Gas Market Report, Q3-2026

INTERNATIONAL ENERGY AGENCY

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Abstract

The Middle East conflict has profoundly distorted the global natural gas market. It has put pressure on global gas balances, which had been gradually easing, while the damage to regional liquefied natural gas (LNG) export facilities has altered the medium-term outlook. Although flows of LNG cargoes through the Strait of Hormuz have been on the rise since the United States and Iran reached an interim peace agreement in June, they remain well below pre-conflict levels. The timeline for a full resumption of traffic through the waterway is subject to significant uncertainty.

The latest edition of the quarterly *Gas Market Report* explores what these dynamics and other international trends mean for natural gas supply, demand, shipping and prices. It provides a comprehensive review of developments during the first half of 2026 and a market forecast for the full year. There is also a special focus on the impacts of the Middle East conflict on global and regional gas markets.

This year's energy crisis highlights once again the need to further strengthen the architecture of global gas supply security. The International Energy Agency (IEA) continues to support these efforts, including through its Working Party on Natural Gas and Sustainable Gases Security (GWP).

In Memoriam

The IEA wishes to extend its heartfelt condolences to the families and loved ones of the people who tragically lost their lives in the explosion at the Barzan gas supply facility in Qatar on 21 June 2026 and in the helicopter crash at Ras Tanura in Saudi Arabia on 28 June 2026.

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Executive summary

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Global natural gas demand is expected to decline in 2026 amid tighter supply fundamentals

The Middle East crisis has dealt a major supply shock to global natural gas markets. The gradual easing in market balances that had been underway since the second half of 2025 was significantly disrupted by the de facto closure of the Strait of Hormuz following the outbreak of the war in the Middle East at the end of February 2026. The disruption of liquefied natural gas (LNG) flows through the Strait – which had accounted for almost 20% of global LNG supply – resulted in strong price volatility.

The interim agreement reached between the United States and Iran in mid-June aims to provide a framework for a full reopening of the Strait of Hormuz and to lay the foundations for a lasting peace. At the same time, significant uncertainties remain over the resumption of normal trade flows.

The transit of LNG carriers has been on the rise since the announcement of the agreement, yet volumes are only at a fraction of pre-conflict levels. This report's forecast assumes that the Strait fully reopens in the third quarter of 2026 and that operations at undamaged facilities in the region are fully restored by early in the fourth quarter, with LNG deliveries from Qatar and the United Arab Emirates ramping up progressively between July and October.

Strong growth in new LNG supply has partially offset the decline in Gulf deliveries through June

Gas supply from Middle Eastern producers has plunged in 2026, but other suppliers have stepped up. Between March and June, LNG loadings from Qatar and the United Arab Emirates declined by 35 billion cubic metres (bcm) year-on-year. However, this steep decline was partly offset by higher LNG output from new projects in North America and Africa and the improved availability of feedgas supply from legacy producers in Africa, Asia and the Russian Federation (hereafter "Russia"). Non-Gulf LNG production grew by almost 18% (or around 27 bcm) year-on-year during this period, offsetting around three-quarters of the decline in Gulf LNG deliveries during this period. Altogether, global LNG production fell by 4% (or 8 bcm year-on-year) from March to June.

To help fill gaps, exporters have adopted measures aimed at boosting LNG supply. In March, the US government authorized the Plaquemines LNG plant to increase its exports by 13% (or 4.6 bcm/year) to both free trade and non-free trade agreement countries. The Elba Island LNG plant was authorized in early April to increase its exports by 22% (or 0.8 bcm) to non-free trade agreement countries. Australia and Singapore also issued a Joint Statement on Economic Resilience and Essential Supplies in early April to support the flow of essential goods, including LNG.

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Natural gas prices in Asia and Europe have moderated from their March highs but remain well above 2025 levels

Spot prices in Asia and Europe reacted swiftly to the supply disruption caused by the effective closure of the Strait of Hormuz. In March, they reached their highest monthly averages since January 2023 (during the 2022-2023 gas supply crisis). While prices softened in the second quarter of 2026, they remained well above 2025 levels. European price benchmark TTF and Asia's Platts JKM both recorded their highest second-quarter averages since 2022, with TTF rising by 32% year-over-year to an average of near USD 16 per million British thermal units (MBtu) and spot LNG prices in Asia increasing by 45% year-on-year to an average of USD 17.5/MBtu. The spread between JKM and TTF prices flipped from a premium in Europe of USD 0.9/MBtu in January and February to a premium in Asia averaging USD 2.1/MBtu from March to June, which encouraged the diversion of flexible LNG cargoes from Europe to Asian markets.

The announcement of the interim agreement in June and the prospect of a full reopening of the Strait of Hormuz put downward pressure on prices in these regions, with TTF month-ahead and Platts JKM declining by 6% and 12%, respectively, between 15 and 26 June.

Global gas demand contracted in the first half of 2026

As consumption fell in key LNG import markets amid high spot prices, global gas demand declined in the first six months of 2026. In the Middle East, the disruption caused to the region's gas-intensive industries is weighing on local natural gas consumption.

Preliminary data suggest this contraction was partly driven by a decline in natural gas demand in Asia, which is estimated to have fallen by 0.5% (or almost 5 bcm) compared with the same period in 2025. Since the beginning of March, the disruption of LNG flows via the Strait of Hormuz prompted the adoption of demand-side measures and fuel-switching policies across Asian markets which, together with higher prices, weighed on the region's gas consumption. The People's Republic of China [hereafter China]'s natural gas demand fell by an estimated 4% year-over-year in the March-June period. Together with stronger domestic gas production in China, this drove down Chinese LNG imports by 12% (or 3 bcm) compared with the same period in 2025 and helped to balance the global gas market. In OECD Europe, natural gas consumption fell by around 0.5% (or less than 1 bcm) in the first half of 2026. This decline was largely driven by lower gas use in the power sector amid stronger output from renewable sources.

The Middle East conflict has had ripple effects across global fertiliser markets

The Middle East conflict has profoundly disrupted global fertiliser supply chains. The impact is twofold. First, exports of fertiliser from the Gulf have largely been halted since the start of the conflict. Second, the sharp increase in natural gas prices is weighing on the production rates in Asia and Europe of nitrogen-

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based fertilisers such as ammonia and urea for which natural gas is a feedstock. Similarly, reduced LNG availability has led to lower fertiliser production rates in certain Asian markets that typically rely on imports from the Middle East, including Bangladesh, India and Pakistan. A prolonged increase in fertiliser prices could further exacerbate pressure on agricultural systems and hurt the security of food supply in the world's most vulnerable regions, including in Africa.

Global LNG supply is forecast to remain broadly flat in 2026

Despite the sharp loss of LNG exports from the Gulf, strong supply from other producing regions is expected to keep global LNG supply largely unchanged for the full year. Based on the assumptions of the forecast, annual LNG supply from Qatar and the United Arab Emirates combined is set to fall by about 45% year-on-year (or 54 bcm) from 2025. However, as was the case between March and June, these losses are expected to be broadly offset by a very strong increase of LNG output from non-Gulf producers. New projects in North America, Africa and Australia are expected to add close to 50 bcm of supply to the global balance in 2026. In addition, legacy projects are expected to contribute more than 10 bcm of extra supply amid improving feedgas availability. As a result, LNG trade globally is expected to remain broadly flat year-on-year in 2026, although any delays in the recovery of Gulf exports risk tipping the global market into its first annual decline in supply since 2012.

Global gas demand in 2026 is expected to decline for the third time this decade

Global gas demand is expected to fall by around 0.5% (or 20 bcm) in 2026, the third annual decline this decade following previous decreases in 2020 and 2022. **The impact of the conflict varies across regions.** In the **Middle East**, where local gas production and processing facilities have been damaged and the output of gas-intensive industries such as fertiliser production has decreased, gas demand is projected to contract by around 4% in 2026 – the region's first annual decline in consumption since 1993.

In Asia, natural gas demand is forecast to decline by 0.5% in 2026 as higher LNG prices spur gas-to-coal switching in the power sector and lead to lower operating rates across gas- and energy-intensive industries. In Europe**,** a combination of strong growth in power output from renewables and higher natural gas prices is expected to reduce gas demand by more than 2% in 2026.

The conflict is set to have a limited impact on gas demand in regions with no or limited reliance on LNG imports. In Africa, gas demand is projected to remain broadly flat, while in Central and South America, it is set to rise by 3% as lower hydropower output results in stronger gas use in the power sector. Gas demand in North America is forecast to marginally decline after relatively mild weather in the first quarter reduced gas use in buildings. In contrast, natural gas demand in Eurasia is expected to expand by nearly 3% in 2026 following colder winter temperatures in the first quarter.

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New investments in LNG liquefaction capacity set to bring additional supply capacity in the medium term

The easing effects of the unfolding wave of global LNG supply on markets are set to be delayed. Cumulative LNG supply losses between 2026 and 2030 are estimated at 140 bcm when considering the combined effect of near-term supply disruptions and the medium-term implications of damage to gas infrastructure – including the Ras Laffan site in Qatar, which is the world's largest liquefaction facility. The losses resulting from the Middle East conflict are equivalent to 15% of the amount of new LNG supply that is set to be added globally over the 2026-2030 period. The impact on supply growth is set to be largely concentrated in 2026 and 2027, which means markets could remain tighter than had been previously expected over the next two years.

Recently approved LNG projects will add to global supplies later this decade. Since the beginning of March, three major planned LNG liquefaction projects – all located in the United States – reached a final investment decision. The decision on the CP2 Phase 2 liquefaction project is set to increase the overall peak production capacity of the CP2 project to 40 bcm per year when commercial operations begin in the second half of 2030. Delfin LNG's first floating LNG vessel (6 bcm per year) is set to start production in 2030, as is the Commonwealth LNG project (13 bcm per year). These new LNG export projects can contribute to enhancing gas supply security and affordability.

Closer dialogue between producers and consumers can strengthen global gas supply security

Strengthening the architecture of global gas supply security requires closer international cooperation, including between producers and consumers. The International Energy Agency supports this dialogue through its Gas Working Party and the LNG Producer-Consumer Conference, organised jointly with Japan's Ministry of Economy, Trade and Industry.

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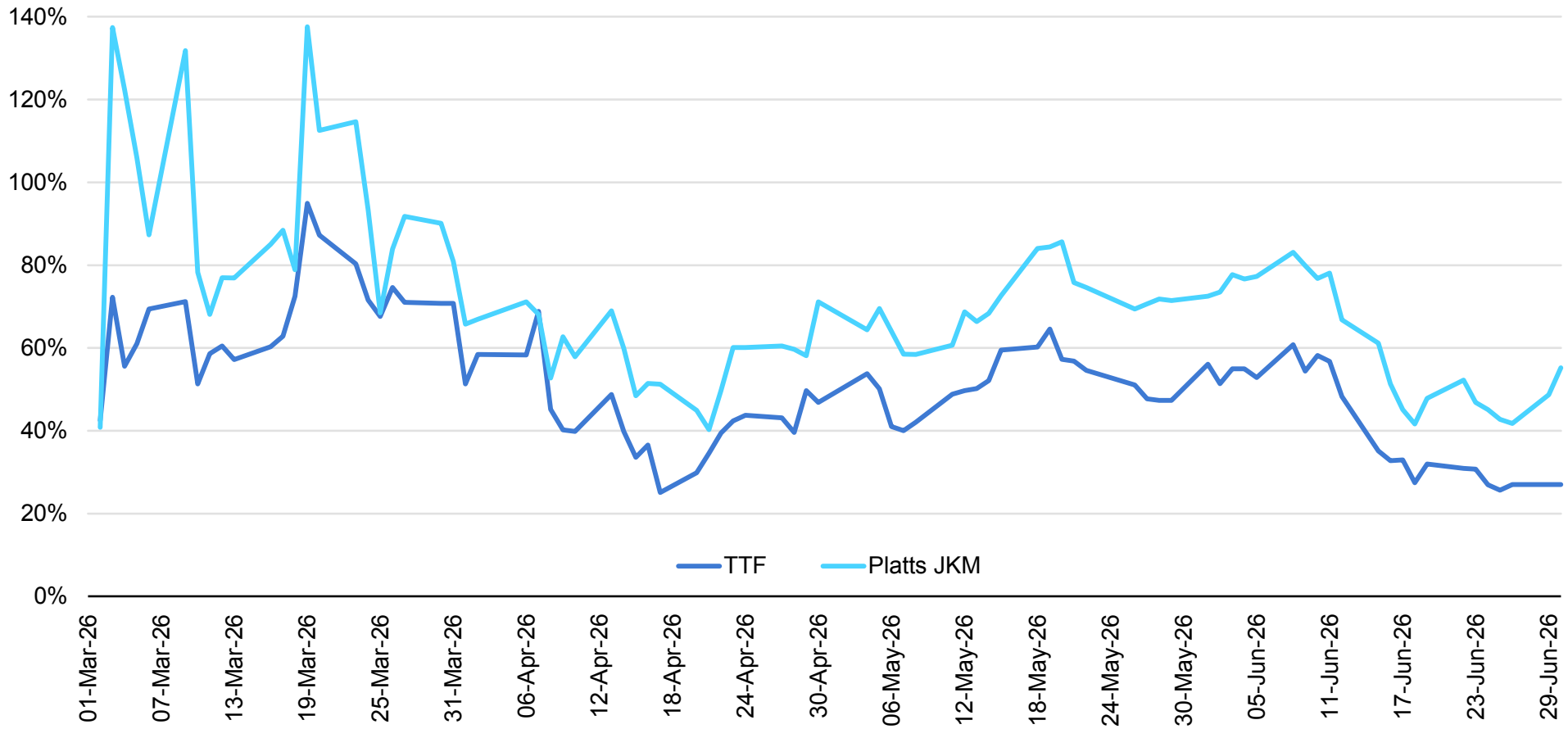
Asian and European natural gas prices have moderated since March

Percentage change in TTF month-ahead and Platts JKM prices compared with 27 February 2026, March-June 2026



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Sources: IEA analysis based on CME (2026), Dutch TTF Natural Gas; S&P Global (2026), Platts Connect.

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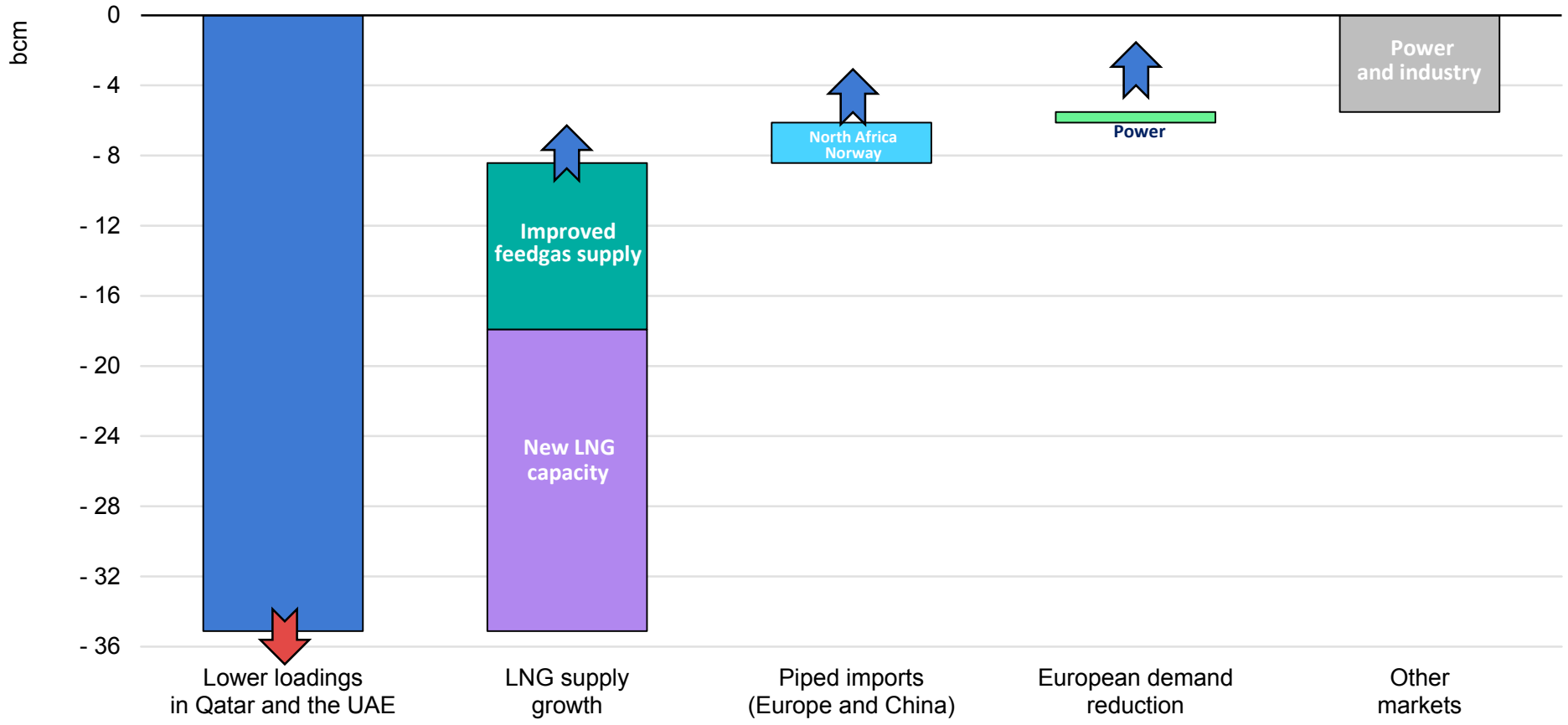
The decline in Gulf LNG exports was partly offset by strong production growth in other regions

Selected supply and demand factors influencing price formation since the closure of the Strait of Hormuz



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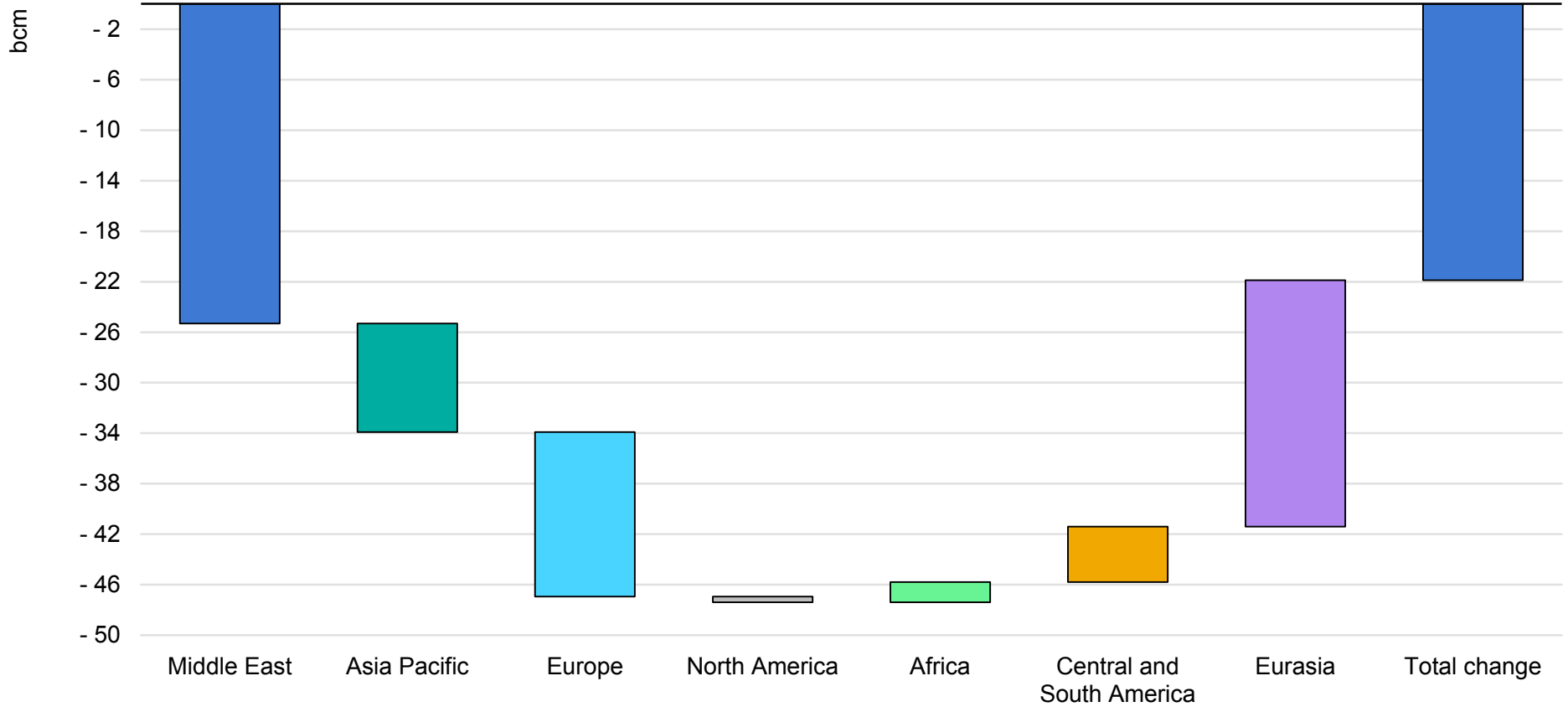
The Middle East and Asia are expected to drive down global gas demand in 2026

