Ratings

Reopening of the Strait of Hormuz will result in a “quick drop in prices,” Fitch Rating said, assuming a five-month closure of the critical waterway through July. Oil markets began to balance in the interim thanks to pipelines, but LNG cargoes stay largely trapped.

The conflict has constrained physical supply from the Middle East’s largest oil and LNG exporters, the demand-side of the equation is proving equally critical. In Asia, spot LNG buyers — particularly utilities in China, South Korea, India and Thailand — have demonstrated extreme price elasticity.

“When prices spike beyond sustainable levels, these buyers increasingly defer cargoes, switch to alternative fuels, or simply reduce consumption,” analysts at the International Energy Agency (IEA) noted.

Demand erosion caps prices

That demand erosion can create a “hard ceiling on prices”: beyond a certain threshold, the market loses marginal buyers faster than supply constraints can justify premium pricing.

“A number of Asian countries are undertaking demand-side and fuel-switching measures to reduce the use of natural gas,” IEA analysts observed, as buyers are brac-

Continued on page 2

Inpex seeks to block Ichthys LNG strike

Ichthys LNG in northwest Australia

Japan’s Inpex is preparing to seek urgent orders from Australia’s Fair Work Commission to block strike actions at its Ichthys LNG facilities. The move follows threats from workers to escalate strike actions starting Thursday after wage negotiations failed, raising the risk of disruptions to roughly 10% of Australia’s LNG exports in an already tight global market.

The Ichthys LNG terminal, operated by Inpex with 67.8% stake, has a nameplate production capacity of 8.9 million metric tons per annum (mtpa) across two trains, with debottlenecking expected to boost output to 9.3 mtpa.

Approximately 400 employees at the Ichthys LNG operation — including both offshore facilities in the Timor Sea and onshore treatment plants in Darwin — vowed to participate in the escalated industrial action.

The Offshore Alliance filed a complaint with Australia's offshore energy regulator alleging Inpex is using unqualified workers to oper-

Continued on page 2

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Continued from page 1, top story

ing for Hormuz transits to remain constrainted until the end of July, or beyond.

Prompt prices spiked in the immediate aftermath of the attacks, driven by fear of sustained supply shortages. Spot LNG for North Asia climbed above $11 per million British thermal units as traders priced in the effect of the Strait of Hormuz closure. The JKM-TTF spread — the premium of Asian spot LNG prices over Europe's gas benchmark — currently exceeds $6 per MMBtu.

Brace for hard landing

But this rally may be short-lived, analysts caution. If the conflict does not fully cut of Qatari cargoes and instead merely keeps LNG prices expensive, demand for imported LNG could fall faster than expected. In that scenario, the market can pivot from panic buying to sudden demand collapse once the panic premium evaporates.

All eyes are on when Hormuz reopens: Oil stored on tankers and in onshore storage will be sold first, followed by the return of curtailed production, with Fitch estimating production could return to near normalised levels within several weeks.

“We expect the market to revert to surplus quite quickly after the reopening of the strait, with an oversupply of about 4 mmbpd in the fourth quarter of 2026 depending on OPEC policy. This will create an overhang in the market and push oil prices down,” Fitch analysts Michael Ainge, Laura Zhai and Angelina Valavina said in a market commentary.

LNG prices are likely to stage a less brisk fall than crude oil, with long-term LNG prices, indexed to oil benchmarks, set to soften with a time lag of three to six months. ■

Price volatility upends SPAs as buyers demand flexibility

Prolonged LNG price volatility is upending sales and purchase agreements (SPAs) as traders sound alarm over JCC/Henry Hub swings eroding fixed-price economics. Risk-averse buyers increasingly demand take-or-pay flexibility, diversion rights and reopeners to avert margins getting eroded or wiped out.

The strain hits counterparty risk hardest, considering large infrastructure are built on bankability to which liquidity and margin squeezes are detrimental.

Lenders are reducing acceptable debt ratios, demanding offtake backstops and stalling FIDs as cash-flow fragility bites. “For a new LNG project, banks are expected to commit $15-20 billion in capital. At that scale, lenders need certainty about security of supply — and confidence that commercial contracts cover debt and equity returns,” said Jonathan Bass, Argent LNG chairman and CEO.

Though a substantial 77 mtpa of liquefaction capacity reached a Final Investment Decision (FID) last year, only a fraction of that raised full financing to proceed to construction. “The rest struggled,” Bass noted, “because long-term SPAs didn’t provide sufficient margin to cover the Debt Service Coverage Ratio.”

