NATURAL GAS ANALYST

Weak Asia LNG Demand Buys Europe Even More Time

Samantha Dart
+1(212)357-9428 |
samantha.dart@gs.com
Goldman Sachs & Co. LLC

Laura Cyr
+1(212)934-1001 | laura.x.cyr@gs.com
Goldman Sachs & Co. LLC

- **Asia still absorbing most of the LNG supply shock.** High-frequency data for April suggest Asia LNG demand has weakened further vs March, with the region absorbing an even larger share (over 70% currently vs mid-60s last month) of the ongoing LNG supply shock driven by the interrupted flows through the Strait of Hormuz (SoH) (Exhibit 1).
- **China demand still the biggest miss vs our expectations...** The drop in Asia LNG demand continues to be primarily led by China (Exhibit 2), where the latest data suggest a combination of gas destocking and weak gas demand (Exhibit 3). We've also observed weaker LNG demand in Japan and South Korea vs our expectations, likely driven by a combination of comfortable inventory levels and petrochemical demand destruction owing to naphtha shortages, which in turn have reduced chemical companies' operating rates and, with it, their natural gas demand.
- **...Which we think will partially extend into the rest of the year.** In addition to offering a meaningful offset to global LNG supply losses this month, leaving European LNG imports only modestly down from March, this weakness in Asia LNG demand suggests a similar trend for the remainder of summer. To be clear, while we expect Asia LNG demand to recover sequentially from its April lows, partly as some chemical companies make alternative arrangements to source naphtha and other chemical feedstocks, the gas demand recovery will likely be gradual. In addition, the weakness in LNG demand in China in particular suggests that the large negative gap between gas demand growth and GDP growth observed last year might have a stronger structural component than we thought, related to strength in renewable power generation and ongoing weakness in energy-intensive construction activity (Exhibit 4). This demand miss leads us to moderate our yoy growth assumption for China gas demand for the remainder of the year to 3.7%, from 5.1% previously.
- **Asia LNG weakness has thus far offset the delay to SoH normalization...** On net, even as we now assume a normalization in Persian Gulf LNG exports starting in mid-May and complete by late-June (vs. from mid-Apr to late-May previously), our average 9 mtpa downward revision to Asia LNG demand for the balance of the summer largely offsets the 10 mtpa incremental supply loss from a later SoH flow ramp (Exhibit 5), especially as other LNG exporters look to delay maintenance and increase utilization rates where possible (+2 mtpa supply).