Year-on-year change in natural gas demand across key markets, 2026 vs 2025



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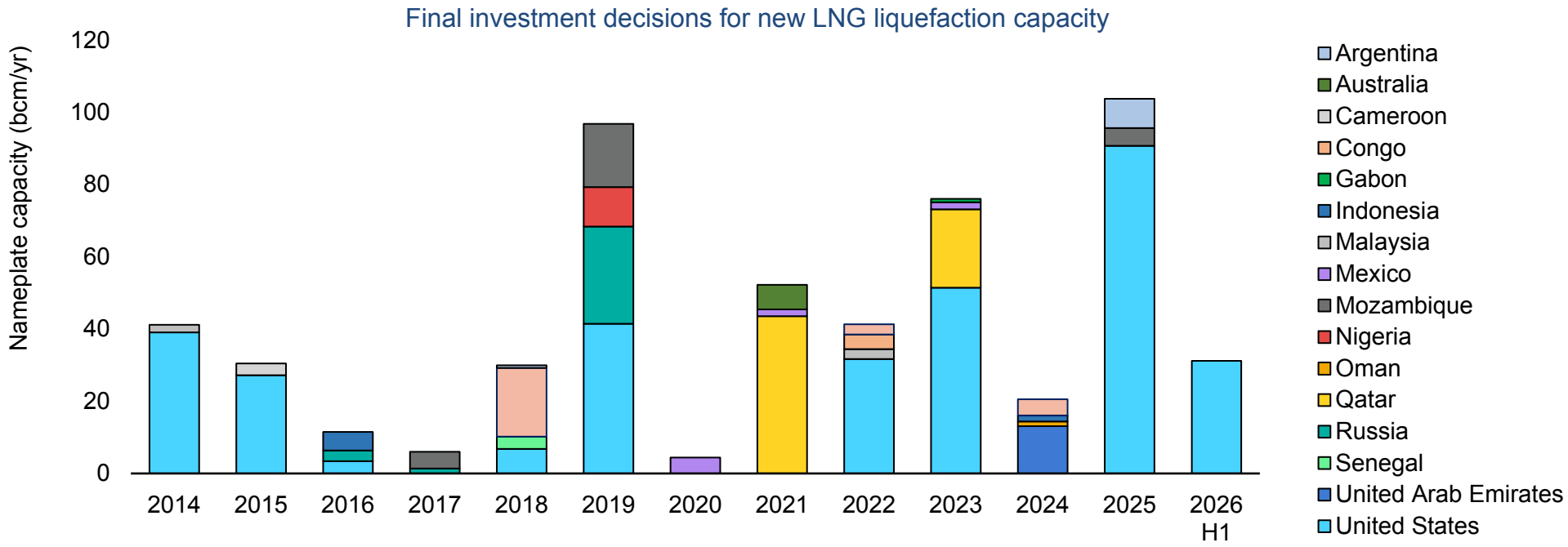
New investments in LNG liquefaction capacity will bring additional supply in the medium term



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Sources: IEA (2026), Global LNG Capacity Tracker.

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Gas market update

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Tight supply fundamentals drove down global gas demand in H1 2026

Global gas demand growth moved into negative territory in H1 2026. The disruption of LNG flows via the Strait of Hormuz tightened the global gas balance, drove up gas prices in key import markets and weighed on natural gas consumption. In the Middle East, the disruption caused to the region's gas-intensive industries is weighing on local natural gas consumption.

The interruption of LNG shipments through the Strait of Hormuz increased pressure on the global gas balance. LNG trade grew by around 1% (or 2.5 bcm) y-o-y in H1 2026 as the strong growth of 12% (or 12 bcm) y-o-y in January-February was not entirely offset by the 5% (or 9.5 bcm) decline recorded in the March-June period, when LNG loadings from Qatar and the United Arab Emirates fell by 35 bcm y-o-y. Around three-quarters of the decline in this period was offset by strong production growth in other regions, supported by new capacity additions in the United States, Canada and Africa.

Tighter supply fundamentals drove up Asian and European natural gas prices by 45% and 32% y-o-y during the March-June period, respectively. This strong increase was accompanied by more pronounced price volatility, reflecting the uncertainty caused by the loss of almost 20% of global LNG supply. The rapid change in market conditions prompted the optimisation of positions and drove up trading volumes to a new time high on Europe's TTF in March.

The duration of the Strait of Hormuz disruption remains highly uncertain. This forecast assumes that the reopening of the Strait takes place in Q3 2026, with a progressive ramp-up of Qatari and UAE LNG deliveries until full operations by the start of Q4 2026. Under these assumptions, global LNG trade would remain broadly flat in 2026, although any delays in the recovery of Gulf supply could risk pushing the global market to its first annual decline since 2012.

Global gas demand is expected to fall by around 0.5% (or 20 bcm) in 2026, marking its third annual decline this decade. Natural gas consumption in the **Middle East** is projected to contract by around 4%, representing the region's first annual decline since 1993. Damage caused to local production and processing facilities, as well as reduced associated gas output, is weighing on the region's natural gas demand. In **Asia,** natural gas demand is projected to decline by 0.5% in 2026 as higher LNG prices support gas-to-coal switching in the power sector, while also leading to reduced operating rates across gas- and energy-intensive industries. In **Europe** strong growth in renewables power output, together with higher gas prices, is expected to reduce gas demand by more than 2% for the year as a whole. In **Africa** gas demand is projected to remain broadly flat, while increasing by almost 3% in **Central and South America** as lower hydro power output is expected to support stronger gas burn in the power sector. Gas demand in **North America** is forecast to decline marginally following a relatively mild Q1, which reduced gas use in buildings. In contrast, natural gas demand in **Eurasia** is projected to expand by nearly 3% in 2026, following a cold Q1.

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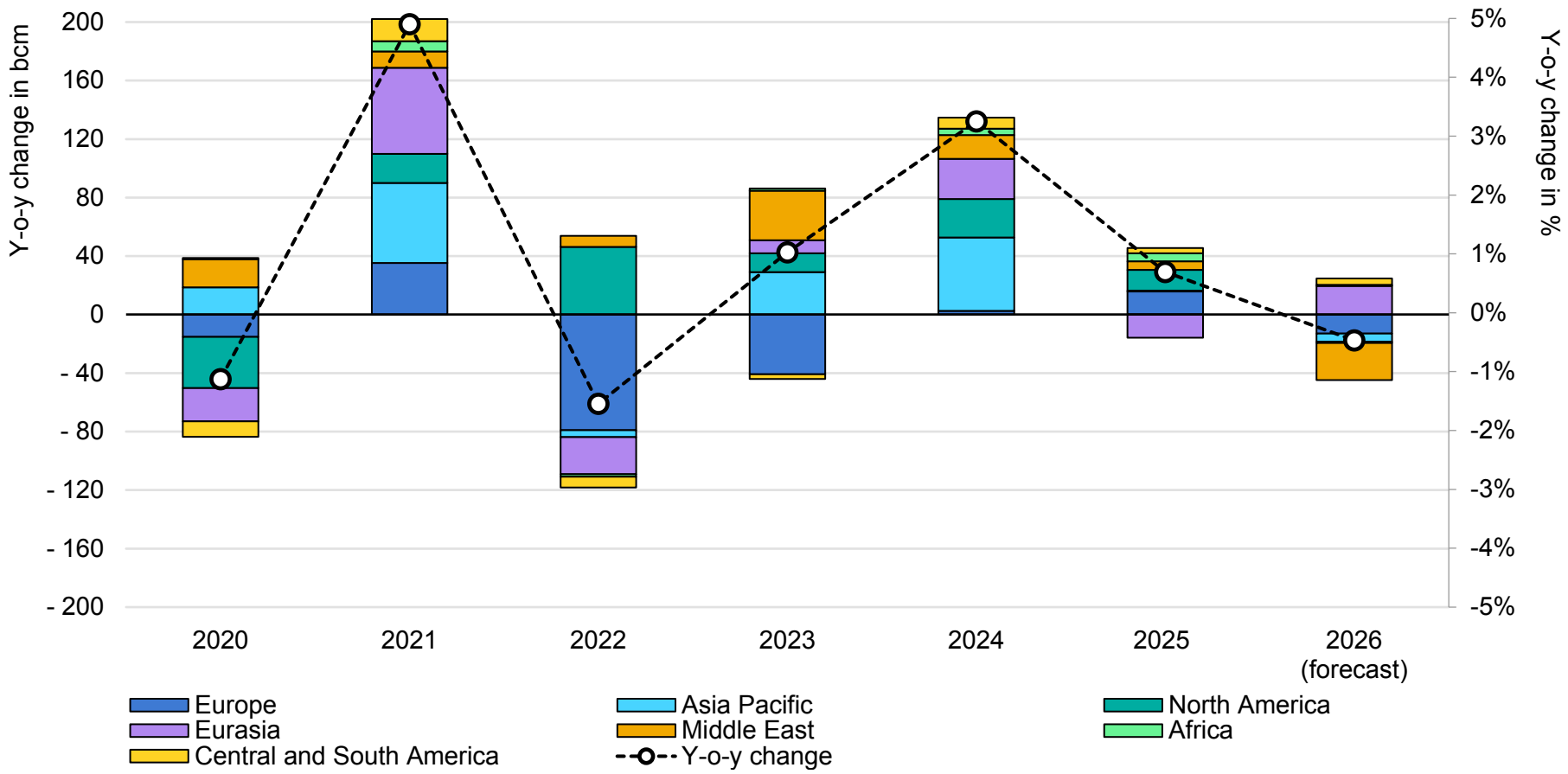
Global gas demand is expected to decline by 0.5% in 2026

Year-on-year change in natural gas demand in selected regions



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Tight LNG supply fundamentals put upward pressure on Asian and European gas prices in Q2

The closure of the Strait of Hormuz drove up both Asian spot LNG and European hub prices in March 2026 to their highest levels since the 2022/23 energy crisis. While prices softened throughout Q2, they remain well above last year's levels. In the United States, strong production growth provided downward pressure on prices.

In **Europe**, TTF spot prices rose by 32% y-o-y to an average close to USD 16/MBtu in Q2 2026 – their highest Q2 levels since 2022. The steep decline in LNG inflows (down by more than 10%) provided strong upward pressure on natural gas prices. The market uncertainty created by the sudden loss of almost 20% of global LNG supply supported strong short-term price variability. The volatility on TTF month-ahead prices surged to near 170% in March 2026. Short-term price variability softened during Q2 compared with the first month of the conflict, albeit remaining elevated. TTF month-ahead price volatility averaged just above 70% in Q2 2026, standing 23% above its ten-year average. Seasonal price spreads on TTF averaged EUR -1.3/MWh in Q2 2026 (with winter contracts trading at a discount to spot prices), which reduced the commercial incentive for underground storage filling.

In **Asia**, Platts JKM prices followed a similar trajectory. Asian spot LNG prices rose by close to 45% y-o-y to an average of USD 17.5/MBtu, their highest Q2 levels since 2022. The disruption to LNG flows via the Strait of Hormuz together with weaker Australian LNG deliveries provided upward pressure on Asian spot LNG prices. The volatility on JKM soared to close to 300% in March. Similarly to TTF, short-term variability softened to 60% during Q2 2026, standing 33% above its ten-year average. The **spread between JKM and TTF prices** flipped from a European premium of USD 0.9/MBtu during January-February to an Asian premium averaging USD 2.1/MBtu since March. This supported a diversion of flexible LNG cargoes from Europe to Asian markets, which are being more directly affected by the closure of the Strait of Hormuz. **Oil-indexed LNG prices** oscillated in an estimated range of USD 11-13/MBtu, averaging around 10% above their Q2 2025 levels. The impact of higher oil prices is expected to become more pronounced in H2 2026, as oil prices filter through the gas contract price formulae with a typical lag of five to six months.

In the **United States**, Henry Hub prices fell by 7.5% y-o-y to an average USD 2.95/MBtu in Q2 2026. Strong production growth together with healthy inventory levels provided downward pressure on natural gas prices.

Forward curves as of the end of June suggest that European gas prices could gain 20% in 2026 compared with the previous year and average just below USD 15/MBtu. In Asia, JKM prices could increase by almost 30% to an average close to USD 16/MBtu. In contrast, forward curves suggest that Henry Hub prices could stay close to their last year's levels and average just above USD 3.5/MBtu in 2026.

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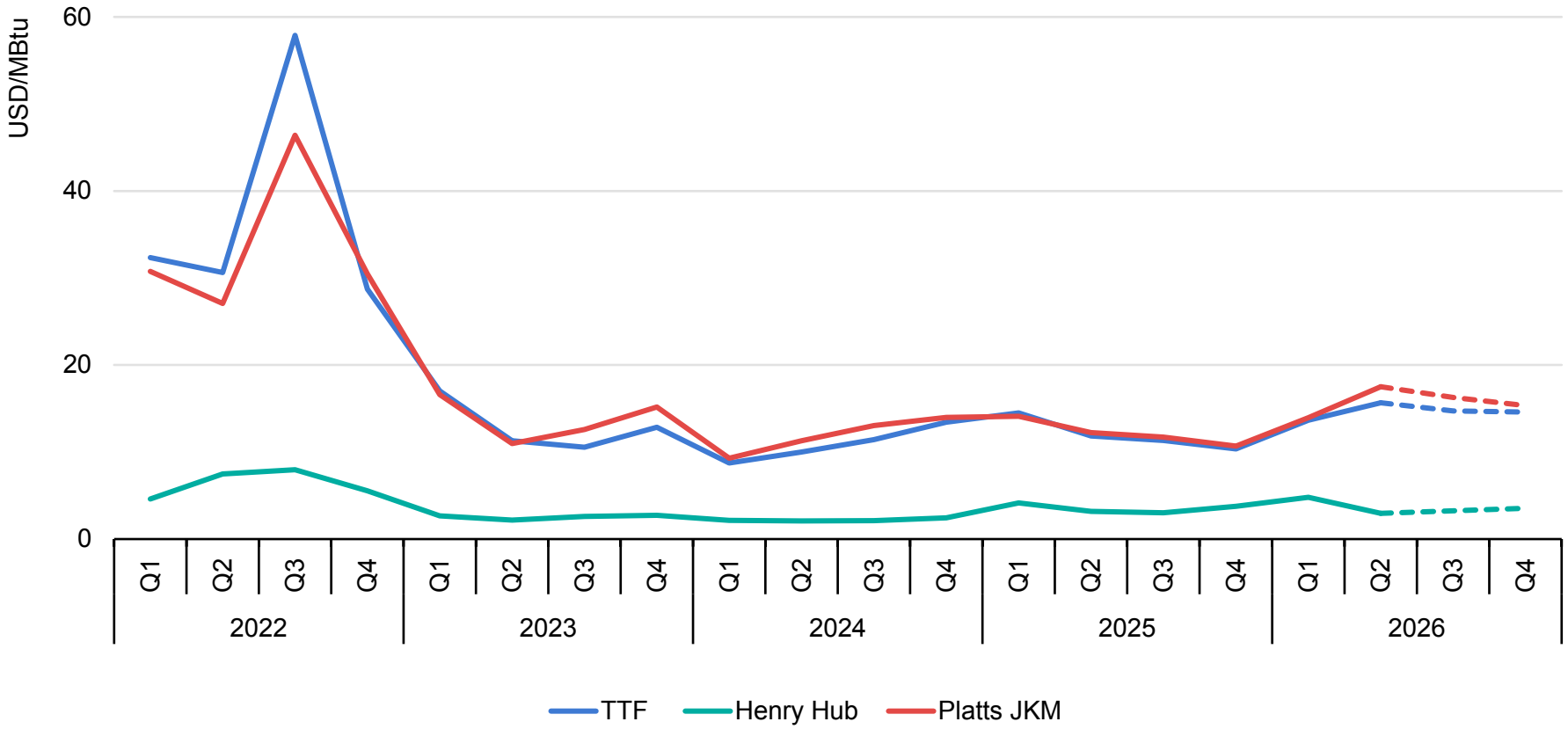
Asian and European gas prices in Q2 2026 averaged at their highest Q2 levels since 2022

Main spot and forward natural gas prices, 2022-2026



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Note: Future prices are based on forward curves as at the end of December and do not represent a price forecast.

Sources: IEA analysis based on CME Group (2026), Henry Hub Natural Gas Futures Quotes, Dutch TTF Natural Gas Month Futures Settlements, LNG Japan/Korea Marker (Platts) Futures Settlements; EIA (2026), Henry Hub Natural Gas Spot Price; Powernext (2026), Spot Market Data; S&P Global (2026), Platts Connect.

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The Middle East conflict is weighing on global fertiliser supply

The Middle East conflict is having ripple effects on global fertiliser markets, with nitrogenous and phosphorus macronutritients being the most affected. **The impact is twofold**: the supply of fertilisers from the Gulf has largely been halted since the start of the conflict and the consequent closure of the Strait of Hormuz, while the sharp increase in natural gas prices is weighing on production rates of nitrogenous fertilisers (such as ammonia and urea) in key LNG import markets, both in Asia and Europe. The increase in fertiliser prices may place additional pressure on agricultural systems and further weaken food supply security in the most vulnerable regions, including Africa.

The Middle East is a major fertiliser producer and the Strait of Hormuz is a vital route for fertiliser products. The Persian Gulf accounts for around 50% of global seaborne sulphur, 25% of global seaborne urea and 18% of global seaborne ammonia liftings. The halt of these deliveries led to a sharp increase in fertiliser prices. **Urea prices** more than doubled during the March-May 2026 period compared with last year, to an average of near USD 800/tonne – their highest level since the 2022 gas supply shock. Similarly, **sulphur prices** surged more than fivefold to around USD 900/tonne. Sulphur is required to produce phosphate – one of the key macronutritients. High sulphur prices are eroding the economics of phosphate production, driving margins into negative territory for many producers.

The disruption of LNG flows via the Strait of Hormuz tightened the global gas balance and drove up Asian and European natural gas prices by 32% and 45% y-o-y during the March-June period, respectively. Natural gas typically accounts for 70% to 80% of the operating costs of producing ammonia and urea. Hence, the increase in natural gas prices **provided additional upward pressure on the price of nitrogenous fertilisers**, especially in markets reliant on LNG imports.

Reduced LNG availability led to lower fertiliser production rates in certain Asian markets with high exposure to Middle Eastern LNG. In **Bangladesh**, five of the six major urea fertiliser factories opted to shut in early March, although by the beginning of May three factories returned to full-capacity operations. In **Pakistan**, the steep decline in LNG inflows (down by over 70% y-o-y during the period between March and June) drove down urea production by 15% y-o-y during the March-April period. In **India**, the government issued the Natural Gas (Supply Regulation) Order at the beginning of March. Under the order, fertiliser manufacturing plants are allocated around 95% of their gas average consumption. Nonetheless, India's gas deliveries to the fertiliser sector fell by 15% y-o-y during March and April. The impact of tighter fertiliser supply on the agricultural sector may be further exacerbated by the El Niño weather phenomenon, which is often associated with droughts.