Geopolitics cements the crisis as contractual bedrock. “Sanctions, blockades and attacks aren't exceptions — they're routine,” advised Kennedy's Law on future-proofing LNG offtake agreements, highlighting Qatar's *force majeure* as a wake-up call for hardship clauses and geopolitical carveouts.

“Project finance pipelines are narrowing fast,” added ION Analytics, hence developers should be tying LNG deals to tighter equity requirements amid persistent instability. Offtakers respond with shorter tenors, embedded derivatives and explicit sanctions on forgoing contractual clauses.

Term charters back in favour

Long-term LNG charters — not spot cargoes — are buyers’ favourite, once again, as they provide greater protection against freight rate spikes and shipping disruptions. This trend is a departure from the spot-market-heavy approach that dominated 2024-2025, and could squeeze carrier availability for years to come.

Tighter charter markets have inflated shipping costs and delivery times, compressing the window in which exporters can re optimize slot allocations and re-align with existing long term contracts. For QatarEnergies, this poses a major obstacle as several buyers are waiting to get their contracted LNG shipments reinstated.

Risk-averse Asian buyers will think twice before entering new long-term offtake agreements for LNG sourced from the Persian Gulf, be it Qatar or the United Arab Emirates (UAE). ■

Continued from page 1

ate critical equipment and undermine ‘fair pay.’ The union's official demand is a 3% pay increase, but industry association AREEA says their broader claims — including allowances, bonuses, promotions — would increase labour costs by 50-60%, pushing average salaries beyond AS$500,000.

If the strike goes ahead, it would include a prohibition on loading LNG and condensate cargoes — effectively shutting down export operations at the terminal. Industrial action leaves Japan most vulnerable, given the country’s heavy reliance on contracted Australian supply.

Around 70% of the output from the 9.3 mtpa Ichthys liquefaction facility in Darwin is sold to Japanese offtakers, notably JERA, Kansai Electric, Kyushu Electric, Osaka Gas, Toho Gas, and Tokyo Gas. ■

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Fifth Qatari cargo exits Hormuz, bound for China

A fifth Qatari LNG cargo, aboard the *Al Daayen,* has transited the Strait of Hormuz bound for China where it is expected to arrive on July 6, ship tracking data shows. Yet the cargo could change destination last minute, mirroring four China-bound US LNG cargoes that were diverted to South Korea and Japan instead.

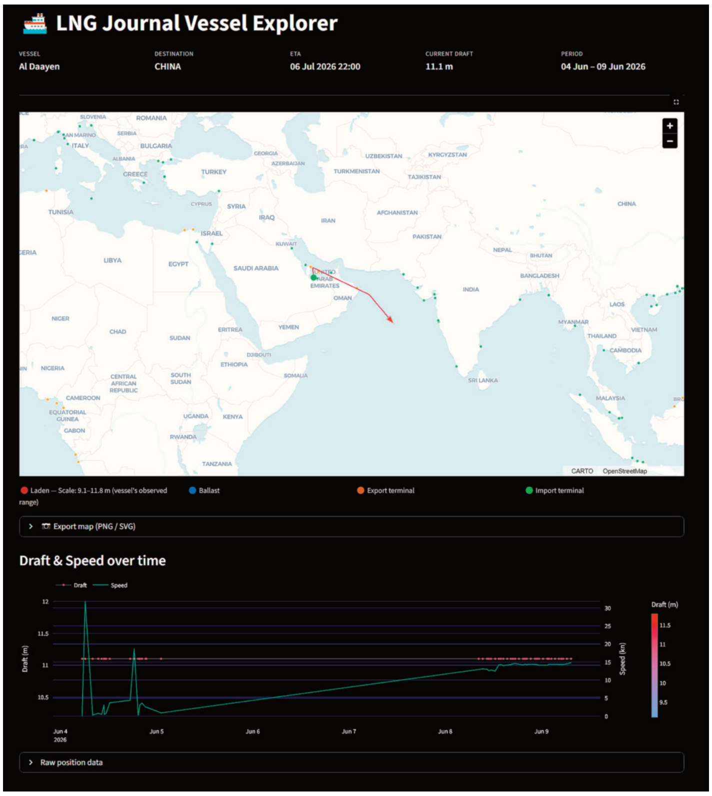
China's Tianjin regasification terminal has repeatedly been used as a placeholder for cargoes from the Persian Gulf – even though Chinese buyers are reluctant to import LNG at current high prices. The *Al Sahla,* for instance, has been widely reported as headed for China, yet the LNG tanker aborted its Hormuz transit and instead delivered its cargo to Al Zour in Kuwait.