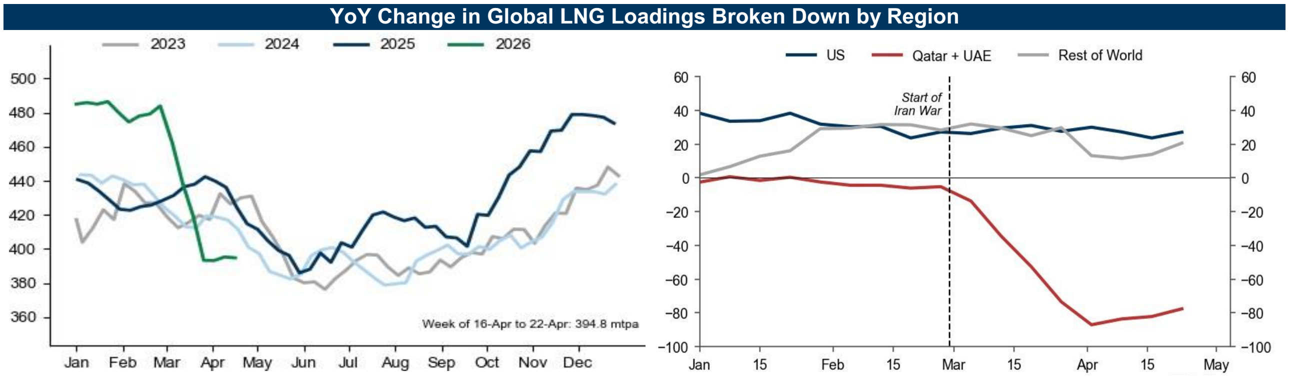
- **...Leaving European balances and our price forecasts unchanged.** As a result, we maintain our view that, as long as European natural gas prices continue to maximize gas-to-coal switching this summer, at least 5 EUR/MWh above coal generation costs currently at 35 EUR/MWh,[1] NW Europe should be on track to take its gas inventories to just over 80% full by end-October (Exhibit 6 and Exhibit 7). Accordingly, we leave our balance-of-2Q26 natural gas price forecasts unchanged at 50 EUR/MWh ($16.90/mmBtu) for TTF and $18.15/mmBtu for JKM, both modestly above forwards at 45 EUR/MWh (TTF) and $16.89/mmBtu (JKM). We also maintain our 40 EUR/MWh 4Q26 TTF forecast (and $14.65/mmBtu for JKM), under forwards at 45 EUR ($16.15/mmBtu for JKM) (Exhibit 8).
- **Risks to gas prices still skewed to the upside.** Risks to our 44 EUR/MWh balance-of-the year TTF forecast are two-sided, but on net still skewed to the upside (Exhibit 9).
  - Adverse scenario: TTF would likely move towards 65 EUR/MWh in 3Q26 to destroy incremental Asia LNG demand if a full normalization of SoH flows were only reached in late Jul, lifting Bal 2026 TTF to 58 EUR/MWh.
  - Severely adverse scenario: We would expect TTF to reach 80 EUR/MWh in 3Q26 and remain at this level through year-end to incentivize incremental demand destruction to help offset a slower LNG export ramp relative to our adverse scenario and higher long-term damage to Qatari export capacity.[2]
  - Benign scenario: We would expect TTF to average 40 EUR/MW for the remainder of the year, reflecting no risk premium, just pricing to maximize switching into coal, under a scenario where SoH flows fully normalize in or before mid-Jun.
- **We remain long-term bearish TTF and JKM.** Our new base case of a full SoH normalization only by late-Jun (vs late-May previously) does not impact our bearish 2028/29 TTF (19/16 EUR/MWh) and JKM ($6.90/$5.70/mmBtu) views (Exhibit 10). To be clear, because natural gas markets tend to prioritize security of supply in the winter, barring further long-term damage to LNG export capacity, we expect the market to curb enough LNG demand this summer to keep the storage path from next winter intact (Exhibit 11). Further, we note that this persistent weakness in China gas demand vs GDP increases our confidence in our long-term bearish TTF and JKM views, as it puts a bigger burden on gas demand sensitivity to price to solve the global LNG market glut we expect in 2028/29. We already assume 2029 China/India LNG imports up by 75%/61% vs 2025 levels, so the risk that Asia LNG demand disappoints leaves risks to our 2028/29 TTF and JKM price forecasts skewed to the downside, in turn posing a risk that, at some point from 2028, US LNG exports might have to be temporarily curtailed to solve the global LNG market oversupply.

1 Calculated in gas-equivalent terms, taking efficiency and carbon cost differentials into account.

2 20 mtpa vs the current reported damage of approximately 13 mtpa.