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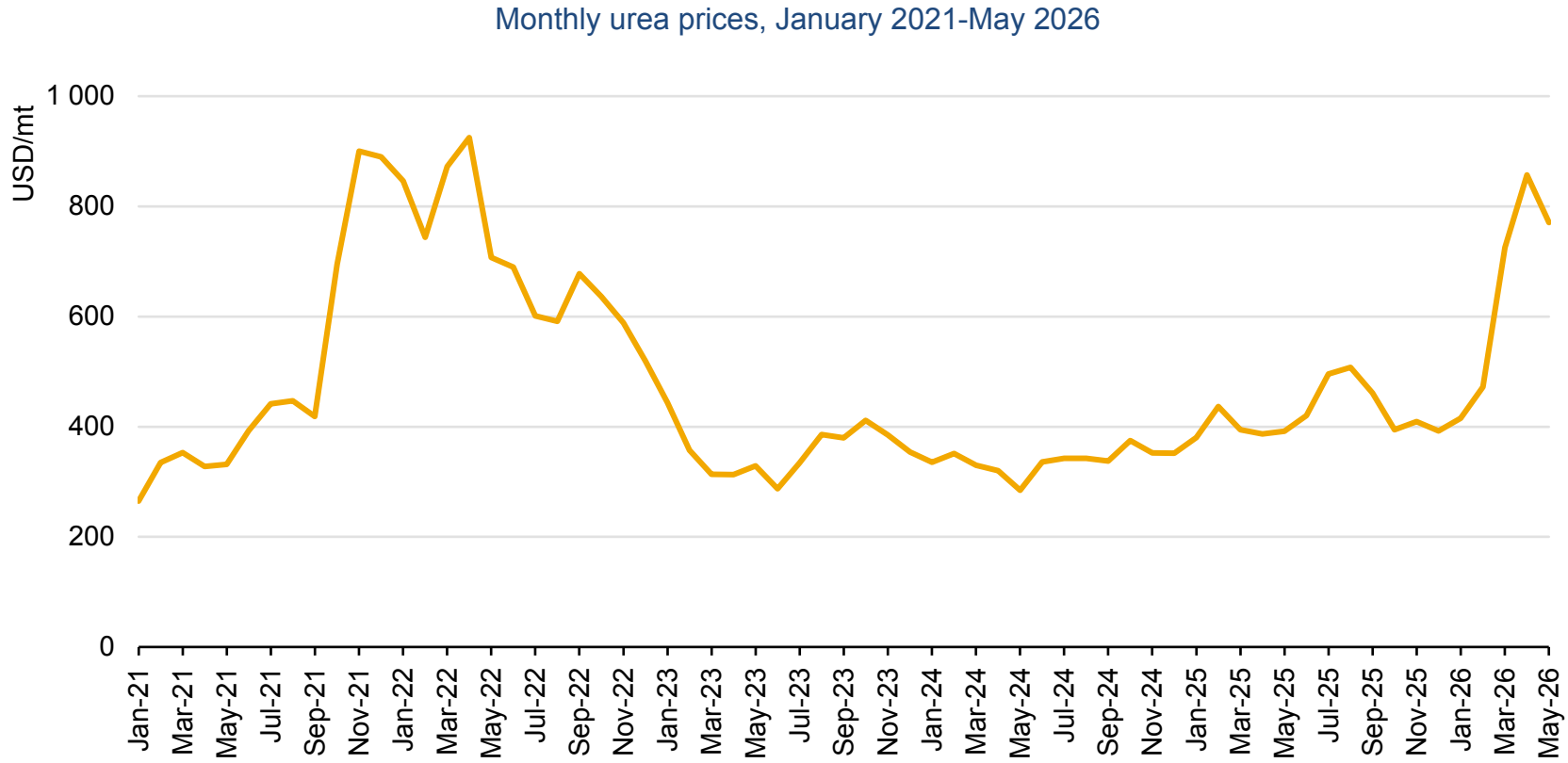
Urea prices soared to their highest level since the 2022 gas supply shock



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Sources: IEA analysis based on World Bank (2026), Pink Sheet data.

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LNG trade on the rise y-o-y in H1 2026 despite opposing supply forces – but only marginally

LNG trade grew by about 2.5 bcm (or 1%) y-o-y in the first half of 2026. Four months of closure of the Strait of Hormuz drastically reduced the amount of net incremental LNG that reached the market compared with expectations. Still, new liquefaction projects in North America and Africa, as well as some key legacy projects globally, were enough to keep the balance in positive territory over this period.

On the import side, competition for limited incremental cargoes remained high from March onward, leading to fluctuating dynamics throughout the first half of the year. After a strong first quarter, European LNG imports plunged y-o-y in the second quarter of 2026. While Asian imports recorded the most immediate decrease from the start of the supply shock, they returned to monthly y-o-y growth by June. However, a prolonged supply shock would continue to progressively tighten the global LNG balance, heightening competition for cargoes and extending the prospect of weaker imports across both the Atlantic and Pacific basins.

Both new and legacy liquefaction projects help keep the LNG market afloat

Discounting the impact from the Strait of Hormuz supply shock, global LNG supply would have been expected to grow by close to 40 bcm (or about 14%) y-o-y in the first half of 2026. New liquefaction projects, concentrated in North America and Africa, brought nearly 25 bcm of incremental delivered LNG y-o-y to the market over this period. Plaquemines LNG in the United States was the single largest contributing project, accompanied by the Corpus Christi Stage 3 expansion and Golden Pass LNG (which exported its first cargo in late April). Along with the ramp-up of LNG Canada, these projects helped increase North American LNG supply by about 21 bcm (or 29%) y-o-y.

Tortue FLNG off the coast of Senegal and Mauritania and the Nguya FLNG in Congo contributed a combined 2 bcm of incremental supply, as the former started its first full year of operations and the latter began exporting in early 2026.

Beyond new projects, legacy liquefaction plants also played a significant role in bringing extra volumes to market. Following a heavy maintenance schedule at the Bintulu complex in 2025, loadings from Malaysia were up by about 4 bcm (or 22%) y-o-y. Norwegian loadings also recovered from about six months of underperformance in 2025 due to both planned and unplanned outages at its Hammerfest LNG plant, adding about 1.5 bcm y-o-y to the global supply in the first half of 2026.

Russia and Nigeria also provided significant upside in this period. Arctic LNG 2 and Portovaya LNG, two western-sanctioned plants in Russia, loaded cargoes consistently through the first half of 2026, often delivering them to China’s Beihai terminal following intermediate ship-to-ship transfers. Together, these two projects delivered around 1.5 bcm of incremental LNG in this period.

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Deliveries from Nigeria grew by about 3.5 bcm (or 35%) y-o-y over the same period to reach their highest levels since *force majeure* was declared at the NLNG plant in 2022. While the status of the *force majeure* remains uncertain, the greater prioritisation of feedgas for export is likely to have been key in boosting exports.

In total, incremental exports from these legacy projects and others reached about 13 bcm y-o-y, while the downside from existing plants around the globe remained relatively minor.

Flows through the Strait of Hormuz remain disrupted, but some cargoes still make their way to the market

Since March, the Strait of Hormuz has been largely closed to LNG traffic, reducing delivered volumes from the region by about 32 bcm compared with the first half of 2025. A limited number of cargoes from both Qatar and the United Arab Emirates have managed to exit the Persian Gulf as vessels have turned to deactivating their positioning signal as they approach the Strait, reactivating it once they have cleared it. From May to June, about 20 delivered LNG cargoes are understood to have had recourse to this practice. (All cargoes delivered outside the Gulf in March and April had loaded and exited the Gulf prior to its closure.) In June, around ten ballast vessels are understood to have come back into the Persian Gulf amid rising ship traffic through the Strait.

Meanwhile, Qatar continued to deliver cargoes within the Gulf to Kuwait, although at lower levels than last year. Thanks to these limited volumes still reaching the market from inside the Gulf, and to robust LNG exports from Oman, the monthly y-o-y decline in Middle East supply softened in both May and June to 8.7 bcm and 8 bcm, respectively, after having peaked in April at 9.6 bcm.

An extended supply shock starts to weigh on imports across both the Atlantic and Pacific basins

With monthly LNG supply growth turning negative y-o-y from March to June, almost all LNG importing regions saw their intake fall y-o-y over that period. Asian imports in March, April and May faced a strong downturn year-on-year (on average 7% or 2.2 bcm per month) acting as the largest balancing factor in response to the supply shock in these months. By June, however, monthly Asian LNG imports had returned to growth, reflecting a stronger call for cargoes than in Europe.

Still, Asia remained the hardest-hit region in volumetric terms over the first half of 2026. Within Asia, China was the largest single balancing market, reducing its imports by more than the net shift across the region, in effect leaving space for other individual Asian markets to grow their imports y-o-y. Still, by June, Chinese imports were again up y-o-y. Thailand, Viet Nam, Bangladesh, Chinese Taipei and India were among those markets that saw growth in the first half of the year, with both weather and structural factors behind the growth. Strong power demand and a cap on coal-fired electricity generation in Thailand boosted LNG purchasing for the power sector, for example. In India, despite a significant softening in gas demand, weak domestic gas production kept LNG imports up on the year. Other markets, however, saw a drop in their LNG imports, including

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Pakistan (47% y-o-y, or 2.4 bcm), Singapore (12% y-o-y, or 0.5 bcm) and Japan (nearly 2% y-o-y, or 0.7 bcm) over the first half of 2026.

European LNG imports remained flat y-o-y, increasingly reactive to a tightening global market. Cargo arrivals were down close to 10% y-o-y (or 5.5 bcm) in the March-June period, with the monthly deficit growing each month. Middle Eastern LNG imports fell by 45% y-o-y (or 2.7 bcm) in the first half of the year, given weak demand in importing markets.

Other importing regions, however, demonstrated very little impact from the Strait of Hormuz closure, maintaining y-o-y growth in LNG imports during the first half of the year. Africa's only importing country, Egypt, increased its deliveries by 165% y-o-y (or 5.5 bcm) as its domestic balance remained tight amid strong demand and historically low production. South American LNG imports were up year-on-year by about 8% (or 0.5 bcm), following a typical trajectory for this period.

Gulf LNG supply recovery keeps 2026 LNG trade flat

The duration of the Strait of Hormuz closure, as well as the conditions of its reopening, remain highly uncertain. However, for a full-year 2026 forecast, we make the working assumptions that the reopening of the Strait takes place in the third quarter of 2026, with a progressive ramp-up of Qatari and UAE LNG deliveries until full operations by the start of the fourth quarter. Under these assumptions, combined LNG supply from Qatar and the United Arab Emirates would fall by about 45% y-o-y (or 55 bcm). Global LNG trade would remain broadly flat in 2026, although any delays in the recovery of Gulf supply could risk pushing the global market to its first annual decline since 2012.

New projects in North America, Africa and Australia should continue to deliver supply upside, adding close to 50 bcm y-o-y to the global balance. A limited number of legacy projects are expected to add around 10 bcm y-o-y of combined extra supply in 2026, although downside from other projects outside the Persian Gulf is expected to soften the net impact.

Under these conditions, Asian LNG imports are expected to return to slight growth in 2026 while deliveries to Europe are expected to dip as demand remains muted amid softer gas market fundamentals.

Overall, competition for cargoes could remain high and any delay to the recovery of trade through the Strait of Hormuz would further tighten the market. While a soft European gas balance helped ease Atlantic Basin LNG demand, a late-season jump in storage injection needs – depending on the market's reaction to evolutions in the status of the Strait of Horluz – could increase the call on the LNG market. Likewise, the prospect of strong weather-related power demand in Asia also represents tightening risk to the LNG market.

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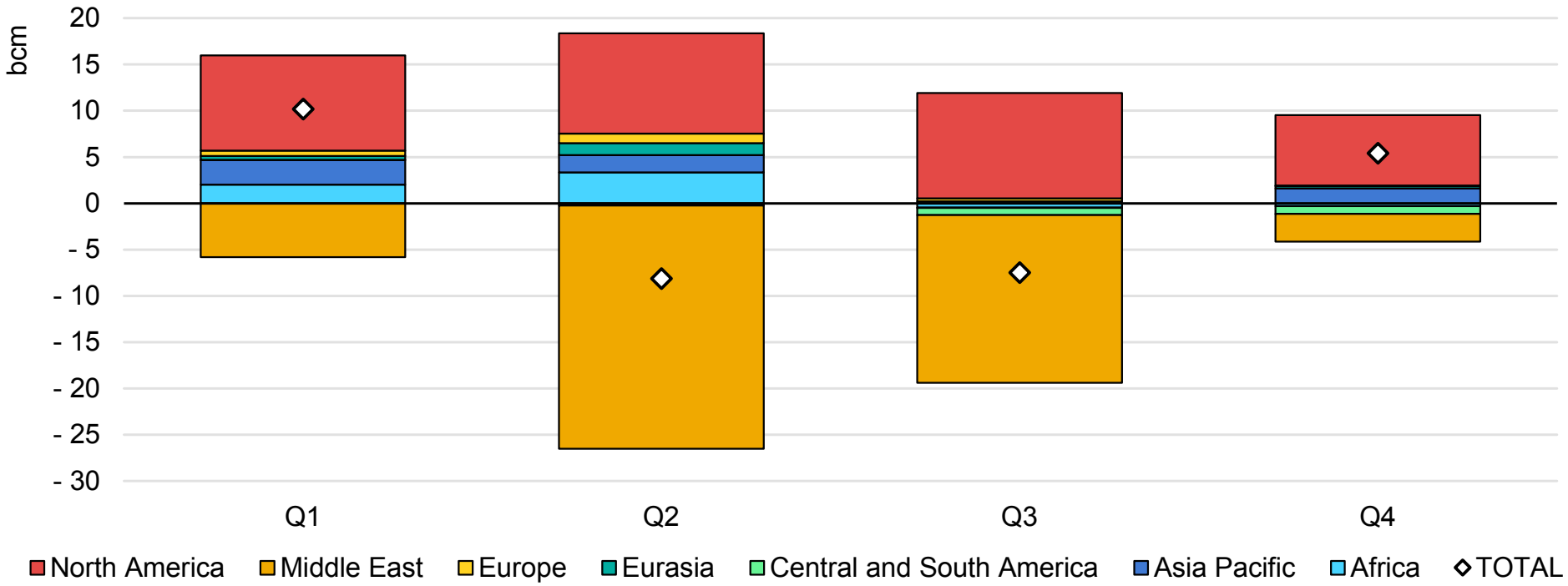
The global LNG balance is set to ease through the second half of 2026 as Gulf LNG recovers

Assumed year-on-year change in quarterly delivered LNG supply by region, 2026



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Sources: IEA analysis based on ICIS (2026), LNG Edge.

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Accelerating LNG carrier orders signal long-term demand expectations

LNG carrier orders have rebounded strongly since the beginning of 2026, signalling increasing confidence in medium-term shipping demand despite weak spot LNG shipping market fundamentals. Between January and the end of May 2026, approximately 47 vessel orders were placed globally, following a year of particularly strong contracting activity in 2025, when new orders totalled 61 vessels. This acceleration is closely linked to the expansion of LNG export projects, particularly in North America, where export capacity is expected to rise significantly towards around 340 bcm/yr by 2030. Given that LNG carriers typically require more than three years to build, developers are securing vessel orders well ahead of project start-up, amid increasing competition for limited shipyard capacity, with many yards already fully booked until early to mid-2029.

Newbuild prices remained elevated in May 2026 at around USD 250-254 million per vessel, typically about 1-2.5% higher than the indicative market price of USD 248-250 million reported for a standard LNG carrier in early 2026. This pricing reflects both strong ordering activity and tightening shipyard capacity. The global LNG carrier orderbook remains at historically high levels, with more than 400 vessels under construction, equivalent to roughly 45-50% of the existing fleet.

Competition between shipbuilding nations has intensified as order volumes have expanded. South Korea continues to lead the high-value LNG carrier segment, while Chinese shipyards have increased their presence, accounting for roughly 25-40% of LNG carrier orders in 2026, compared with less than 10% before 2022. This shift reflects cost competitiveness and improved technical capability, contributing to diversification of the supplier base.

Despite the strong momentum in ordering, current shipping fundamentals remain weak, reflecting a pronounced mismatch between fleet expansion and near-term LNG trade growth. The LNG carrier fleet is expanding rapidly, with around 90-100 vessels scheduled for delivery annually in 2026 and 2027, following similarly high additions in 2025. However, shipping capacity continues to expand faster than near-term LNG cargo volumes, as a large share of new liquefaction capacity will only come online and ramp up after 2027. As a result, fleet utilisation is expected to remain under pressure in the short term, limiting the durability of freight rate recovery. Nevertheless, the continued strength in vessel ordering points to a forward-looking investment cycle, with market participants positioning for tighter conditions later in the decade as LNG supply growth accelerates.

Recent geopolitical disruptions have added to market uncertainty, but ordering activity continues to be driven primarily by tight shipyard capacity and long-term demand expectations. The subsequent easing in freight rates highlights the dominant influence of rapid fleet expansion and weak market fundamentals.

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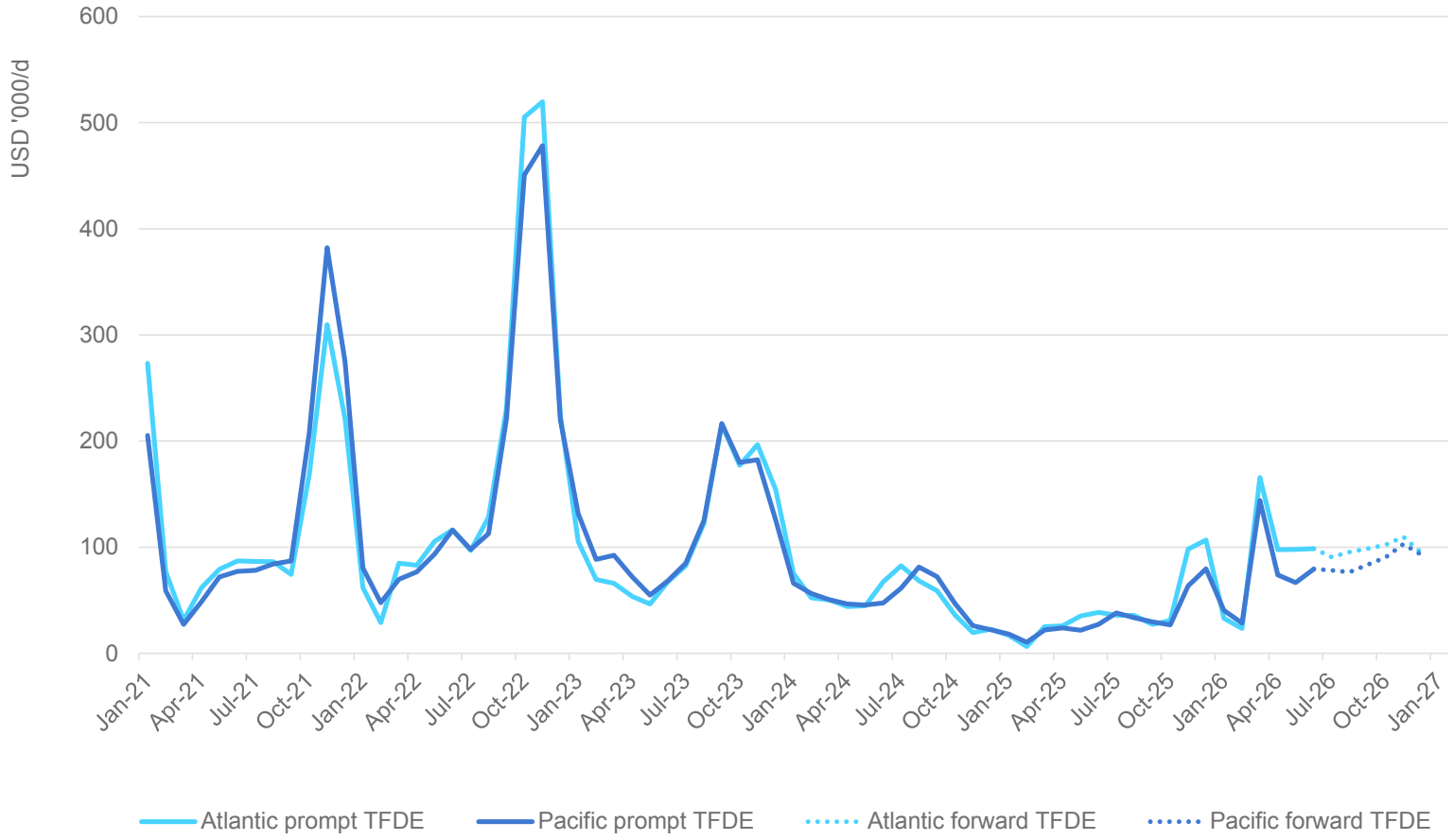
LNG freight rates spiked amid Middle East disruption before easing on rising fleet supply

Monthly average day rate for LNG carriers in Atlantic and Pacific Basins, January 2021-December 2026



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Note: TFDE = tri-fuel diesel electric vessel.
Source: IEA analysis based on Spark Commodities (2026), Freight data, as of 30 June 2026.