The *Al Daayen's* successful Hormuz transit brings the number of loaded LNG vessels to have exited the critical waterway to nine, marking a modest but meaningful progress after nearly three months of severe disruption to Persian Gulf shipping. The vessel went dark on June 5, sailed through Hormuz, and reappeared on AIS shipping data on June 8.

Prior to the outbreak of the U.S.-Israel military conflict with Iran on February 28, the Strait of Hormuz routinely handled 125 to 140 daily passages – roughly one-fifth of the world's oil and LNG supply. Since the conflict erupted, however, traffic has collapsed by more than 95%, with recent averages falling to around 10 vessels per day.

Ship-tracking data indicates 279 ships have passed through the strait and 22 have been attacked since the war began, underlining continued security risks.

Approximately 20,000 seafarers stay stranded on hundreds of ships in the Persian Gulf as shipping resumes at severely reduced levels. Market participants expect normal traffic to resume only after diplomatic tensions ease or security guarantees are strengthened for vessels passing through the contentious waterway. ■



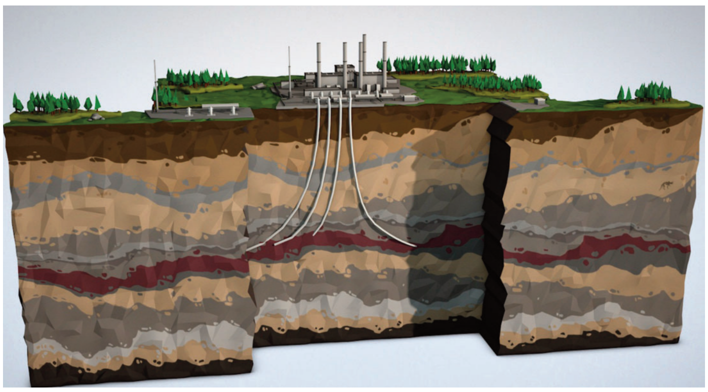
Europe struggles to attract LNG to refill storages

As Asian netbacks for delivered LNG cargoes outbid European prices, buyers are struggling to attract sufficient volumes to offset a looming storage shortfall. An additional 40 cargoes per month would be needed over the next five months, according to ICIS calculations, though economists doubt this is achievable.

Atlantic basin cargoes – both from West Africa and the United States – have increasingly been diverted east as the Japan Korea Marker (JKM) outstrips European benchmarks at the UK's NBP and the Dutch TTF hub.

"Those are the two main flexible pools available to Europe, and both are currently pointing the wrong way," energy economist Helder Faria Rubo said. The additional 40 cargoes per month, identified by ICIS as necessary for storage refill would, in his view, only be achievable at a TTF price level sufficiently high to alters the Atlantic arbitrage.

West African cargoes would first need to be drawn into Europe – if successful, US swing supply would likely follow. Otherwise, Europe risks entering the autumn and winter with a protracted storage shortfall of at least 20 billion cubic metres (bcm).



Rehden storage in Germany, capable to hold 3.9 bcm of working gas

Asia absorbs extra US volumes

Supply growth is increasingly dominated by North American volumes, with an additional 100 million cubic metres per day (mcm/d) of LNG exported from Canada and the U.S., compared with last year. However, in the absence of Qatari supplies much of these extra volumes are absorbed by Asian buyers.

"Europe will compete when it has to, not before - and mid-August is when that moment arrives if nothing changes," Norwegian energy portfolio manager Pau Caille said.

European gas prices are still cheaper for Q4-26 and Q1-27, compared to Q3-26, meaning the market is "not providing a good summer-winter spread for storage operators," he explained.

Awaiting return of Qatari LNG

If shipments through the Strait of Hormuz resume, competition between Asia and Europe for Atlantic cargoes would tone down. "Should Qatari exports return to meaningful levels in the next 2-3 months, that the 100 mcm/d of incremental North American volumes may find its way to European buyers rather than Asian buyers," Caille commented.

Over time, Europe is expected to re-emerge as the natural destination for cargoes from the US Gulf Coast. If trade flows normalize ahead of August, buyers will have a chance to achieve the EU's 90 percent gas storage target by November 1. ■

India's spot LNG purchases surges 300%

India's power-sector LNG buying stays high into June as utilities scramble to offset missing term cargoes. None of India's 16 GW gas-grid connected powergen capacity received contracted Qatari LNG cargoes in April and May, amid widespread heatwaves. Provisional June data indicate the shortfall persisted, keeping spot procurement at unusually high levels.

