LNG Project Financing Trends

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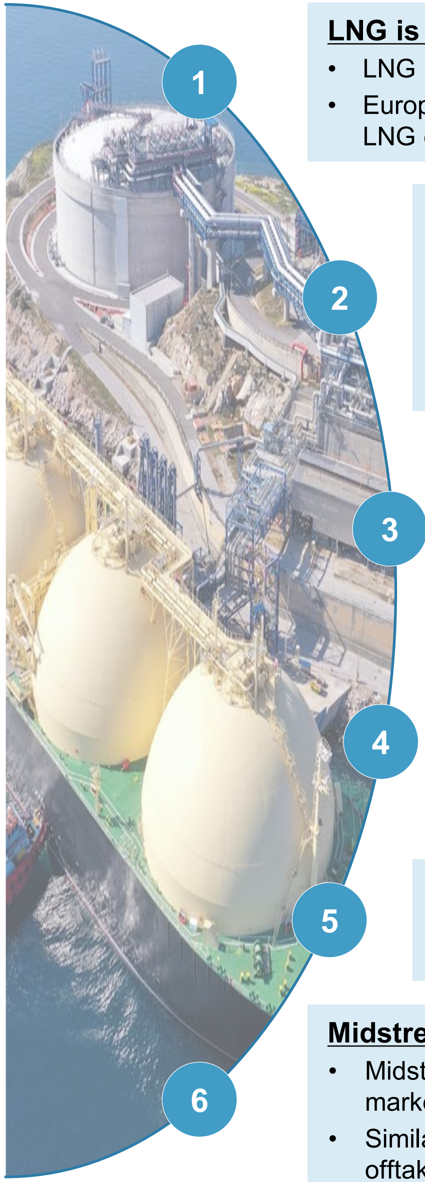
Key Considerations for LNG in 2025



LNG is the Foundation of the Energy Transition

- LNG provides the balance between GHG emissions and cost-competitiveness
- European regasification capacity expected to grow by at least 50 MTPA in the wake of the Russia-Ukraine War, while Asian LNG contract execution in 2024 remained robust

US Expected to be the Marginal Supplier of LNG

- Project sanctioning momentum has moved in favor of Qatar in 2024 as they capitalized on low-cost gas, favorable location to Asian markets and financial backing from cash-rich NOCs
- Regardless of the regulatory uncertainty surrounding the US LNG, buyers remain interested with 19.6 MTPA of agreements signed in 2024 (mostly HOAs)
- Most forecasts expect export authorizations and FIDs to come from the US in 2025

Limited Pool of Reliable LSTK EPC Contractors

- In May 2024, Zachry's exit and bankruptcy process from Golden Pass LNG has renewed focus on the risks of lump-sum turnkey (LSTK) contracts in volatile market conditions
- Bechtel recognizes it's the only game in town for LSTKs, driving up construction costs for projects planning to FID in the US

LNG Offtake – A Buyers Market Resulting in Constrained Returns for LNG Developers

- LNG projects have limited ability to pass increased costs through offtake contracts (via liquefaction fees) given the short list of buyers capable of underpinning IG cash flows that support PF debt
- Today, most projects must create an LNG marketing entity to create enough uplift to returns to attract infrastructure equity capital

Equity Investment Appetite Remains Strong

- Equity investors remain interested in LNG projects given the long-term, contracted cash profile but need structured instruments to meet return expectations

Midstream & Upstream Strategics Increasingly Interested in Both Offtake and Investments in LNG Projects

- Midstream companies still looking to employ a wellhead-to-water strategy, allowing them opportunities to optimize gas marketing throughout the value chain
- Similarly, upstream producers look to increase their gas price diversification with the likes of EQT and others signing multiple offtake contracts

Source: Mizuho Bank

LNG Project Financing Trends (1 of 2)

Below we list the key project financing trends in the LNG sector in 2025:

Surge in Final Investment Decisions (FIDs)

- High LNG prices and tight supply have spurred a new wave of FIDs, especially in the US, Qatar, and Canada, with US capacity set to nearly double.
- Developers are racing to lock in long-term offtake agreements before potential demand peaks, ensuring bankability.

Asia-Driven Demand Pull

- South and Southeast Asia remain the growth engines, with financing structures increasingly tailored to emerging-market credit profiles.
- Lenders are factoring in currency risk mitigation and multilateral guarantees to support projects in these regions.

ESG and Energy Transition Pressures

- Net-zero policies and the prospect of peak LNG demand being brought forward are reshaping financing horizons.
- Investors are demanding lower-carbon LNG — financing is tied to methane-reduction tech, carbon capture, and verified emissions reporting.

Source: legacy.gasstrategies.com; meti.go.jp

LNG Project Financing Trends (2 of 2)

Below we list the key project financing trends in the LNG sector in 2025:

Rise of Portfolio Players & Flexible Contracting

- Large portfolio players (e.g., supermajors, global traders) are using balance-sheet financing and blending equity with debt to reduce reliance on traditional project finance.
- Shift toward shorter, more flexible contracts to appeal to buyers wary of long-term commitments in a decarbonising world.

Cyclical Investment Patterns Still Dominate

- LNG projects remain capital-intensive (5–10 years to complete), with investment cycles tied to price swings.
- High prices trigger investment surges; oversupply later depresses prices, slowing new FIDs — a pattern lenders are modelling into risk assessments.

Geopolitical & Supply Chain Risk Pricing

- Financing terms now embed geopolitical risk premiums — from Ukraine war impacts to Red Sea shipping disruptions.
- Supply chain delays and cost overruns are being addressed via contingency reserves and EPC contractor guarantees.

Conclusion

- **2025’s LNG financing landscape is a balancing act — chasing today’s high-price, high-demand window while hedging against tomorrow’s decarbonisation and demand-peak risks.**

Source: legacy.gasstrategies.com; meti.go.jp

Important Elements for a Successful Project Financing of an LNG Project

Below we list the key considerations which need to be addressed when raising project finance debt in the LNG sector:

- Construction: mitigated through debt service undertakings from IG Sponsors and EPC contract(s)
- Offtake: volume underpinned by long term offtake agreements with minimum volume take-or-pay commitments at market price linked to a benchmark
- Leverage: dictated by the volatility of underpinning prices tested via sensitivities
- Funding pools: mainly ECAs, international and local banks

Source: Mizuho Bank

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