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Strong LNG exports support US dry natural gas production growth

US dry natural gas production realised year-on-year growth of 4.0% in the first half of 2026, continuing the momentum of 2025 and again reaching new record production. The commissioning of new LNG export terminals continues to increase feedgas requirements, driving demand-side dynamics and providing a growing pull on gas production in the year to date, a trend that is expected to extend through the second half of the year. With winter freeze-offs out of sight, infrastructure constraints have emerged as the overall brake on supply growth, particularly in the Permian and Appalachian basins.

Permian

The Permian Basin continues to provide the majority of incremental growth in US natural gas production, with output up by 6.5% y-o-y in the first half of 2026, a slight decrease from the second half of 2025, in which growth reached 9.3% y-o-y. As an associated gas basin, Permian gas supply benefited from a slight uptick in Permian crude oil production, where relatively strong crude prices have supported a modest rise in oil output. On the gas side, gas output has continued to increase strongly, reflecting rising gas-to-oil ratios in Permian wells. However, limited pipeline takeaway capacity continues to restrict the ability to evacuate associated gas, acting as a constraint on upstream activity. Persistently negative pricing at the Waha hub – which averaged about -2.10 USD/MBtu in the first half of 2026, compared with about 1.60 USD/MBtu over the same period last year – highlights the severity of these constraints.

New gas takeaway capacity is set to come online in the second half of 2026, with pipeline projects in the Permian accounting for the bulk of 2026 US gas pipeline additions. Key projects include the Blackcomb and Rio Bravo pipelines, which are set to expand flows from the Waha hub via Agua Dulce to the Gulf Coast, and the Hugh Brinson pipeline, which will move gas eastward from the Waha hub. Increased flows started in June 2026 via the Gulf Coast Express pipeline thanks to a significant compression upgrade. When fully complete, these projects will together add ~55 bcm per year of capacity, helping to ease current bottlenecks, although gas flows are likely to saturate the new capacity relatively quickly as Permian gas production remains on the rise in a chronically congested region.

Appalachian

Appalachian dry gas production remained broadly flat in the first part of the year, decreasing by 0.1% y-o-y in first half of 2026. With new capacity from the 2024 Mountain Valley pipeline expansion largely utilised, takeaway pipeline constraints have re-emerged in this basin, too, as the primary limitation on incremental supply growth. Drilling activity in the basin has softened, providing further evidence of constrained growth prospects, with rig count in Q2 down by around 7% relative to Q1, albeit remaining above the lows observed in 2024.

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Incremental capacity additions from smaller pipeline expansions and efficiency gains are likely to provide only limited relief, although additional in-basin demand, notably from gas-to-power and data centre development, could allow for slight production growth in the region.

Haynesville

Haynesville production increased by 9.6% y-o-y in the first half of 2026, extending the recovery in output that began in April 2025. Strong Henry Hub prices throughout 2025 supported production levels in a basin with relatively high operating costs. Growth in the first half of 2026 has nonetheless softened slightly compared with the final quarter of 2025 when Henry Hub prices averaged above USD 3.70/MBtu, compared with an average Henry Hub price of around USD 3.20/MBtu in the first half of 2026 (average price excluding the immediate period around Winter Storm Fern).

Trends in drilling activity further reinforce the positive outlook for production. Haynesville rig counts have risen consistently every quarter since the start of 2025, with the June 2026 level more than 20% higher than at the end of last year and nearly double the lows recorded in March 2025. While rig activity alone does not fully determine output – given the possibility of leaving wells drilled but uncompleted under unfavourable price conditions – it remains an important indicator of upstream dynamics. On the demand side, nearby LNG terminal development continues to create a pull on Haynesville gas supply.

LNG exports

The growth in feedgas volumes destined for LNG export terminals continues to be the most important demand-side pull on domestic natural gas production. US LNG loadings were up by 23% y-o-y in the first half of 2026, driven by the ramp-up of new terminals and strong utilisation across existing facilities. Including outages, utilisation rates at North American LNG export terminals averaged 104% over this period – the highest among all regions except those with Arctic facilities.

Looking ahead, additional LNG capacity is expected to reach the market or ramp up production in the second half of 2026, including Golden Pass LNG, Corpus Christi Stage 3 (trains 6 and 7) and Mexico's Energía Costa Azul, which uses pipeline gas from the United States.

Dry natural gas production outlook

We expect US dry gas production to grow by about 3% y-o-y in 2026 as positive momentum in both natural gas and oil market fundamentals helps maintain robust upstream activity. Despite expectations of a slight decline in domestic gas consumption, growing LNG exports provide a strong pull on the market, although any project outages or delays in liquefaction project ramp-up risk leading to a softening in fundamentals.

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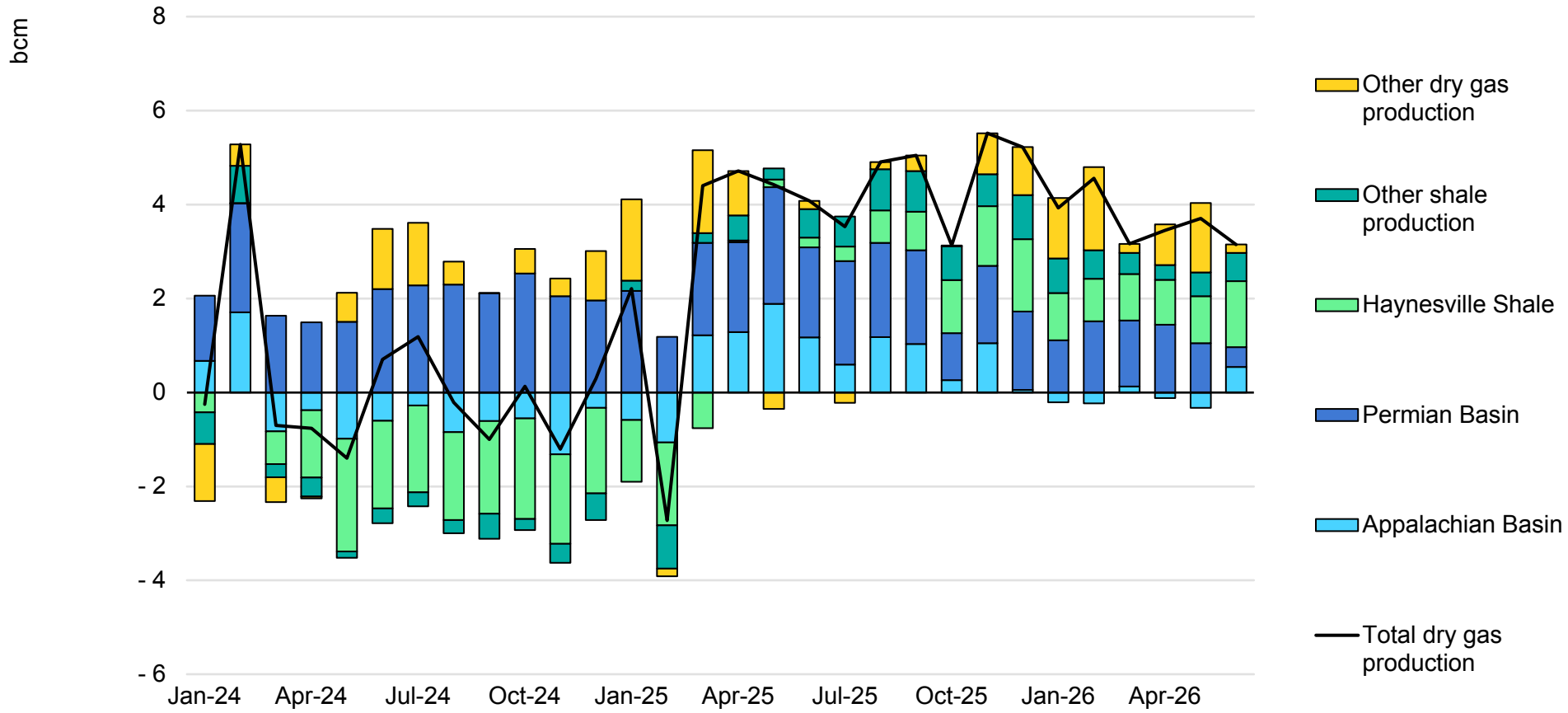
US dry gas production maintains growth despite regional offtake constraints

Year-on-year change in dry natural gas production by basin in the United States, 2024-2026



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Note: May and June 2026 include estimated data.

Source: IEA analysis based on Energy Information Administration (2026), Natural Gas.

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Eurasian gas production moved towards recovery in H1 2026…

Following a decline of 3% in 2025, Eurasia's natural gas output moved towards recovery in H1 2026, supported by weather-driven domestic demand growth. First data suggest that the region's natural gas output grew by almost 2.5% y-o-y in H1 2026, primarily driven by Russia. Stronger domestic demand together with higher LNG exports drove up natural gas production in Eurasia, albeit remaining 9% below its 2021 levels.

Russia's natural gas production declined by 3% (or 25 bcm) in 2025 amid weaker domestic demand and lower exports. Preliminary data indicate that this trend reversed in H1 2026. The country's natural gas output grew by over 4% (or 13 bcm) y-o-y in the first five months of 2026. This was largely supported by stronger deliveries to the domestic market, which increased by an estimated 4% y-o-y during this period. Colder winter temperatures in Q1 supported higher volumes both of natural gas supplied directly to buildings and gas-based district heating (up by almost 7% y-o-y in Q1).

Russia's piped gas exports to the European Union increased by 5% (or 0.4 bcm) y-o-y in H1 2026, while deliveries to Türkiye fell by 4% (or 0.4 bcm) y-o-y in the first five months of the year. Russia's gas exports to China via the Power of Siberia pipeline system are understood to have marginally increased compared with last year's levels. In addition, Russia continues to ramp up its piped supplies to Uzbekistan via Kazakhstan through the Central Asia-Centre pipeline system. Russia's piped gas deliveries to Uzbekistan are expected to increase from 7 bcm in 2025 to just over 10 bcm in 2026. Russia's LNG exports increased by around 8% (or 2 bcm) y-o-y in H1 2026. Growth was largely driven by stronger gas deliveries to European markets (up by 18% y-o-y). In the European Union, the REPowerEU regulation is taking effect, with short-term Russian LNG imports and piped gas imports banned from 25 April and 17 June, respectively. This is expected to weigh on Russian natural gas exports to the European Union in H2 2026.

Natural gas production displayed varying patterns across Central Asian countries. In Turkmenistan natural gas production remained broadly flat. In contrast, natural gas production in Uzbekistan declined by 14% (or 2.6 bcm) y-o-y in the first five months of 2026, reflecting the deteriorating upstream deliverability in the country. In Kazakhstan, estimated sales gas production fell by around 8% (or more than 1 bcm) y-o-y during the same period. In Azerbaijan sales gas production remained close to its last year's levels in the first five months of 2026, with the country's piped gas exports remaining broadly flat over the same period.

This forecast expects Eurasia's gas production to increase by 2% in 2026, albeit remaining 9% below its 2021 levels. Russia is projected to account for the bulk of growth in 2026, with higher gas production supported by a recovery in domestic demand.

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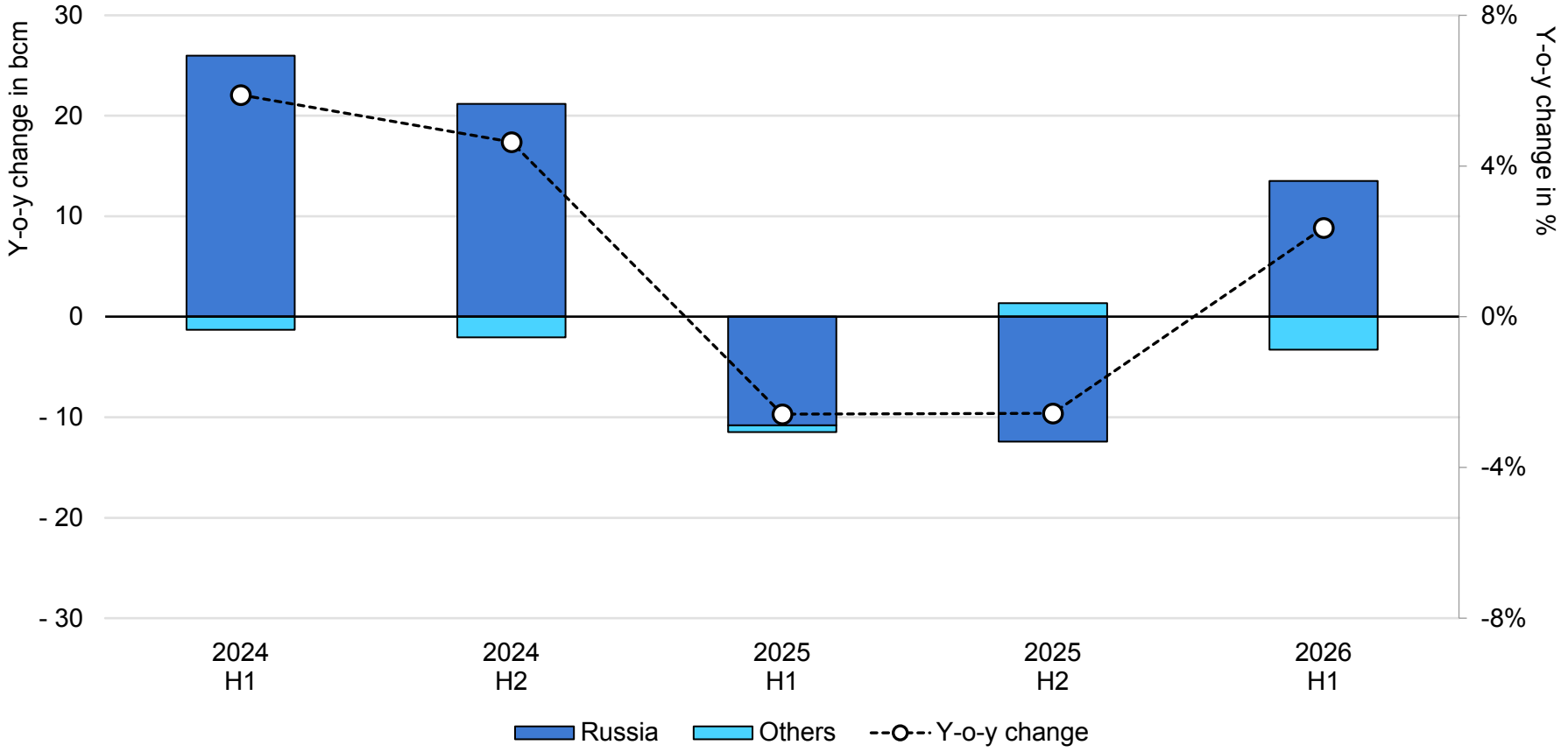
…supported by stronger gas output in Russia

Estimated year-on-year change in natural gas production in Eurasia, H1 2024-H1 2026



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Sources: IEA analysis based on national statistical offices and various news sources.

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Europe’s primary natural gas supply tightened in Q2 2026…

OECD Europe’s primary natural gas supply increased by an estimated 1% (or around 2 bcm) y-o-y in H1 2026. This growth was entirely concentrated in Q1, while lower LNG inflows together with a reduction in piped gas imports led to a decline in primary gas supply in the second quarter of the year.

Europe’s **LNG imports** remained broadly flat in H1 2026. In Q1, LNG inflows rose by around 10% (or almost 5.5 bcm) y-o-y to reach an all-time high of 55 bcm. This growth was entirely offset by the declines recorded in Q2, when European LNG imports plummeted by more than 10% (or 5 bcm) y-o-y. Reduced global LNG supply following the closure of the Strait of Hormuz led to stronger competition with Asia for flexible LNG cargoes. Asian spot LNG prices displayed a premium of USD 2.1/MBtu compared with European hub prices in Q2, which supported a diversion of LNG cargoes towards Asia (which was more directly affected by the disruption of LNG flows transiting the Strait of Hormuz). Despite this decline, LNG retained its position as Europe’s largest source of primary gas supply with a share of almost 39% in H1 2026. The United States alone accounted for over 60% of total LNG deliveries to Europe during this period. Russia was Europe’s second-largest LNG supplier, with a share of 14% of total LNG imports and with deliveries largely concentrated in Belgium, France and Spain. As per the REPowerEU regulation, short-term Russian LNG imports are banned from 25 April, which is expected to reduce LNG inflows from Russia in the second half of the year.

Norway’s piped gas deliveries to the rest of Europe grew by almost 2% (or 1 bcm) y-o-y in H1 2026. **Non-Norwegian domestic production** fell by 4.5% (or over 1 bcm) y-o-y in the first five months of 2026. Natural gas output in United Kingdom dropped by around 8% (or over 1 bcm) y-o-y and by almost 10% (or 0.75 bcm) y-o-y in the Netherlands. These declines were partially offset by strong production growth recorded in Denmark and Türkiye.

Russia’s piped gas supplies to the European Union grew by 5% (or 0.4 bcm) y-o-y in H1 2026. Russian exports to Türkiye fell by 4% (or 0.4 bcm) y-o-y in the first five months of 2026. The share of Russian piped gas in Europe’s gas demand stood at an estimated 8% in H1 2026. Piped gas supplies from **North Africa** grew by 5% (or 0.8 bcm) y-o-y, while gas exports from **Azerbaijan** to the European Union increased by 3% (or 0.2 bcm) y-o-y in H1 2026.

This **forecast** expects Europe’s LNG imports to decline by 4% in 2026 amid lower LNG availability and assuming that Qatari and UAE LNG production ramps up close tp full operations by the start of the fourth quarter. Russian piped flows are expected to marginally decline considering that under the REPowerEU regulation, short-term Russian piped gas imports are banned from 17 June. This is expected to reduce piped inflows from Russia in the second half of the year.

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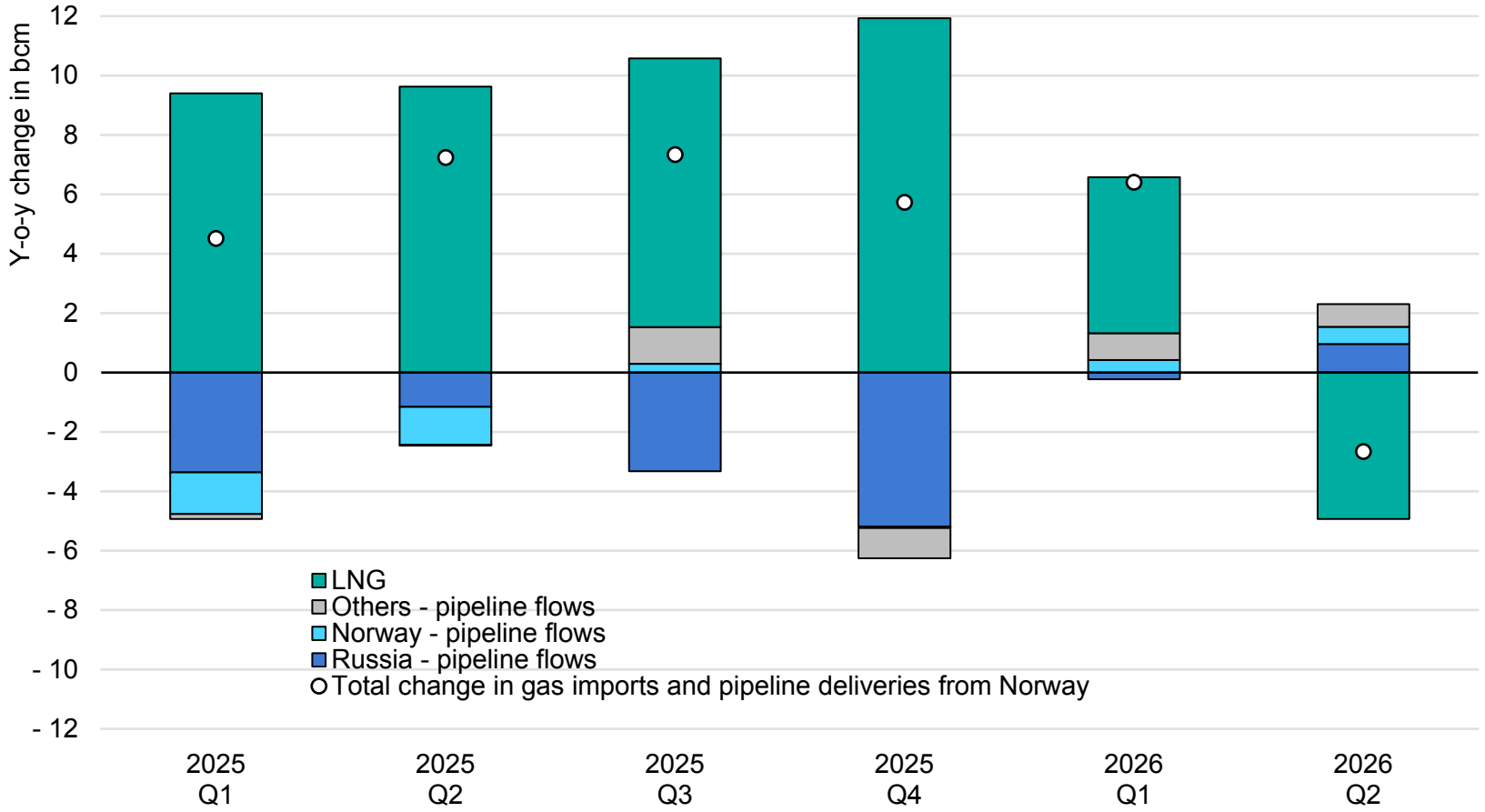
…amid the rapid decline in LNG inflows

Year-on-year change in quarterly European natural gas imports and deliveries from Norway, Q1 2025-Q2 2026



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Sources: IEA analysis based on ENTSOG (2026), Transparency Platform; Eurostat (2026), Energy Statistics; ICIS (2026), LNG Edge; JODI (2026), Gas World Database.