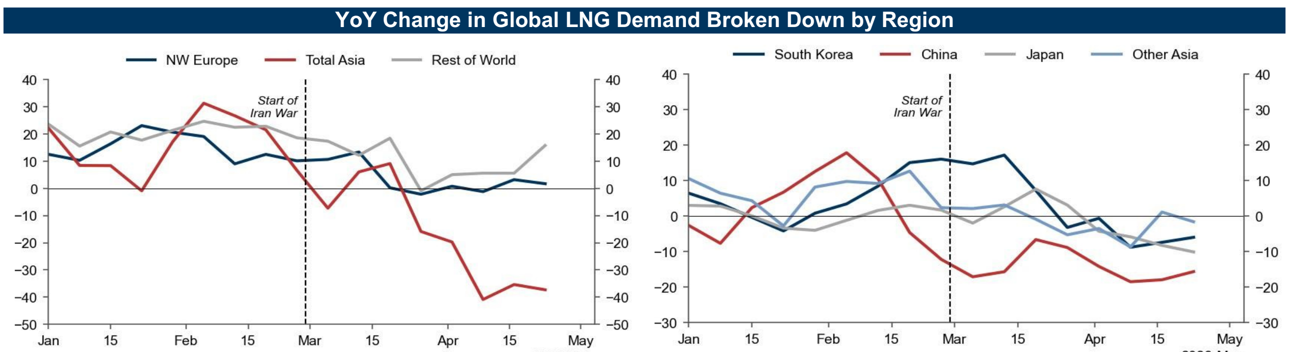
Weak Asia LNG Demand Buys Europe Even More Time

Exhibit 1: Global LNG exports are down sharply due to the ongoing Strait of Hormuz shock
Global LNG loadings (lhs, 4wma), mtpa vs YoY change to LNG loadings by export region (rhs, 4wma), mtpa



Source: Kpler, Goldman Sachs Global Investment Research

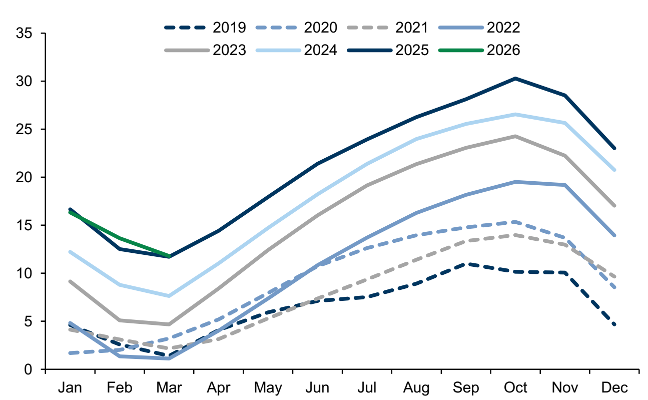
Exhibit 2: Asia continues to absorb most of the LNG supply shock, led by China
YoY change to LNG deliveries by import region (4wma), mtpa



Source: Kpler, Goldman Sachs Global Investment Research

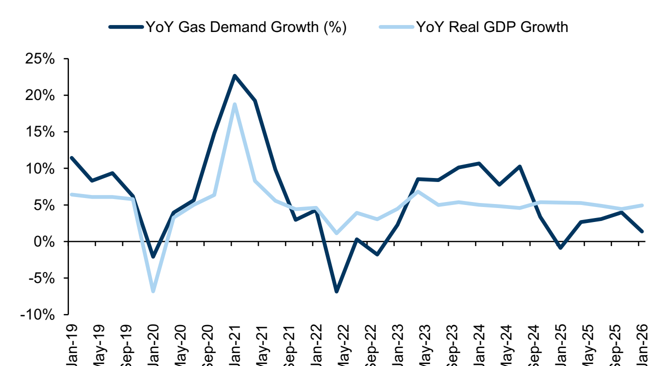
China LNG Import Weakness a Combination of Gas Destocking and Weak Gas Demand

Exhibit 3: This is the first time since 2022 that China is not increasing its gas storage levels yoy
China gas storage in days of coverage based on 12mma demand



Source: SIA, Kpler, Goldman Sachs Global Investment Research

Exhibit 4: China gas demand growth, typically above GDP growth outside of a shock like the 2022 Covid lockdown, has underperformed GDP since 2025
China gas demand quarterly YoY growth, Bcm/y