Electric utilities purchased 4,467,850 MMBtu of LNG on the spot market in April-May, up 336% year-on-year and more than double 2024 volumes, Central Electricity Authority (CEA) data showed.

Spot LNG is primarily used to run peaking plants dispatched during evening demand surges.

The Indian Gas Exchange (IGX) said sales to power generators reached 4.5 trillion Btu between April 1 and May 26, nearly 350% higher than a year earlier, with trading activity remaining firm into June.

Average IGX prices rose to about Rs 1,770 per MMBtu ($18.55/MMBtu) in April-May, up roughly 64% year-on-year, reflecting stronger demand and disruptions to Qatari term LNG deliveries. Market participants said June prices stayed elevated as utilities continued to compete for limited spot cargoes.

Gas, including LNG, accounts for about 2% of India's power mix, far below coal. Of the roughly 20 GW of installed gas-fired capacity, less than half was operational this summer due to fuel shortages, forcing utilities to rely more heavily on spot purchases.

Chhara LNG terminal in India

UAE cargoes come to rescue

Abu Dhabi National Oil Company (ADNOC) has moved to deepen energy ties with India, agreeing to supply additional crude and LNG while advancing plans for strategic LNG and LPG storage in the country to bolster energy security.

India aims to raise natural gas's share in its energy mix to 15% by 2030. ADNOC Gas has committed to expanding its footprint in India and other Asian growth markets, having already signed LNG deals and agreements worth over $20 billion with Indian buyers, making India its largest LNG customer. ■

Uniper signs tentative 2 mtpa offtake from Ksi Lisims LNG

German utility Uniper has signed a preliminary LNG offtake agreement for 2 mtpa from Canada's proposed Ksi Lisims project, as developers target an FID on the 12 mtpa floating liquefaction facility by the end of this year.

The letter of intent, signed by Uniper, comes just weeks after Uniper's German peer SEFE secured a similar offtake from Ksi Lisims. In May, SEFE announced a Heads of Agreement for 1 mtpa of LNG for up to 20 years, also with deliveries expected by the early 2030s.

Binding sales and purchase agreements (SPAs) with Uniper and SEFE would get the project closer to its required minimum offtake for securing debt finance. Lenders require 70-80 percent contracted volumes for the C$9.9-11.8 billion Capex project, per industry standards.

So far, the Ksi Lisims FLNG project secured sales for about one-third of capacity: Shell Eastern Trading and TotalEnergies committed to offtake 2 mtpa each under two separate 20-year free-on-board SPAs.

Developed at a cost of $25-30 billion, Ksi Lisims FLNG received federal and provincial environmental approvals in September 2025 and an LNG facility permit from British Columbia, with construction targeted to begin by 2027.

The facility is backed by the Nisga'a Nation, Western LNG, and Rockies LNG Partners, and is positioned to export lower-carbon LNG to markets in the Pacific Basin, targeting primarily Asian customers. ■

Proposed site of Ksi Lisims LNG project

Asia's seaborne coal imports up 75 Mt on Qatari LNG squeeze

Suspension of nearly 10.2 mtpa of Qatari LNG supply to Asia is forcing utility buyers to switch to coal, with an additional 150 million tonnes of consumption projected through 2030, roughly half of which in 2026 alone. The driver is a supply gap, not green policies, RystadEnergy said, anticipating an LNG shortfall of 35 million tons (Mt) this year.

Force majeure at Qatar's Ras Laffan complex removed close to 10.2 mtpa of LNG supply to Asia, with the partial shutdown expected to extend through late summer. The supply squeeze made the Japan Korea Marker (JKM) jump near three-year highs, discouraging some demand and leaving an estimated 35 mtpa supply gap in 2026 that the region cannot easily replace.

Coal increasingly comes to rescue, with roughly 90 terawatt-hours (TWh) shifting directly to coal-fired power generation. Rystad analysts anticipate coal consumption in Asia to rise by close to 70 million tonnes in 2026 if gas markets stay tight, with existing coal-fired power fleets running at higher utilization rates. Seaborne coal shipments to Northeast and Southeast Asia has risen sharply as gas output retreats.

"What we are seeing is not a coal comeback but a reality check for APAC's energy transition. LNG price volatility has shifted costs without reversing the move toward cleaner energy and thermal coal prices have responded to that tightness with cautious buying, stockpiling and a geopolitical risk premium rather than any structural change," said Rystad's coal analyst Tonmit Talukdar. ■

ECA LNG Phase 1 starts production

Sempra Infrastructure's ECA LNG Phase 1 liquefaction project located at Ensenada, Mexico, has started producing LNG, the Sempra subsidiary confirmed. This forms part of the commissioning process before commercial operations start.