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Asia’s natural gas demand declined in H1 2026 amid tighter supply fundamentals

Preliminary data suggest that **natural gas demand growth in Asia turned into negative territory** in H1 2026 and declined by an estimated 1% (or almost 5 bcm) compared with the same period last year. The disruption of LNG flows via the Strait of Hormuz has prompted the adoption of demand-side measures and fuel-switching policies across Asian markets since the beginning of March, which together with higher prices, is naturally weighing on the region’s gas consumption.

After a relatively strong second half of 2025, **Chinese gas demand dynamics** slowed considerably in the first half of 2026 as a weather-driven bump faded and industrial recovery gave way to more tepid economic fundamentals. A January cold wave drove up heating requirements and export demand helped keep industrial activity and gas demand buoyant at the start of the year, leading to the highest ever monthly gas consumption in January (some 3% higher than the previous monthly peak in December 2023). However, against the backdrop of a tightening global LNG market and a jump in LNG prices, Chinese gas demand declined y-o-y in February and March, with both city gas and industrial demand easing. These were the first instances of demand decline since March 2025. Demand growth recovered by April – driven notably by industry and the city gas sector – but overall y-o-y growth for the first four months of the year remained well below rates seen during China’s demand recovery period in the second half of 2025.

On the supply side, LNG imports showed the most significant shift in response to the Chinese gas market rebalancing. From January to June, LNG imports fell by 5% y-o-y (or 4 bcm), with most of the downside occurring in the February-April period. LNG imports recovered in May and June as cargo reselling by Chinese market actors eased, but still remained below 2025 levels. Domestic production grew by only around 3% y-o-y in H1 2026, a markedly slower pace than the nearly 6% average for this period in recent years, as both conventional and unconventional production growth slowed. Imports by pipeline were slightly down as deliveries from Central Asia continued to slip, extending y-o-y losses from 2025. Looking ahead, domestic and international market dynamics are expected to keep Chinese natural gas demand broadly flat y-o-y. Slowing domestic production growth and little upside potential for pipeline imports mean that LNG imports will be key in balancing the Chinese market. However, sizeable gas-to-coal switching potential – particularly in the power sector – is also expected to ultimately weigh on full-year demand.

Japan’s natural gas demand declined by an estimated 1.5% during the first half of 2026. The main drivers behind this decline were reduced gas-fired power generation following the government-led increase in coal-fired power plant utilisation and the restart of the Kashiwazaki-Kariwa nuclear power plant. Japan's dependence on LNG imports from the Middle East is relatively low at around 6%, significantly below that of many other Asian countries. As a result,

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the overall impact of the Hormuz crisis on Japan's gas market is expected to be limited, with total natural gas demand for 2026 projected to decrease by around 5% year-on-year.

Korea's natural gas demand declined in the first half of 2026, mainly due to the impact of the Strait of Hormuz crisis. With around 20% dependence on Middle Eastern LNG, the country is relatively exposed, leading to a noticeable impact on its gas market. In response, the government advanced the restart of the Kori nuclear power plant in March 2025. However, in April, overlapping maintenance outages across several nuclear units significantly reduced nuclear output. To offset the shortfall, coal- and gas-fired power generation was increased. As a result, natural gas demand in the first half of 2026 grew by an estimated 2% year-on-year. Full-year natural gas demand in 2026 is projected to decrease by around 1% year-on-year as higher LNG import prices are expected to support gas-to-coal switching in the power sector.

Between January and April 2026, **India**'s natural gas demand declined by 4% y-o-y, reflecting strong price sensitivity across key consuming sectors. Demand trends diverged by end use. Fertiliser production recorded the largest absolute decline, falling by more than 0.4 bcm (or 7% y-o-y), despite its designation as critical to agricultural productivity and food security under the Natural Gas (Supply Regulation) Order 2026, issued by the Government of India in early March 2026, shortly after the de facto closure of the Strait of Hormuz. Petrochemical output also contracted sharply, by 21% y-o-y. By contrast, gas use in the residential and commercial sectors – mainly city gas distribution for compressed natural gas (CNG) in transport and piped natural gas (PNG) for households and small industry – increased by around 12% y-o-y. India formally revoked the emergency gas allocation and diversion measures introduced in March on 4 July 2026. India's domestic gas production remains on a declining trend, recording 22 consecutive months of year-on-year contraction since July 2024 and falling by 4% y-o-y in 2026. Against this backdrop, LNG imports totalled around 11 bcm over the period, up 1% y-o-y despite the Middle East supply disruption. Supply sources became more diversified in 2026: imports from Africa almost tripled compared with the same period in 2025, while deliveries from North America increased by 70% y-o-y, more than offsetting the 40% decline in imports from the Middle East. Monthly inflows were volatile, with strong deliveries in January, followed by declines in March (down 16% y-o-y) and April (down 7% y-o-y) amid the onset of the Middle East supply disruption, before rebounding in May (up 7% y-o-y). Overall, India's gas demand is forecast to decline by around 8% y-o-y in 2026.

First estimates indicate that **Emerging Asia**'s natural gas demand declined by 3% y-o-y in H1 2026 amid tighter LNG supply availability and relatively high natural gas prices. Demand-side measures and fuel-switching policies have been gradually implemented across the region's key LNG import markets to limit the supply shortfall after the closure of the Strait of Hormuz. Overall, the region's net LNG imports increased by 6% y-o-y in H1 2026, albeit not sufficient to offset the production declines recorded in some of the region's producers. The current forecast expects

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Emerging Asia's natural gas demand to decline by 1% in 2026, with losses largely concentrated in the region's LNG import-reliant markets such as Bangladesh and Pakistan.

Thailand's natural gas consumption increased by an estimated 7% y-o-y in H1 2026. This growth was primarily driven by stronger gas use in the power sector (up by 10% y-o-y in the first four months of the year) and in industry (up by 5% y-o-y). Thailand's LNG imports grew by more than 20% y-o-y in H1 2026. LNG sourced via the Strait of Hormuz accounted for around 7% of Thailand's primary gas supply in 2025 and has been more than offset by alternative LNG supplies (primarily from the United States and Australia). In mid-March, Thailand's Energy Regulatory Commission instructed power plant operators to increase the share of coal in the country's power mix in order to maintain stable electricity tariffs and to reduce the use of natural gas.

The disruption of LNG supplies via the Strait of Hormuz has had more limited impact so far on the Indonesian and Malaysian natural gas markets, considering that both countries are major natural gas producers and have limited import requirements. In **Indonesia**, natural gas consumption fell by around 3% y-o-y in the first four months of 2026, while demand declined by an estimated 4% y-o-y in **Malaysia** during the same period.

Pakistan's natural gas consumption plummeted by an estimated 15% y-o-y in H1 2026. This steep decline was driven by a combination of weaker gas burn in the power sector and lower deliveries to industrial consumers. Pakistan is one of the markets most affected by the disruption of LNG supplies via the Strait of Hormuz, with Qatar accounting for 98% of the country's LNG imports in 2025. Pakistan's LNG inflows have plummeted by 70% y-o-y since the beginning of March. Consequently, demand-side measures have been introduced (including a four-day work week), while natural gas supplies have been reduced to gas-intensive industries, such as fertilisers. Natural gas consumption in **Bangladesh** declined by an estimated 2.5% y-o-y in H1 2026, partly due to lower gas burn in the power sector. The country's gas-fired power generation fell by 8% y-o-y in the first four months of the year. Despite the sharp increase in spot LNG prices, Bangladesh's LNG imports grew by 15% y-o-y in Q2 amid rapidly declining domestic gas production.

The IEA's previous Quarterly Gas Report projected Asia's natural gas demand to increase by more than 4% (or 35 bcm) in 2026, largely supported by improving LNG supply availability. The disruption of LNG flows via the Strait of Hormuz is profoundly altering the short-term demand outlook for Asia. The current **forecast** expects Asia's natural gas demand to decline by 0.5% in 2026, its third annual decline since the beginning of the decade.

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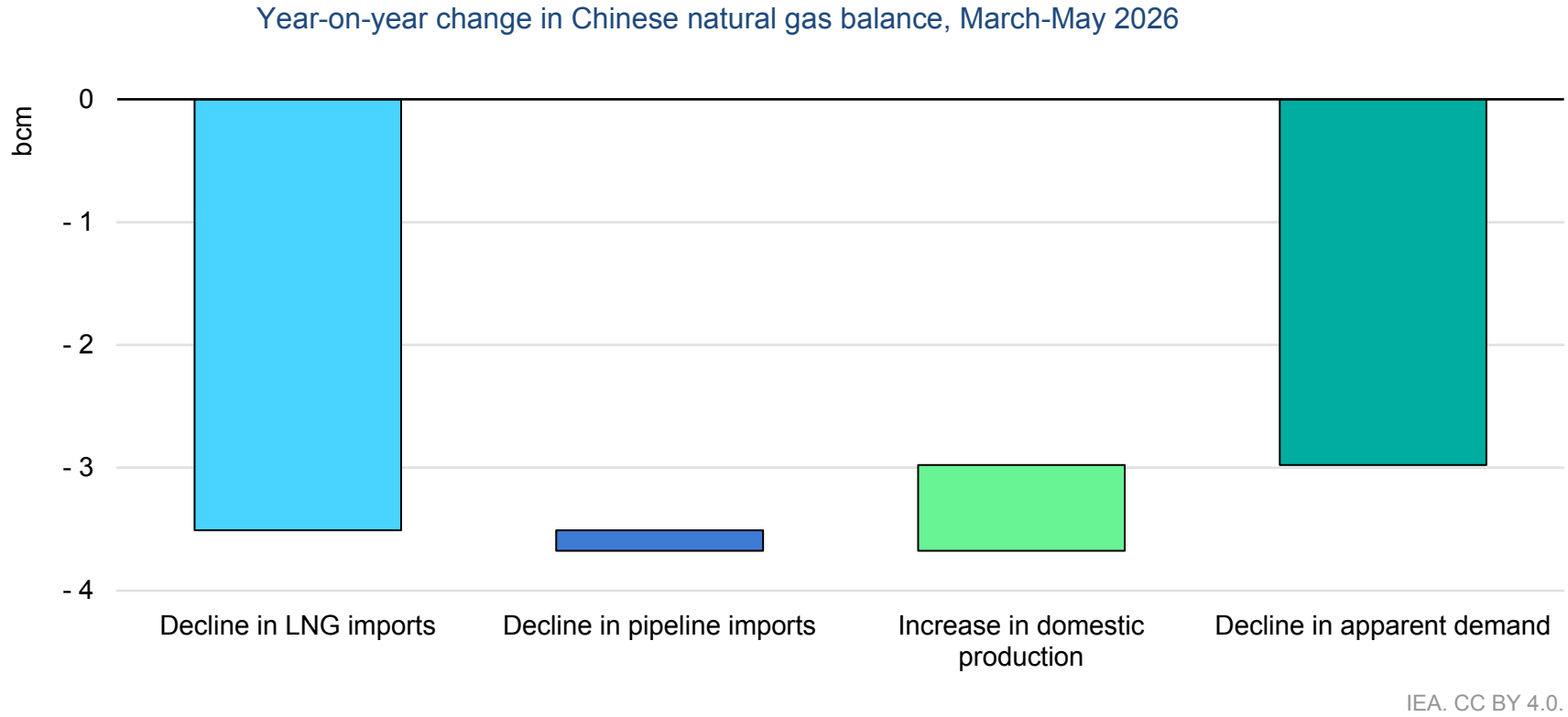
China is playing a key balancing role in the global LNG market



Sources: IEA analysis based on ICIS (2026), LNG Edge; General Administration of Customs of the People's Republic of China (2026), Customs statistics; National Bureau of Statistics of China (2026), Monthly data.

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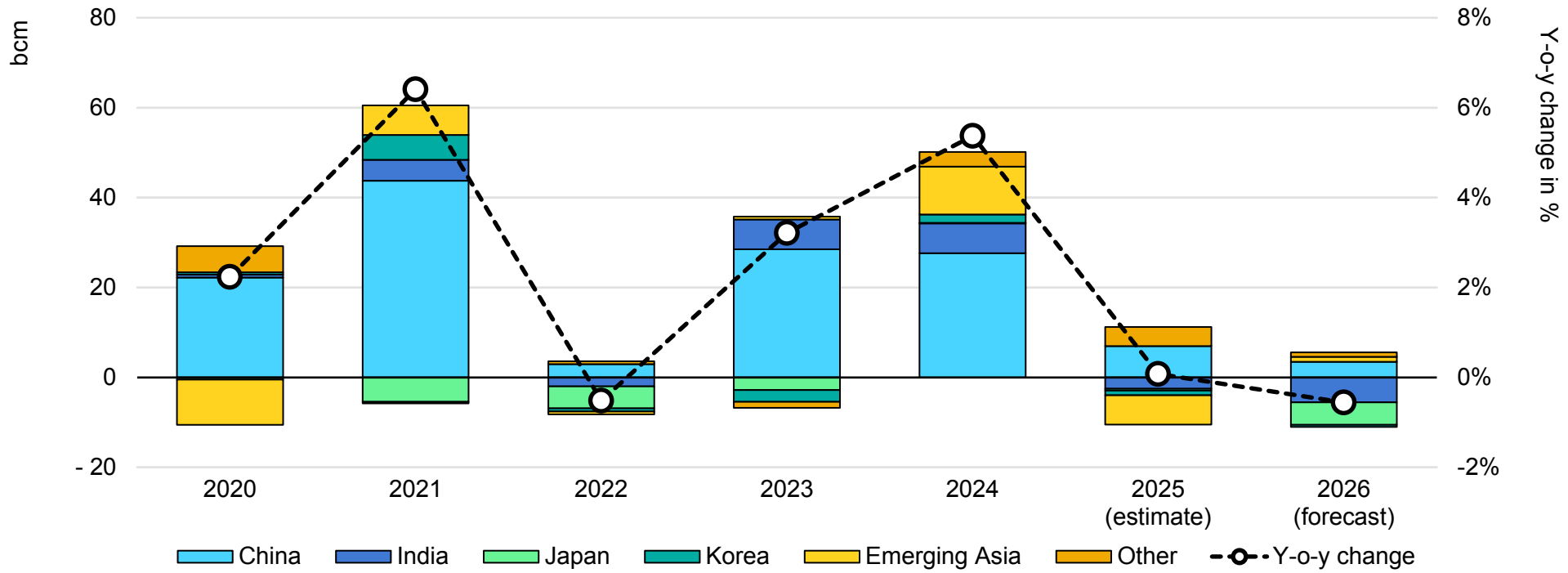
Asia's natural gas demand is expected to decline in 2026 for the third time this decade

Year-on-year change in natural gas demand in Asia Pacific, 2020-2026



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Note: Emerging Asia comprises Bangladesh, Indonesia, Malaysia, Myanmar, Pakistan, the Philippines, Singapore, Thailand and Viet Nam.

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North American natural gas demand declined in H1 2026…

Natural gas consumption in North America declined in the first half of 2026, falling by an estimated 1% (or 5 bcm) y-o-y compared with the same period last year. Milder winter temperatures on average weighed on natural gas use across the residential and commercial sectors despite severe cold spells in January 2026. Gas-to-power demand increased marginally compared with last year. Natural gas use in industry and the energy sector continued to expand, although insufficient to offset the declines recorded in buildings.

First estimates indicate that natural gas consumption in the **United States** fell by around 1.5% (or 7 bcm) y-o-y in H1 2026, primarily driven by milder winter temperatures in the first quarter of the year. While **Storm Fern** steeply increased natural gas demand in late January, its impact was short-lived. Heating degree days declined by over 7% y-o-y in Q1 2026, which naturally reduced space heating requirements. First estimates indicate that natural gas demand in the **residential and commercial sectors** plummeted by around 6.5% (or just over 9 bcm) y-o-y, with over 80% of the decline concentrated in Q1 2026. **Gas-to-power demand** in the United States grew by an estimated 1.5% (or 2.5 bcm) y-o-y in H1 2026. Stronger renewable power output weighed on thermal generation, although lower natural gas prices increased the competitiveness of gas-fired power plants vis-à-vis coal-fired generation. First data suggest that renewable generation grew by around 7% y-o-y, primarily weighing on coal-fired power output (down 10% y-o-y), while lower natural gas prices shielded gas-fired power generation. Consequently, the share of natural gas in power generation remained at around 37% – close to its H1 2025 levels. Natural gas demand in **industry and the energy sector** grew by an estimated 0.5% (or less than 1 bcm) y-o-y. This increase was partly supported by stronger gas use in the country's rapidly growing LNG liquefaction fleet.

In **Canada**, estimated natural gas demand remained broadly flat in H1 2026. Natural gas use in the residential and commercial sectors fell by 1% (or 1 bcm) y-o-y in Q1, amid milder winter temperatures. Combined gas demand in the industrial and power sectors fell by 1% y-o-y during January-April, largely driven by lower gas-fired power generation. In **Mexico**, natural gas consumption grew by around 2.5% (or 1 bcm) y-o-y in H1 2026, driven by stronger gas-fired power generation. Mexico's piped gas imports from the United States rose by around 1.3% y-o-y in January-April, driven by stronger demand, declining domestic natural gas production and higher LNG exports (relying on US-sourced feedgas).

Natural gas demand in North America is forecast to decline marginally in 2026. Gas use in buildings is projected to decline after an unseasonably mild Q1, with demand growth in the energy and power sectors not sufficient to offset the reductions recorded in the commercial and residential sectors.

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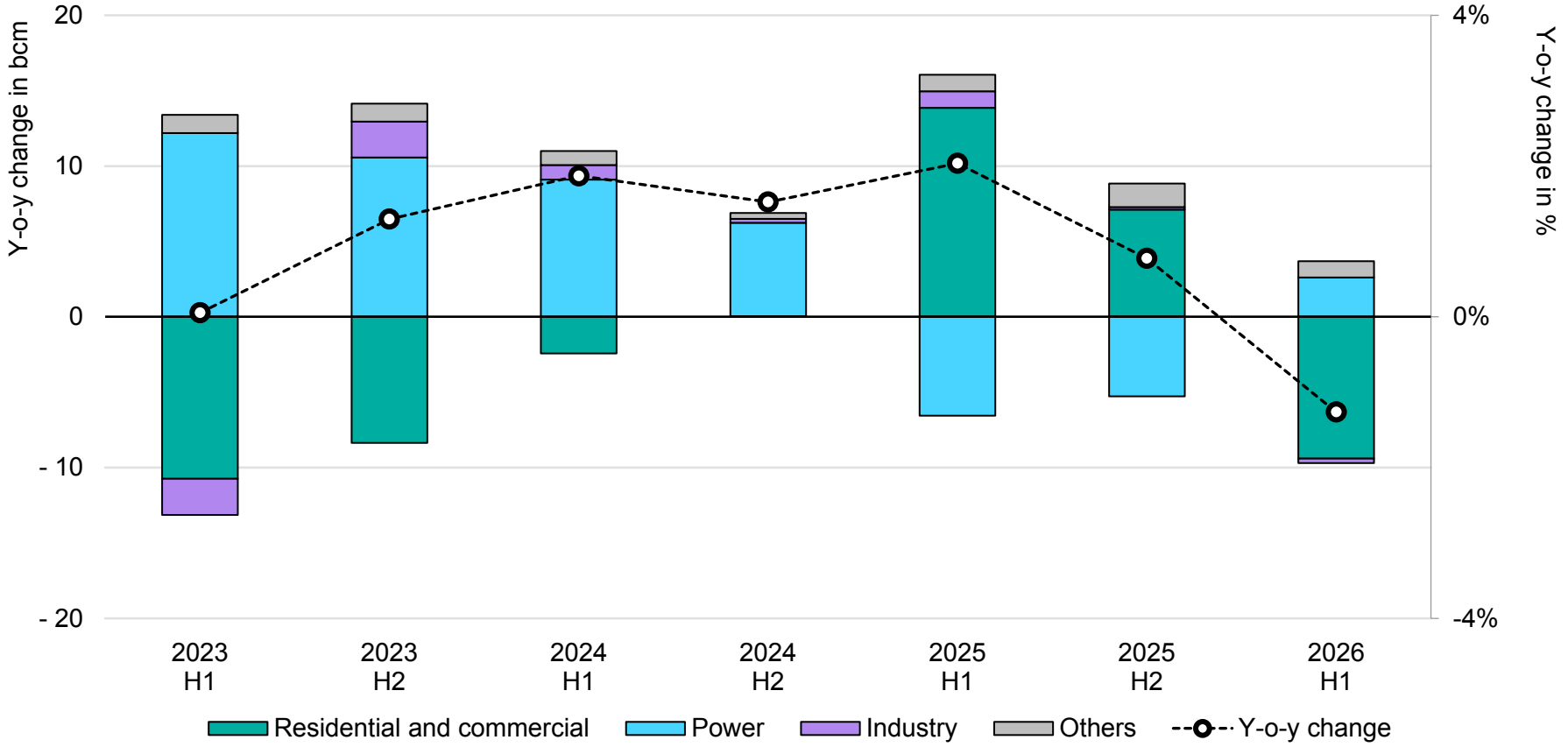
…driven by lower natural gas use in buildings in the United States

Estimated year-on-year change in semi-annual natural gas demand in the United States, H1 2023-H1 2026



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Sources: IEA analysis based on EIA (2026), Natural Gas Consumption.

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European natural gas consumption contracted in H1 2026…

Natural gas consumption in OECD Europe fell by an estimated 0.5% (or less than 1 bcm) y-o-y in H1 2026. This decline was largely driven by lower gas burn in the power sector, while natural gas use in the residential and commercial sectors increased marginally. Natural gas consumption in industry remained close to last year's levels.

Distribution network-related demand grew by almost 1% (or 1 bcm) y-o-y in H1 2026. In January 2026, **Storm Goretti** led to a sharp increase in natural gas use both in buildings and the power sector. Daily natural gas consumption surged by more than 33% between 1 and 5 January to reach its highest level since January 2022. Natural gas demand in the residential and commercial sectors grew by more than 20% during this period, reflecting higher space heating requirements. Following a cold start to the year, milder temperatures during the remainder of the winter season moderated the gains in gas demand in buildings.

Gas-to-power demand declined by around 5% (or 3 bcm) in the first half of 2026. While the cold spells in January sharply increased the call on gas-fired power plants, this was more than offset by lower gas-fired power generation during February-June. Stronger renewable power output weighed on natural gas use in the power sector. In Türkiye, gas-fired power generation plummeted by almost 40% y-o-y in H1 2026 amid a very strong increase in hydro power output (up by almost 70% y-o-y). In addition, the steep increase in European hub prices in Q2 eroded the cost competitiveness of gas-fired power plants vis-à-vis coal-fired generation. The share of natural gas in the European Union's fossil fuel-based thermal mix fell from an average of around 65% in January-February to just below 60% during March-May, while coal's share increased from 35% to near 40% during the same period.

Natural gas consumption in industry remained broadly flat in the first half of 2026, as the gains recorded in Q1 were almost entirely offset by industry's lower gas use in Q2. Higher natural gas prices weighed on natural gas demand across gas- and energy-intensive sectors. Estimated consumption of gas in industry increased by 2% y-o-y in Belgium in H1 2026, fell by 1% in Italy during the same period, and declined by more than 3% y-o-y in Spain in the first five months of 2026.

This **forecast** expects Europe's natural gas demand to decline by more than 2% in 2026. The continued expansion of renewables, together with the deteriorating competitiveness of gas-fired power plants compared with coal-fired generation, is projected to reduce gas burn in the power sector by 7%. Natural gas use in industry is expected to decline by around 2% amid higher natural gas prices weighing on gas- and energy-intensive sectors. Gas demand across the residential and commercial sectors is forecast to increase by less than 1% assuming average weather conditions.

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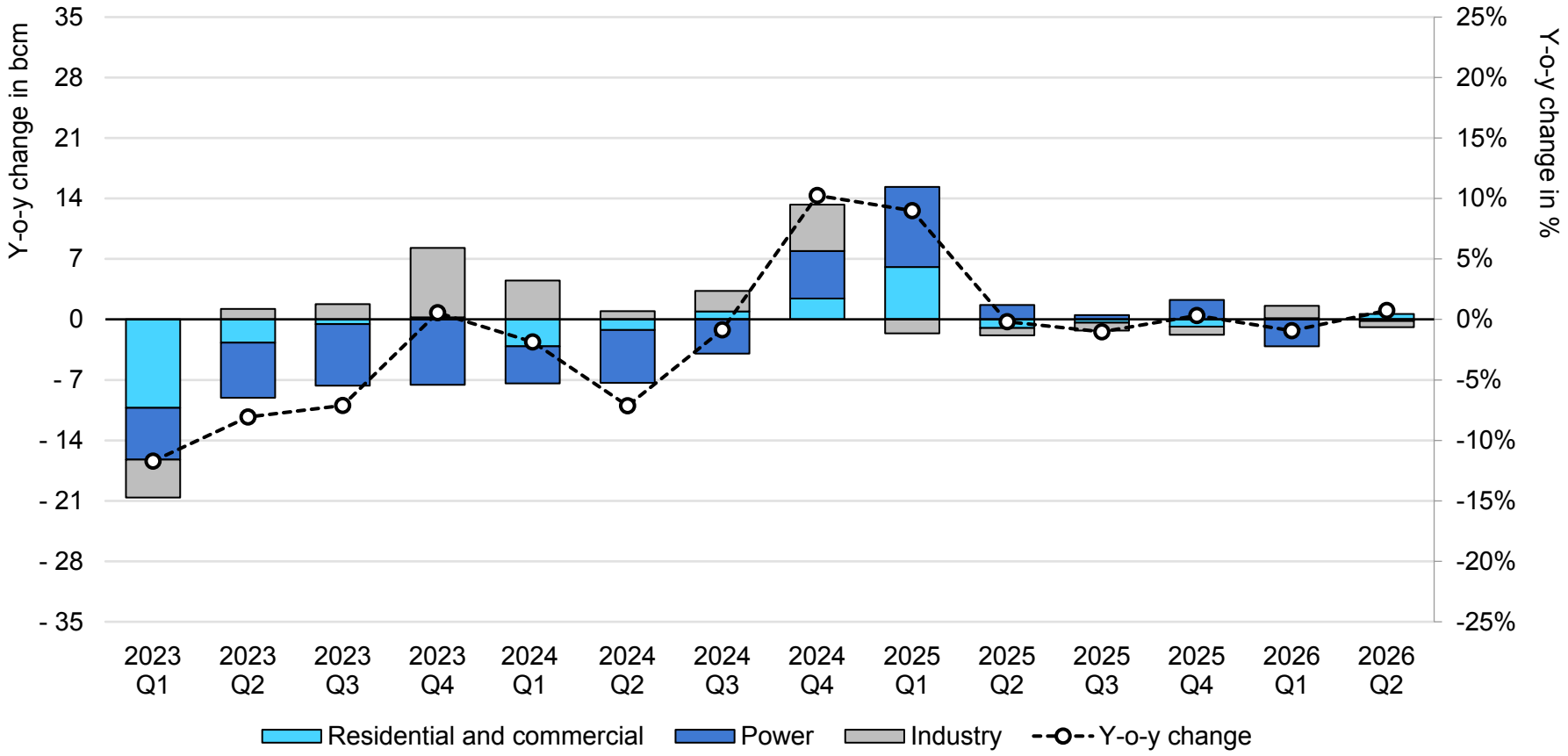
… amid lower natural gas use in the power sector

Estimated year-on-year change in quarterly natural gas demand in OECD Europe, Q1 2023-Q2 2026



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Sources: IEA analysis based on Enagas (2026), Natural Gas Demand; ENTSOG (2026), Transparency Platform; EPIAS (2026), Transparency Platform; Trading Hub Europe (2026), Aggregated consumption.

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Impacts of market dynamics felt differently across key EU, US and Asian storage positions

Storage positions remained disparate across key gas markets in mid-2026, with end-June storage inventories reflective of the state of inventory levels at the end of winter 2025/26. Below-average stocks in Europe remained a constant from January to June, while US storage levels remained at or above the five-year average over the same period. Combined LNG stocks in Japan and Korea ended March in line with the five-year average despite diverging inventory dynamics in the two markets.

Stock levels in the European Union entered the 2025/26 winter season down by about 14 bcm (or 13%) y-o-y, although weaker withdrawals compared with the previous winter helped soften the volumetric deficit until the end of winter. Still, storage levels at the end of June remained more than 10 bcm (or 17%) down y-o-y and more than 15 bcm (or 23%) below the five-year average.

The start of the filling season saw wider market conditions act as a drag on injections. Relatively thin (and even negative) seasonal price spreads gave a weak signal for shippers to inject gas into storage, further exacerbated by a physical tightening of the global market as a result of the Strait of Hormuz LNG supply shock. Gross storage injections in the first half of 2026 were about 15% (or nearly 4 bcm) weaker than in the same period last year. While injections remained modest in the early part of the filling season, any perceived tightening in the global gas balance for the winter ahead could risk leading to a sharp call for injections later in the season.

Reaching an 80% fill level by the start of winter would require about 7 bcm (or 26%) more injections in the July-October period than occurred last year. Reaching a 90% fill level would require 18 bcm (or 66%) in incremental injections y-o-y for that period.

In Ukraine, an early start to injections and increased imports from the European Union helped lift end-of-June storage levels to about 8 bcm, more than twice as high as where they stood at the same time last year.

After ending the winter in line with the five-year average, US storage levels remained above the average through June, on a par with last year's levels. Despite the expectation of continued growth in US LNG exports in the rest of 2026, supply is set to remain abundant in the US domestic market. As such, storage injections are likely to remain on track to carry storage fill above the five-year average ahead of winter again this year.

Korean LNG inventories remained near the bottom of their five-year range in the first quarter of 2026, extending a trend that took shape in 2025. By the end of April, stock levels were about 40% below the five-year average. In contrast, LNG stocks in Japan trended above the recent average in the first quarter of 2026, rising above 2025 levels in March and April. Combined stocks in the two countries ended April about 5% below the five-year average and last year's levels.

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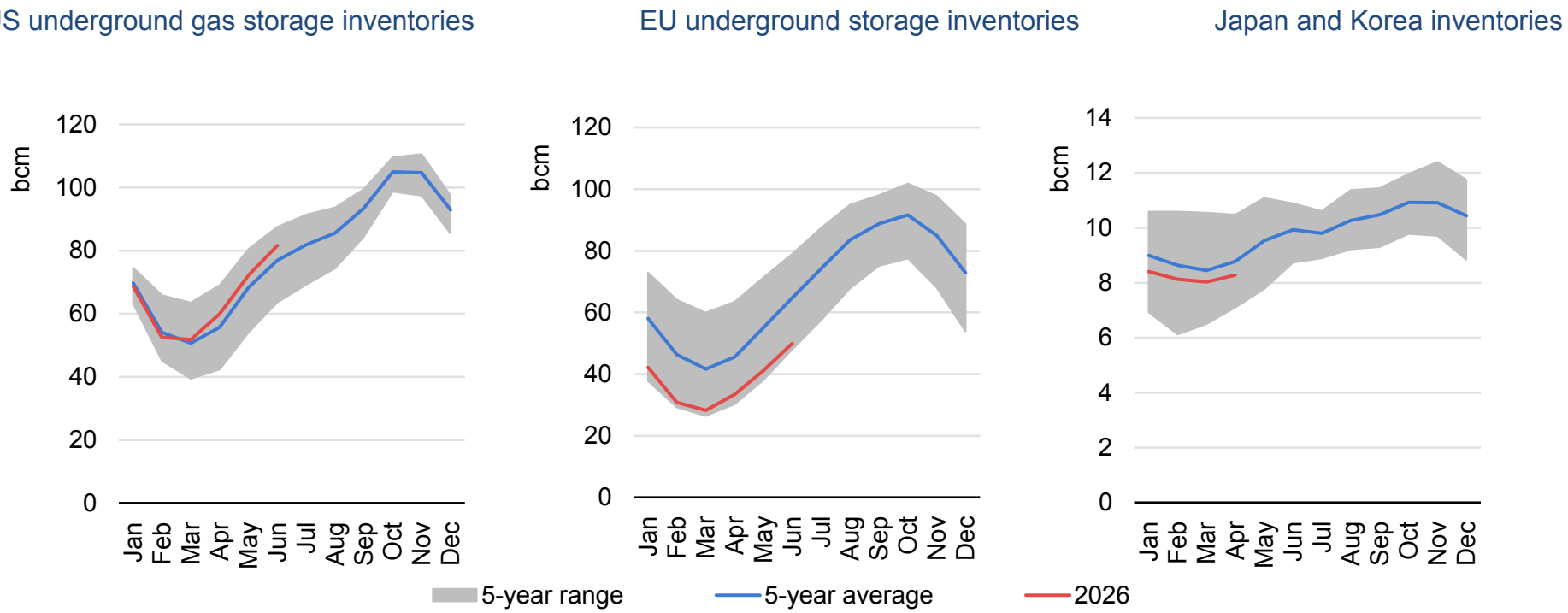
Summer storage trajectories diverge in the United States and Europe



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Sources: IEA analysis based on EIA (2026), Weekly Natural Gas Storage Report; GIE (2026), AGSI+ Database; JODI (2026), World Gas Database

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Strengthening gas security through enhanced co-ordination and preparedness

The IEA's Natural Gas and Sustainable Gases Security Working Party (GWP) was established in 2025 as a permanent platform to support member countries in addressing gas security challenges. It builds on the Task Force on Gas and Clean Fuels created in October 2022 in response to global market disruption following Russia's full-scale invasion of Ukraine. Under its mandate, the GWP supports resilience in natural gas systems through enhanced market monitoring, strengthened data and information exchange, and closer co-ordination among member countries and key stakeholders. In recent months, its work has focused on translating these functions into more operational and impact-oriented activities, with progress in two areas: structured engagement with industry, and development of a gas emergency tabletop exercise.

Intensifying dialogue with industry stakeholders

Engagement with industry has intensified in recent months, reflecting the growing importance of operational insights to assessing gas security risks. The GWP has expanded interactions with key actors across the value chain – producers, traders, infrastructure operators and consumers – to complement government perspectives with market-based expertise. A dedicated industry roundtable at the June 2026 plenary brought together major LNG and gas market participants to discuss the balance between market efficiency and policy intervention. Industry perspectives differ across the value chain, reflecting distinct roles and exposures, but all actors contribute to overall market functioning and resilience. Exchanges improved understanding of operational constraints and the impact of policy decisions. This marks a shift towards more structured and recurrent dialogue, aimed at embedding industry perspectives more systematically into GWP activities and strengthening the link between market developments and policy responses.

Advancing the development of a gas emergency tabletop exercise

In parallel, the GWP has made significant progress in preparing the first IEA gas emergency tabletop exercise. Drawing on experience from recent real-world gas supply crises as well as from similar exercises in oil and in critical minerals, GWP members bring a clearer understanding of the practical challenges, priorities and expectations that such an exercise should address. The exercise is intended to provide a practical platform for:

- a better understanding of gas security tools and policies
- improved co-ordination across countries and institutions
- strengthened preparedness and information sharing
- supporting voluntary co-operation in crisis situations.

Taken together, these elements point to the value of combining practical preparedness measures with closer international co-ordination and continued dialogue between governments and market participants.

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Spotlight on gas-to-coal switching

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Gas-to-coal switching dynamics are softening the market impact of LNG supply shock

Gas-to-coal switching can play a key role in reducing natural gas use in the power sector in markets where spare coal-fired generation capacity exists. Hence, it can contribute to balancing the global gas system during periods of supply shock, such as reduced LNG availability. This section of the report provides first estimates of gas-to-coal switching dynamics in key LNG import markets since the closure of the Strait of Hormuz.

Defining gas-to-coal switching in modern, complex electricity systems

Gas-to-coal switching can refer to different mechanisms. In power plants with multi-fuel boilers it is possible to switch fuels depending on the availability and price of different fuels. However, in current energy market analysis, fuel switching commonly refers to switching from gas-fired plants to coal-fired plants to generate electricity, and vice versa.

The complexity of electricity systems is growing. Wind, solar and nuclear generators are dispatched before coal and gas due to lower short-run variable costs. In this context, gas- and coal-fired power plants can be considered as marginal fallback suppliers to electricity markets (although dammed hydro, for example, may also play that role driven by high opportunity costs). Electricity operators have to keep supply and demand in balance in every instant, and therefore, gas and coal generation adapt their output to the fluctuations in demand and the other supply sources. Grid congestion and other factors can have an impact on gas and coal use, but gas and coal prices (and CO_2 in regions where it is priced) are a strong driver of these plants' activity. Therefore, in systems where electricity generation from gas is sizeable and spare coal capacity is available, higher gas prices can lead to greater utilisation of coal-fired plants at the expense of gas. This is what is usually meant by gas-to-coal switching.

A key question is how much gas-to-coal switching has been triggered by gas supply disruption following the closure of the Strait of Hormuz. An important consideration is that markets are not static, and higher coal demand will push coal prices up just as lower gas demand will push gas prices down or at least limit gas price increases. In short, given the dynamics of the electricity system and the commodity markets, it is only feasible to provide an estimated range for the amount of gas-to-coal switching rather than an indisputable number. Gas-to-coal switching can be expressed in TWh of electricity that has switched from gas to coal, in bcm of gas that has been replaced by coal, or in Mt of coal that have replaced gas. It can be also shown as the evolving share of gas in combined gas- and coal-fired generation.

The estimated gas saving potential from key LNG import markets switching to coal is estimated in a range 55-65 bcm on an annualised basis, with China alone accounting for almost half of this amount. It is important to highlight that this is a theoretical range,

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with the actual gas saving ultimately dependent on a combination of price developments, electricity demand patterns, renewable power output and operational factors.

In open, traded energy markets, gas-to-coal switching is driven by the economics of power generation, including fuel costs, efficiency factors and in some markets costs associated with emissions. In addition, administrative measures can enable additional gas-to-coal switching, including bringing back into operation coal-fired plants earlier put into grid reserve (or standby). In markets with greater government oversight and price controls, gas-to-coal switching is primarily incentivised through policy guidance and administrative measures.