"This achievement reflects the dedication of the entire ECA LNG Phase 1 team and their unwavering commitment to the highest standards of successful project development," Justin Bird, Sempra Infrastructure CEO said. "The production of first LNG marks a significant milestone on the path to full operations expected in the coming months, enabling the delivery of reliable and secure energy from North America's Pacific Coast to global markets."

Sempra's ECA LNG receiving terminal

With its location on Mexico's Pacific Coast, the plant will enable the supply of US natural gas to Asia and other Pacific Basin markets through the shortest shipping route, reducing transit times and transportation costs and providing customers with greater access to competitively priced US natural gas, Sempra claimed.

ECA LNG Phase 1 is being developed as a joint venture with TotalEnergies and consists of a single liquefaction train with a nameplate capacity of 3.25 million tonnes per annum of LNG.

The project is backed by long-term sales and purchase agreements (SPAs) with TotalEnergies and Mitsui & Co and it is expected to reach substantial completion this summer with sales under long-term SPAs commencing shortly thereafter, when the facility begins commercial operations.

A Phase 2 is also under development at the same site. ■

Eskom agrees LNG offtake for Richards Bay power project

Eskom has entered an LNG supply agreement with Zululand Energy Terminal (ZET) to underpin its planned 3,000 MW gas-to-power project in Richards Bay, South Africa. The deal will make Eskom a "foundation customer" at the proposed regas terminal, which will offer open-access LNG imports.

ZET is being developed by a joint venture linked to Vopak Terminal Durban and Transnet Pipelines, under a 25-year operating framework with South Africa's Transnet National Ports Authority (TNPA).

According to Vopak, Phase-1 is designed provide about 2 million tonnes per annum (mtpa) of capacity, with potential expansionto 5 mtpa. Send-out capacity of roughly 600 million cubic feet per day (mmcf/d), serving planned gas-to-power demand and industrial users.

Start of commercial operation is targeted by 2028, based on a Floating Storage Unit (FSU) and an onshore regasification system.

Set to bring billion Rand ($420 million) of investment to the Port of Richards Bay and serve as a strategic gateway for LNG imports, TNPA chief executive Phyllis Difeto said. This development aligns with South Africa's broader energy strategy to introduce at least 6,000 MW of gas-fired power capacity, driven by Eskom and independent power producers in KwaZulu-Natal.

Vopak-led Zululand Energy Terminal

South Africa has struggled with power shortages, and the Richards Bay project forms part of a broader efforts to add flexible generation to the grid. The regasification terminal is meant to support the development of at least 6,000 MW of gas-fired power projects — like the 3,000 GW Richards Bay gas-to-power project, designed to run for 25 years as a mid-merit plant.

Beyond Richards Bay, TNPA is also seeking to attract LNG developers and private sector investors to Saldanha in the Western Cape and Ngqura in the Eastern Cape, strengthening South Africa's commitment to expand dispatchable generation. ■

TotalEnergies ordered to sell Arctic LNG 2 stake

Russian President Vladimir Putin has issued a presidential decree demanding that French energy giant, TotalEnergies sells a 10% stake in the Arctic LNG 2 project to a company set up last month called NordLine.

TotalEnergies had previously written down the value of its interest in Arctic LNG 2 after the project was sanctioned, due to Russia's war in Ukraine. The French majora has constantly claimed that it had not taken any revenue from the project.

The order will allow the transfer of TotalEnergies' direct holding in the NOVATEK-operated LNG project, one of Russia's flagship Arctic gas ventures.

Novatek, which owns 60% of Arctic LNG 2, last month created NordLine as a wholly owned subsidiary. However, no details have been revealed thus far.

TotalEnergies was among the few major Western energy companies that retained stakes in Russian projects after the invasion of Ukraine.While a number of foreign investors have exited Russia since then, government approvals for the sale of significant assets have become relatively rare in recent years, sources said. ■

Ice-class tanker berths at Novatek's Arctic LNG 2 terminal

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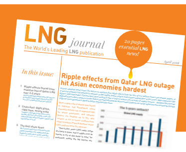

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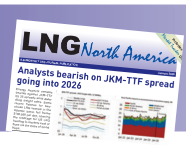

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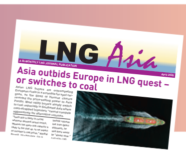

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