European Union

The European Union's electricity market is among the most transparent, with power generation data published by transmission system operators on a quarter-hourly basis. Hence, the competition between gas- and coal-fired power plants can be closely tracked. Gas-to-coal switching dynamics in the European Union are primarily driven by the economics of power generation. Natural gas prices on TTF rose by around 30% y-o-y during March-June 2026 to an average of over USD 16/MBtu (near EUR 50/MWh). Rotterdam coal prices rose less, by just over 15% y-o-y to an average of near USD 120/tonne (or EUR 14.5/MWh). The price of EU emissions allowances rose marginally by just 7% to USD 86/tonne (or EUR 75/tonne). This means that the generation costs of a gas-fired power plant with an efficiency of 50% rose by over 20% y-o-y to an average of over USD 140/MWh (or EUR 120/MWh) in the March-June period, standing above the generation costs of the least efficient coal-fired power plants (around 35% of efficiency rate).

Despite the deteriorating economic competitiveness of gas-fired power plants, the impact of gas-to-coal switching on gas consumption remained limited. The share of gas in combined gas- and coal-fired power generation stood just below last year's 60% in the March-May period. In absolute terms, gas-fired power generation fell by 3.5% (or 3 TWh) y-o-y in the European Union during the March-May period. However, this decline was primarily driven by the continued increase in renewable power output.

Higher natural gas prices could lead to more intense gas-to-coal switching in the European Union if available coal-fired power generation capacity is fully activated. This includes 4 GW in the Netherlands and 1.8 GW in France under regulatory restrictions, over 7 GW currently integrated in the grid reserve in Germany, and almost 4 GW recently closed in Italy, which could be restarted.

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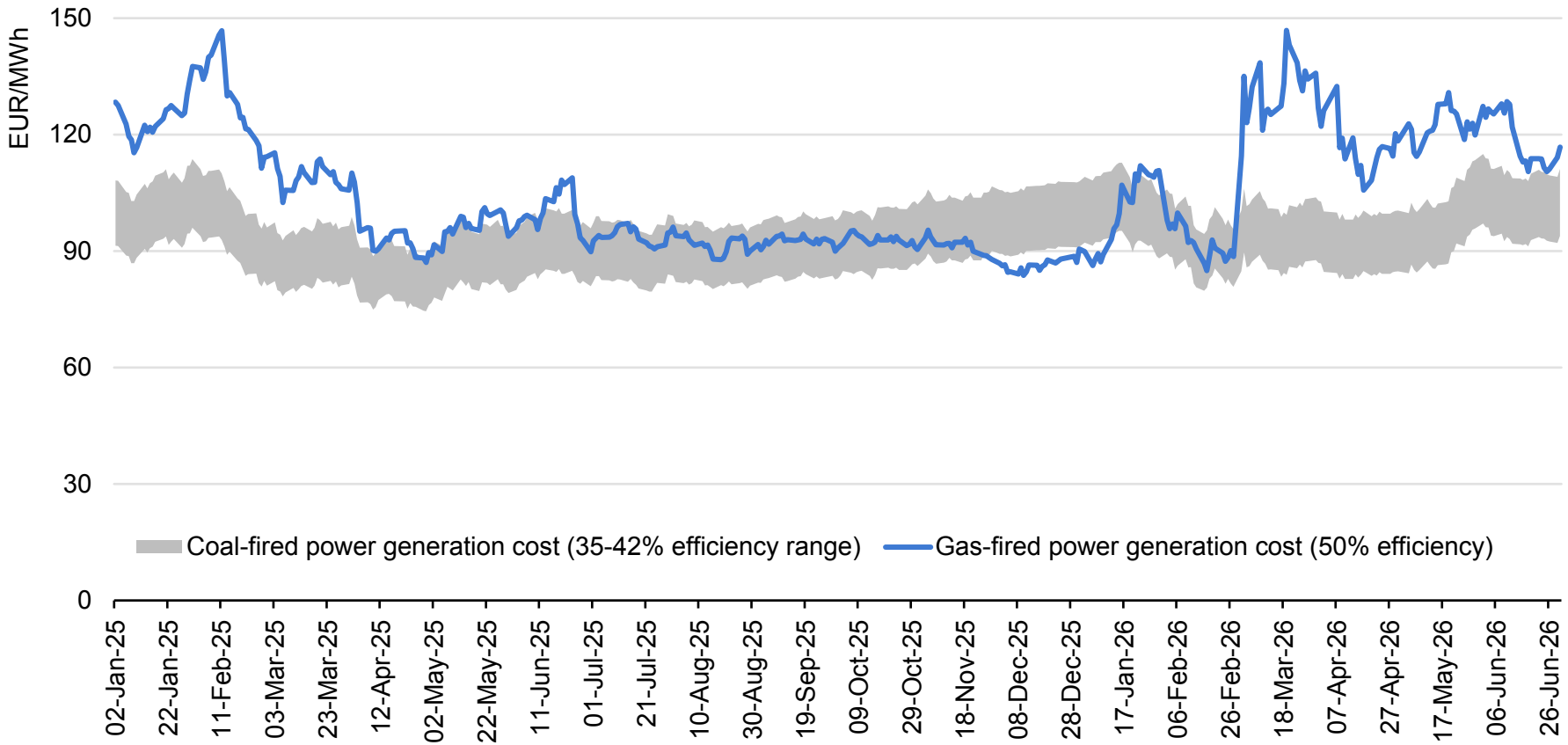
Gas-fired power generation costs have risen sharply in the European Union since March 2026

Estimated natural gas and coal-fired power generation costs in the European Union, January 2025-June 2026



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Sources: IEA analysis based on ICE (2026), Dutch TTF Natural Gas Futures; ICE (2026), EUA Futures; ICE (2026), API2 Rotterdam Coal Futures.

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Gas-to-coal switching has been a key balancing factor in certain markets in Asia

China's vast and relatively diversified energy system provides significant flexibility potential in times of market flux, with sizeable theoretical fuel-switching potential in the power sector. However, strong summer power demand could also act as a limit on the country's ultimate gas-to-coal switching potential as gas plants play a key role in meeting peak demand.

China's gas-fired power plants are predominantly concentrated in three geographical clusters – in Guangdong province, the Shanghai area (reaching into the Zheijiang and Jiangsu provinces) and around Beijing. These three coastal areas also account for the vast majority of the country's LNG imports, which remain highly exposed to global market fundamentals and pricing. As such, gas-fired power generation retains a degree of sensitivity to price competition against coal.

By the end of March 2026, wholesale natural gas prices in Guangdong province were about 12% higher than in March 2025, as global gas market tightness fed into domestic pricing. Prices remained on an upward trend through the second quarter of 2026, rising by about 60% from early March to early June. Although domestic coal prices also rose following the closure of the Strait of Hormuz and the Shanxi coal mining accident in May, price movements remained more modest.

This is expected to have facilitated a degree of gas-to-coal switching in the power sector, with capacity factors at gas plants reported to have decreased y-o-y for the January-April period. An ongoing programme of upgrading existing coal plants to better operate under highly flexible constraints has also facilitated fuel-on-fuel competition, as both gas and coal also increasingly respond to variability in non-dispatchable renewable generation (solar PV and wind).

However, with natural gas prices systematically at a premium to domestic coal prices and coal plant utilisation factors remaining relatively high (despite increasing variability), competition between fuels depends on more than simple power plant economics and the merit order curve. With electricity demand set to follow its seasonal rise into the summer, power market fundamentals are likely to increasingly set the boundaries of potential fuel switching, notably as gas plants are called upon to meet peak demand. Furthermore, continued underperformance in nuclear or wind output (as was the case in both March and April) would increase the need for thermal generation to meet load, potentially reducing the volume of feasible coal-to-gas switching.

Japan's Ministry of Economy, Trade and Industry responded to the Middle East crisis by relaxing operational restrictions on coal-fired power plants for a one-year period starting on 1 April 2026, with the aim of reducing demand for imported LNG. Prior to this measure, coal plants with thermal efficiency below 42% were subject to a 50% cap on year-round utilisation, a restriction that has now been

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removed. The government estimates that the measure alone can save approximately 0.5 mtpa (0.7 bcm/yr) of LNG. Preliminary estimates indicate additional switching from gas to coal since the start of the conflict, amounting to around 4 TWh of electricity generation (or 0.7 bcm-equivalent of gas) from March to June. Coal-fired generation increased by 2% y-o-y in the first half of 2026 (and by 7% since the start of the conflict), while gas-fired generation declined by 7% in H1 2026 (and by 10% since March 2026).

Korea's Ministry of Climate, Energy and Environment also removed caps on coal-fired generators under the seasonal particulate matter management system in mid-March 2026, which previously limited coal plant utilisation to 80% of capacity. Early estimates indicate that up to 2 TWh of gas-fired generation (equivalent to around 0.4 bcm of gas burn) could have shifted to coal between April and June. Coal-fired generation increased by almost 20% y-o-y in April-June 2026, while gas-fired output declined by nearly 5% y-o-y over the same period.

Chinese Taipei moved pre-emptively to increase coal-fired dispatch in April 2026, when the state-owned Taiwan Power Co. (Taipower) committed to procuring additional coal-fired electricity from Units 1 and 3 of the previously idled but recently restarted Mailiao power plant to mitigate LNG supply risks. However, Taipower stated that it does not expect the measure to increase its annual coal consumption relative to 2025 levels. Since the start of the crisis, Chinese Taipei has procured additional LNG cargoes from the spot market and increased both coal-fired and gas-fired generation simultaneously (by 4% and 2% y-o-y, respectively), as lower hydro and oil-fired generation created room for both fuels to expand their share of the generation mix.

India's government invoked the Essential Commodities Act in March 2026 to divert gas supplies to priority sectors, particularly residential consumers and CNG users in the city gas distribution segment, while gas supply to power generators, industrial users and refineries was reduced. Gas-fired generation declined by an estimated 17% in the first half of 2026, while coal-fired generation increased by 4% y-o-y. These contrasting trends are more evident in the period since the start of the conflict. Since March 2026, coal-fired power output has increased by 6% y-o-y, while gas-fired generation has fallen by 23%. Preliminary estimates indicate that direct switching from gas to coal may have affected around 2 TWh of power generation (equivalent to around 0.4 bcm of gas demand) between March and June 2026.

Bangladesh had already been experiencing declining gas-fired generation and rising coal use in its power mix prior to the crisis due to relatively high imported LNG prices. In H1 2026, gas-fired generation fell by 10% y-o-y, while coal-fired generation increased by 15%. This trend continued after the start of the crisis. Between March and June 2026, gas-fired generation declined by 11% y-o-y, while coal-fired output rose by 14%. Oil-fired generation experienced an even steeper decline than gas, falling by 22% y-o-y in H1 2026. The estimated switching from gas to coal between

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March and June 2026 amounts to around 1.4 TWh of generation, equivalent to approximately 0.3 bcm of gas demand.

Pakistan, which received nearly all of its LNG imports from Qatar prior to the crisis, implemented a set of emergency measures in early March, including reductions in gas allocations to power plants (as well as to fertiliser plants and CNG stations). Preliminary generation data for March indicate a sharp shift during the first month of the crisis. Gas-fired power generation increased by 10% y-o-y in the first two months of 2026, but then declined by 40% y-o-y in March. By contrast, coal-fired generation increased sharply throughout the first quarter, including a 40% y-o-y rise in March 2026 alone.

The Philippine government invoked emergency powers in March to regulate electricity prices and boost coal-fired generation, while also seeking and receiving assurances from Indonesia that it would not impose restrictions on additional coal exports to the country. Generation data indicate that coal-fired output increased by 2% y-o-y in the first half of 2026, while gas-fired generation declined by 5%, despite a steep 12% drop in hydroelectric output over the same period.

Other Asian countries with readily available generation data show no discernible signs of gas-to-coal switching to date. In early March 2026, **Thailand** instructed power plant operators to increase the share of coal in the country's electricity mix and ordered the restart of two decommissioned units at the Mae Moh coal-fired power plant (with a combined capacity of 0.6 GW). However, despite these measures, coal-fired generation declined sharply, falling by more than 36% y-o-y in the first four months of 2026 and by 28% y-o-y during the peak of the crisis in March and April. At the same time, gas-fired output increased significantly, rising by 11% y-o-y in the first four months of 2026 and by 9% y-o-y during the March-April period. **Malaysia** also recorded increasing gas-fired generation and declining coal-fired generation, both in H1 2026 as a whole, and also during the March-June 2026 period.

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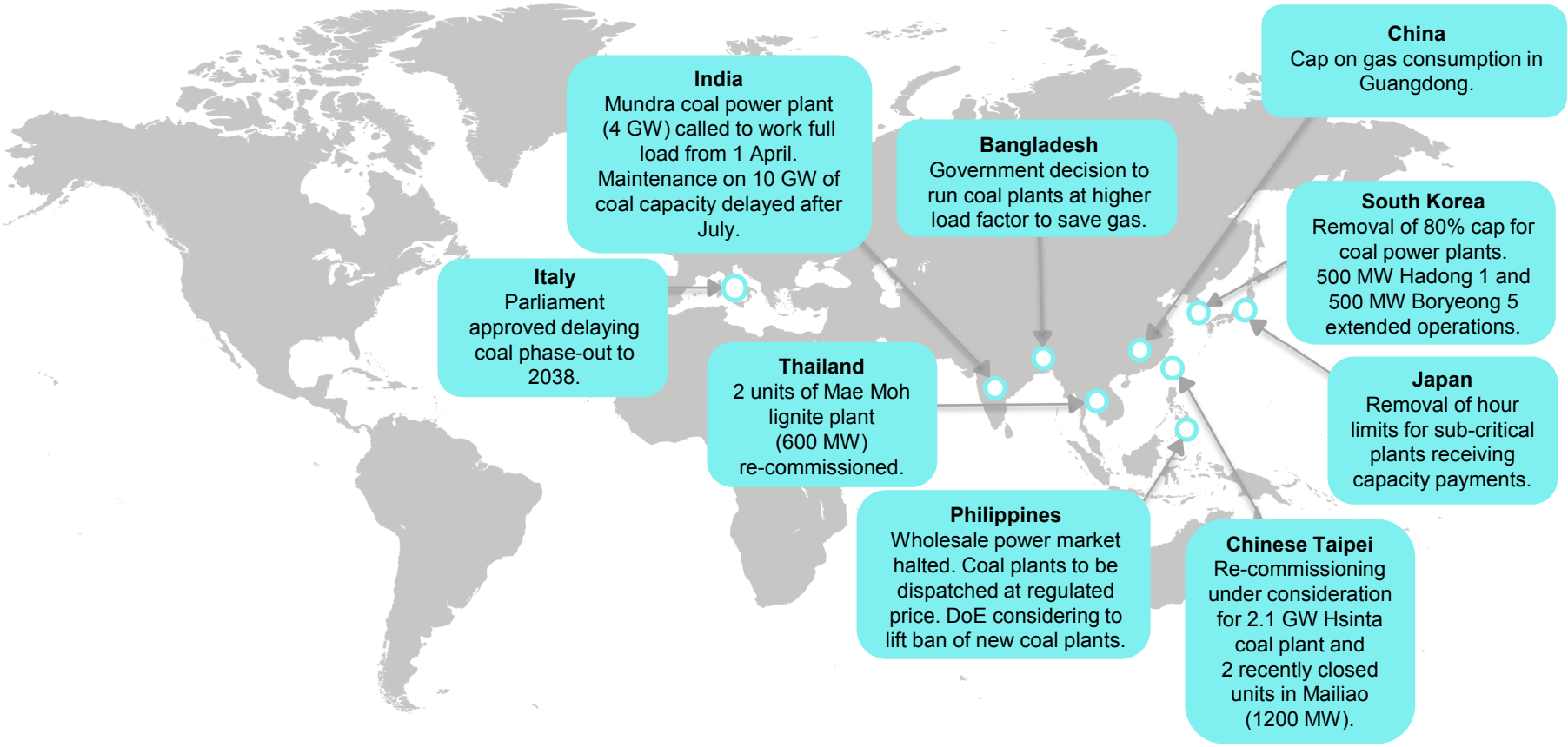
Asia and Europe have adopted policies supporting switching to coal since March 2026

Selected fuel-switching policies in Asia and Europe adopted since the beginning of March 2026



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Note: DoE = Department of Energy.

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Spotlight on the Middle East

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Middle Eastern natural gas production is set to decline for the first time since the early 1990s

Besides its global implications, the conflict in the Middle East has profoundly disrupted regional natural gas market dynamics. Middle Eastern gas production is set for its first decline since the early 1990s. The disruption caused to the region's gas-intensive industries is weighing on local natural gas consumption. In addition, tighter gas supply fundamentals are reducing electricity supply security in the region's import-reliant markets, including Iraq.

Attacks on local gas production and processing facilities, together with the sharp reduction in LNG exports, have led to **a steep decline in the region's natural gas production** since the beginning of March. In addition, the shut-in of oil fields – primarily in Iraq and Saudi Arabia – has reduced associated natural gas production. First estimates indicate that the region's natural gas production have fallen by over 20% y-o-y since the beginning of March. For the full year of 2026, this forecast expects Middle Eastern natural gas output to fall by around 10% (or 80 bcm) y-o-y, representing the region's first annual production decline since 1993. More than half of this decline is associated with the reduced LNG exports from Qatar and the United Arab Emirates.

Reduced gas supply availability, together with the disruption of certain gas-intensive industrial activities due to a combination of export restrictions and attacks on industrial sites, is weighing on the **region's natural gas consumption**. This includes lower natural gas use in the petrochemical and fertiliser sectors, as well as for energy sector own use (such as for LNG liquefaction purposes). In addition, tighter gas supplies are reducing the security of electricity supply in the region's import-reliant markets. This forecast expects Middle Eastern natural gas demand to decline by around 4% (or more than 25 bcm) y-o-y in 2026, with the reduction primarily concentrated in Iran, Iraq, Qatar and the United Arab Emirates.

Qatar

The Middle East conflict has profoundly disrupted Qatar's natural gas industry. QatarEnergy stopped the production of LNG on 2 March 2026 due to military attacks on its LNG liquefaction facilities at Ras Laffan. It is estimated that almost 34 bcm of LNG output has been lost since the start of the conflict. While *force majeure* was declared, Qatar was able to ship thirteen LNG cargoes during March-June, with all deliveries destined for Asian markets. In addition, QatarEnergy has halted the production of certain downstream products, including urea, polymers, methanol and aluminium, since the beginning of March. Train 2 of Qatar's **Pearl GTL** (gas-to-liquid) plant was damaged on 18 March, further weighing on Qatar's natural gas consumption. Overall, it is estimated that Qatar's natural gas consumption fell by around 40% (or 8 bcm) y-o-y during March-June, while the country's production fell by almost 75% (or around 45 bcm) y-o-y over the same period. Under the assumption that the reopening of the Strait takes place in the third quarter of 2026, with a progressive ramp-up of Qatari

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deliveries until full operations by the start of the fourth quarter, Qatar's natural gas production is forecast to decline by almost 40% (or close to 70 bcm) in 2026.

Besides the short-term impacts, the conflict is also altering Qatar's medium-term LNG supply outlook. Two LNG liquefaction trains with a combined capacity of 12.8 mtpa (17.5 bcm/yr) were damaged at Ras Laffan in the missile attacks on 18-19 March. According to QatarEnergy, it will take three to five years to repair the damaged LNG facilities. This could translate into a cumulative loss of 50-90 bcm of LNG supply between 2026 and 2030. It remains unclear how the conflict will affect the timeline of Qatar's two **LNG expansion projects**. The North Field East project (44 bcm/yr) was expected to start operations in H2 2026 and to ramp up through 2027-2028. According to QatarEnergy, the project could be delayed by more than a year, further altering the short- and medium-term outlook.

United Arab Emirates

The ongoing crisis in the Middle East continues to affect the UAE gas system as the country's LNG exports remain constrained and key gas processing infrastructure has suffered damage from Iranian strikes.

The Habshan gas complex, which normally processes more than half of the country's domestic gas supply, reportedly remained at about 60% capacity in May following sustained damage from military strikes and a temporary shutdown in early April. According to state-owned gas company Adnoc Gas, expectations are for processing capacity to recover to 80% by the end of 2026 and to full capability only in 2027. Following a drone strike in mid-March, the onshore Shah gas field – among the world's largest sour gas fields – was temporarily taken offline, with production progressively recovering in April and May.

With the Strait of Hormuz effectively closed, UAE exports of LNG have also been severely constrained. While no *force majeure* has been declared at the country's Das Island liquefaction plant, loadings slowed to only one or two cargoes per month in the March-June period (compared with an average of about seven per month over the same period in 2025). Actual deliveries were at zero in April, but reached three cargoes in both May and June as some cargoes are understood to have exited the Strait of Hormuz.

There were no reports of domestic UAE demand not being met despite curtailment of domestic production and processing capacity. Nevertheless, the UAE gas system remains in a constrained position as a sizeable share of its gas processing capacity remains partially damaged and a pathway to increased LNG exports remains unclear. In this context, we expect domestic demand to decline by around 6% y-o-y.

Iraq

Iraqi natural gas supply remains highly constrained following the closure of the Strait of Hormuz and military strikes in the region. Pipeline imports from Iran – which were intermittently halted in

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March – are reported to have remained well below typical levels during April. Furthermore, there is little evidence that they have subsequently recovered in the run-up to summer, a period during which flows would typically ramp up as electricity demand for cooling needs increases.

With seaborne crude oil exports severely limited since March, Iraqi oil production has also declined sharply, in turn affecting the country's predominantly oil-associated gas output. Ongoing pipeline oil exports to Türkiye (for which a replacement transit deal beyond July 2026 was reportedly under negotiation at the time of writing) and domestic demand for oil to generate power mean that some oil production continues, allowing limited associated gas production to reach the domestic market. Still, gas supply remains highly disrupted. Furthermore, the planned arrival of an FSRU to supply Iraq with LNG as of mid-2026 and bolster the country's gas balance has been delayed until mid-2027 given the circumstances in the region.

Gas supply complications have affected power generation, with power sector blackouts becoming more frequent since March, particularly as summer loads ramp up. This has led the country to seek out alternative power import options, notably extending an electricity import agreement with Türkiye in late May. Given the highly constrained supply situation, this forecast expects Iraq's natural gas demand to fall by about 7% y-o-y in 2026.

Iran

Iran's natural gas industry, the largest in the Middle East with annual production approaching 280 bcm in 2025, suffered extensive damage from a series of air strikes in March and April 2026. On 18 March, several gas processing plants in the Assaluyeh industrial hub were hit, disrupting an estimated 12% of Iranian gas production, equivalent to around 100 mcm/d. The affected facilities process sour gas from the offshore South Pars gas field, which accounts for more than 70% of Iran's total natural gas output.

On 6 April 2026, the Assaluyeh complex sustained a second major attack, this time targeting its petrochemical facilities, alongside several smaller petrochemical plants elsewhere in the country. Although reliable damage assessments remain limited, local sources estimated that the affected facilities account for around 80% of Iran's total petrochemical production capacity and that Assaluyeh may have been forced to reduce utilisation rates to 30-40% following the attacks, with operations expected to gradually return to pre-crisis levels only towards the end of 2026.

Iran's gas exports to Iraq, which received approximately 7 bcm of Iranian gas in 2025, were briefly disrupted in March following the air strikes on Iran's gas processing facilities, but flows recovered relatively quickly. Pipeline gas exports to Türkiye, which imported about 8 bcm from Iran in 2025, were reportedly unaffected by the strikes, and monthly deliveries reached an all-time high of 0.95 bcm in May 2026, according to Eurostat data. The long-term gas supply contract between Iran and Türkiye, covering volumes of up to

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9.6 bcm/yr, is set to expire in July 2026, with no reports of ongoing negotiations or a successor agreement as of the end of June 2026.

Total gas consumption in Iran is projected to decline by around 3% in 2026, with sharp reductions in the industrial sector (down 8%) and energy sector own use (down 3%), reflecting the extensive damage to the country's petrochemical industry and gas processing infrastructure. Gas use in the power sector is also expected to decline by around 4% in 2026 due to weaker electricity demand amid the ongoing crisis.

Saudi Arabia

Saudi Arabia's associated gas production is likely to have been reduced by the curtailment of oil production following the closure of the Strait of Hormuz, with oil output losses peaking at more than 3 mb/d in March and April 2026. However, these reductions were largely offset by the addition of new gas processing capacity at Tanajib, which can process up to 27 bcm/yr of raw gas, and by the start-up of the first phase of the Jafurah unconventional gas project shortly before the crisis. Jafurah Phase 1 is currently ramping up towards its peak capacity of 6.7 bcm/yr, which is expected to be reached by the end of 2026. The impact of curtailed associated gas production is likely to have eased since May 2026 as oil production has gradually recovered through the use of alternative export routes.

Saudi oil production is expected to decline by around 0.8 mb/d (or 8%) in 2026 as a whole, and gas supply to the Saudi economy is projected to increase by around 6%, supported by new upstream developments and resilient domestic demand. The chemicals sector, particularly fertiliser plants, are likely to have experienced production declines in the first half of 2026 due to the disruption of fertiliser exports through the Strait of Hormuz, leading to weaker industrial gas demand. By contrast, gas demand for power generation, which has reportedly been given priority as a gas user, and for the energy sector's own use has remained relatively robust throughout the crisis.

Overall, Saudi power sector gas use is projected to increase by 9% in 2026, while industrial gas demand is expected to remain broadly flat. Gas consumption for the energy sector's own use is expected to decline by around 5% in 2026, while residential and commercial demand growth (primarily driven by the commercial sector) is expected to slow to below 3% as the outlook for GDP growth in 2026 has been downgraded since the start of the crisis.

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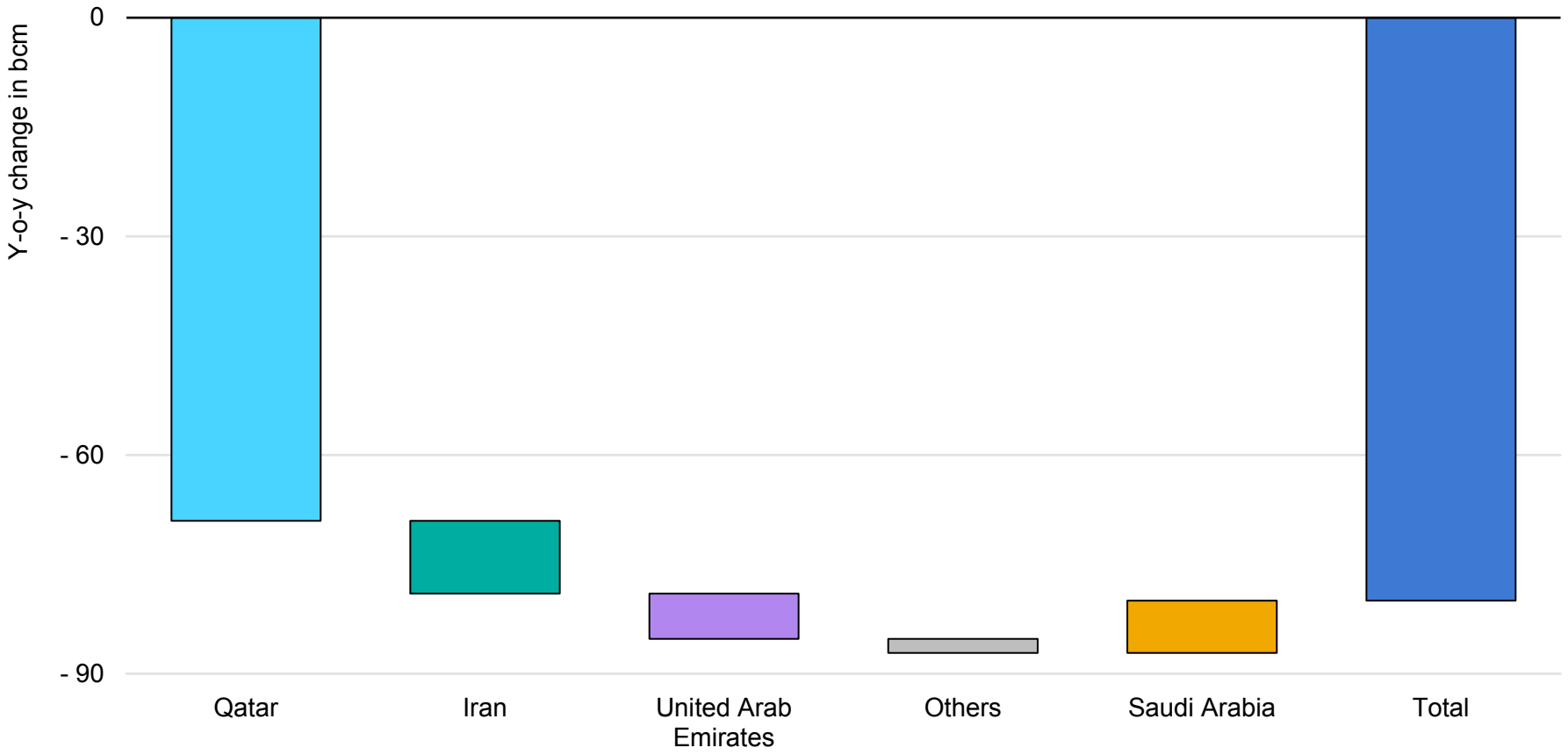
Middle Eastern natural gas production is forecast to decline by close to 15% in 2026

Forecasted year-on-year change in Middle Eastern natural gas production by key producers, 2026 vs 2025



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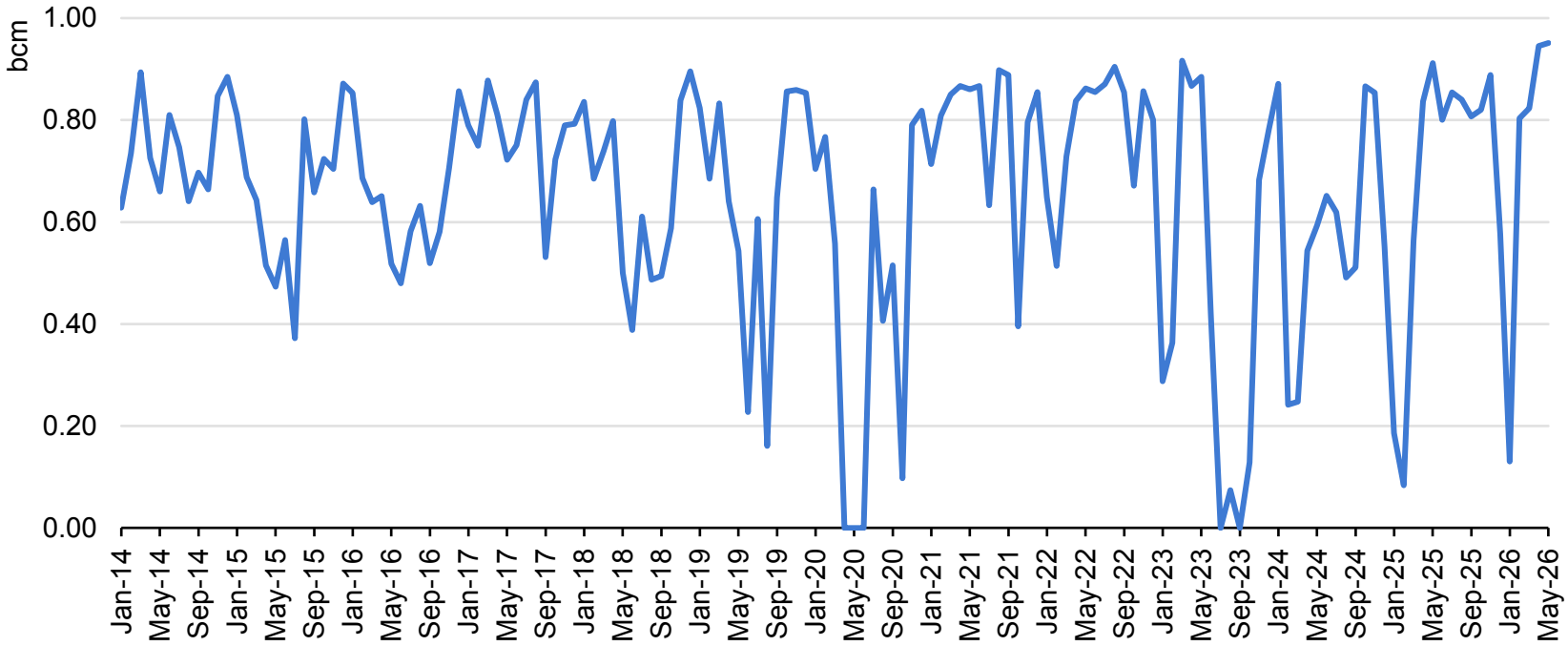
Iran’s piped gas exports to Türkiye reached a new all-time high in May 2026

Iran’s piped gas exports to Türkiye, January 2014-May 2026



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Source: IEA analysis based on Eurostat (2026), Imports of natural gas by partner country - monthly data.

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Annex

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Summary table

World natural gas consumption and production by region and key country (bcm)

	Consumption				Production			
	2023	2024	2025	2026	2023	2024	2025	2026
Africa	170	174	179	180	250	245	241	242
Asia Pacific	933	983	985	976	700	715	730	725
of which China	*402*	*429*	*436*	*440*	*230*	*245*	*260*	*265*
Central and South America	149	157	161	165	150	155	160	162
Eurasia	627	654	638	658	830	860	847	865
of which Russia	*495*	*521*	*506*	*522*	*638*	*685*	*663*	*683*
Europe	500	503	519	506	215	218	213	210
Middle East	618	635	641	615	755	770	780	700
North America	1 141	1 173	1 181	1 180	1 285	1 280	1 332	1 370
of which United States	*922*	*944*	*957*	*954*	*1 061*	*1 060*	*1 094*	*1 124*
World	**4 138**	**4 279**	**4 304**	**4 280**	**4 185**	**4 243**	**4 303**	**4 274**

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Regional and country groupings

Africa – Algeria, Angola, Benin, Botswana, Cameroon, Congo, Democratic Republic of the Congo, Côte d'Ivoire, Egypt, Eritrea, Ethiopia, Gabon, Ghana, Kenya, Libya, Morocco, Mozambique, Namibia, Nigeria, Senegal, South Africa, Sudan, United Republic of Tanzania, Togo, Tunisia, Zambia, Zimbabwe and other countries and territories.[1]

Asia Pacific – Australia, Bangladesh, Brunei Darussalam, Cambodia, Chinese Taipei, India, Indonesia, Japan, Korea, the Democratic People's Republic of Korea, Malaysia, Mongolia, Myanmar, Nepal, New Zealand, Pakistan, the People's Republic of China,[2] the Philippines, Singapore, Sri Lanka, Thailand, Viet Nam and other countries and territories.[3]

Central and South America – Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Netherlands Antilles, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay, Venezuela and other countries and territories.[4]

Eurasia – Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, the Russian Federation, Tajikistan, Turkmenistan and Uzbekistan.

Europe – Albania, Austria, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus,[5,6] the Czech Republic, Denmark, Estonia, Finland, the Former Yugoslav Republic of North Macedonia, France, Germany, Gibraltar, Greece, Hungary, Iceland, Ireland, Italy, Kosovo,[7] Latvia, Lithuania, Luxembourg, Malta, the Republic of Moldova, Montenegro, the Netherlands, Norway, Poland, Portugal, Romania, Serbia, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Republic of Türkiye, Ukraine and the United Kingdom.

European Union – Austria, Belgium, Bulgaria, Croatia, Cyprus,[5,6] the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, the Slovak Republic, Slovenia, Spain and Sweden.

Middle East – Bahrain, the Islamic Republic of Iran, Iraq, Israel,[8] Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, the Syrian Arab Republic, the United Arab Emirates and Yemen.

North Africa – Algeria, Egypt, Libya, Morocco and Tunisia.

North America – Canada, Mexico and the United States.

[1] Individual data are not available and are estimated in aggregate for: Burkina Faso, Burundi, Cape Verde, the Central African Republic, Chad, Comoros, Djibouti, Equatorial Guinea, Gambia, Guinea, Guinea-Bissau, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Niger, Reunion, Rwanda, Sao Tome and Principe, Seychelles, Sierra Leone, Somalia, Swaziland and Uganda.

[2] Including Hong Kong.

[3] Individual data are not available and are estimated in aggregate for: Afghanistan, Bhutan, Cook Islands, Fiji, French Polynesia, Kiribati, the Lao People's Democratic Republic, Macau (China), Maldives, New Caledonia, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga and Vanuatu.

[4] Individual data are not available and are estimated in aggregate for: Antigua and Barbuda, Aruba, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Dominica, Falkland Islands (Malvinas), French Guyana, Grenada, Guadeloupe, Guyana, Martinique, Montserrat, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Suriname and Turks and Caicos Islands.

[5] Note by the Republic of Türkiye.

The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. The Republic of Türkiye recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, The Republic of Türkiye shall preserve its position concerning the "Cyprus issue".

[6] Note by all the European Union Member States of the OECD and the European Union

The Republic of Cyprus is recognised by all members of the United Nations with the exception of Türkiye. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

[7] The designation is without prejudice to positions on status, and is in line with the United Nations Security Council Resolution 1244/99 and the Advisory Opinion of the International Court of Justice on Kosovo's declaration of Independence.

[8] The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD and/or the IEA is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

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Abbreviations and acronyms

ANP	National Petroleum Agency (Brazil)
AFTC	Alternative Fuels Tax Credit
ANP	National Petroleum Agency (Brazil)
BMC	Colombian Mercantile Exchange (Colombia)
CAPEX	capital expenditure
CBG	compressed biogas
CCUS	Carbon Capture, Utilisation and Storage
CME	Chicago Mercantile Exchange (United States)
CNE	National Energy Commission (Chile)
CO_2	carbon dioxide
CQPGX	Chongqing Petroleum Exchange (the People's Republic of China)
EIA	Energy Information Administration (United States)
ENARGAS	National Gas Regulatory Entity (Argentina)
ENTSOG	European Network of Transmission System Operators for Gas
EPC	engineering, procurement and construction
EPIAS	Energy Markets Operations Inc. (Republic of Türkiye)
EPPO	Energy Policy and Planning Office (Thailand)
EU	European Union
EUR	Euro
FCEVs	fuel cell electric vehicles
FID	final investment decision
FLNG	floating liquefied natural gas
FOB	free on board
FSRU	floating storage and regasification unit
FY	fiscal year
GHGs	greenhouse gases
GIE	Gas Infrastructure Europe
GMR	IEA Gas Market Report
GST	goods and services tax
HDDs	heating degree days
HH	Henry Hub
HoA	Head of Agreement
IEA	International Energy Agency
ICE	Intercontinental Exchange
ICIS	Independent Chemical Information Services
IEA	International Energy Agency
ITC	investment tax credit
JKM	Japan Korea Marker
JODI	Joint Oil Data Initiative
JPY	Japanese yen
LBG	liquefied biomethane
LCFS	Low Carbon Fuel Standard
LCV	light commercial vehicles
LEGWP	Low-Emission Gases Work Programme
LNG	liquefied natural gas
METI	Ministry of Economy, Trade and Industry (Japan)
MoU	Memorandum of Understanding
MME	Ministry of Mines and Energy (Brazil)
MVP	Mountain Valley Pipeline
NBP	National Balancing Point (United Kingdom)

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NDRC	National Development and Reform Commission (the People's Republic of China)
NLNG	Nigeria liquefied natural gas
OECD	Organisation for Economic Co-operation and Development
ONS	National Electric System Operator (Brazil)
OSINERG	Energy Regulatory Commission (Peru)
PPAC	Petroleum Planning and Analysis Cell (India)
PTC	production tax credit
RNG	renewable natural gas
RFS	Renewable Fuel Standard
SAF	sustainable aviation fuel
SBL	Strategic Buffer LNG
SMR	steam methane reforming
SPA	Sales and Purchase Agreement
TAP	Trans Adriatic Pipeline
TFDE	Tri-fuel diesel electric
TFFS	Task Force on Gas and Clean Fuels Market Monitoring and Supply and Security
TTF	Title Transfer Facility (the Netherlands)
UGS	underground storage
USD	United States dollar
y-o-y	year-on-year

Units of measure

bcf	billion cubic feet
bcf/d	billion cubic feet per day
bcm	billion cubic metres
bcm_{eq}	billion cubic metre equivalent
bcm/yr	billion cubic metres per year
GJ	gigajoule
GW	gigawatt
kWh	kilowatt hour
MBtu	million British thermal units
Mt	million tonnes
Mt/yr	million tonnes per year
m^3/hr	cubic metres per hour
$m^3/yr/hr$	cubic metres per year per hour
m^3/yr	cubic metres per year
Nm^3	normal cubic metre
TWh	terawatt hour

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