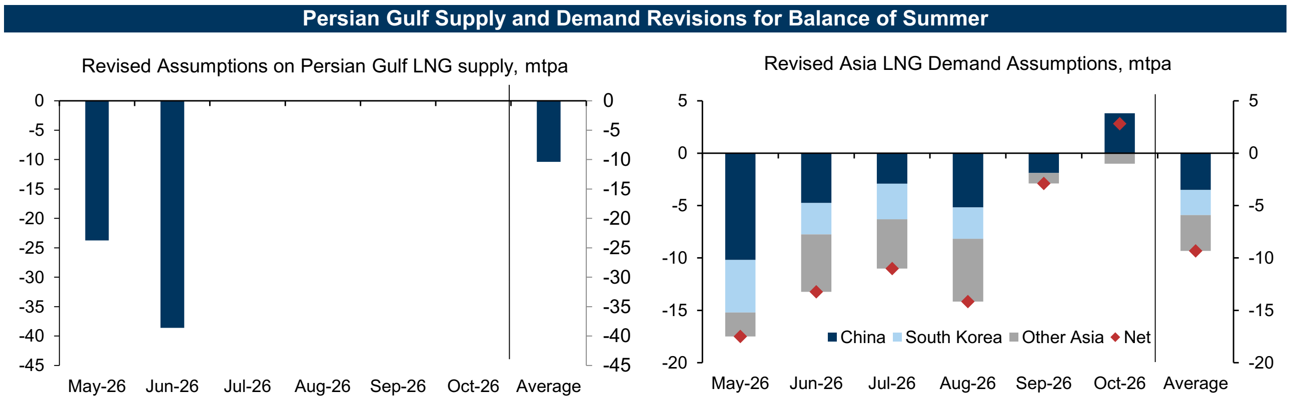
Source: SIA, Goldman Sachs Global Investment Research

Lingering Asia Demand Weakness Helps Offset the Delay in SoH LNG

Flow Normalization

Exhibit 5: The delay in the SoH LNG flow normalization tightens May and Jun balances, but lingering weakness in Asia demand help offset it ahead of the next winter

GS LNG supply and demand revisions, mtpa

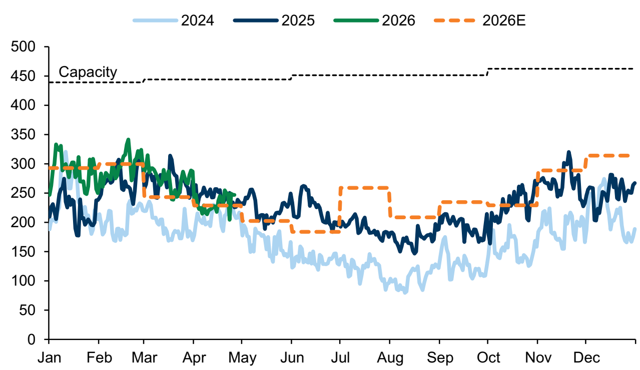


Source: Kpler, Goldman Sachs Global Investment Research

This Leaves Enough LNG for Europe to Balance This Year

Exhibit 6: We expect an only modest decline in European LNG imports in May/Jun relative to the size of the supply shock...

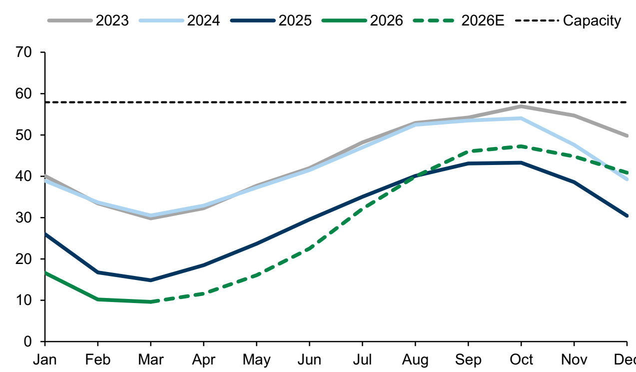
NW Europe LNG imports; mcm/d



Source: Bloomberg, Goldman Sachs Global Investment Research

Exhibit 7: ...which we estimate will help NW European storage reach 80% full by end-Oct26

NW European gas storage; Bcm



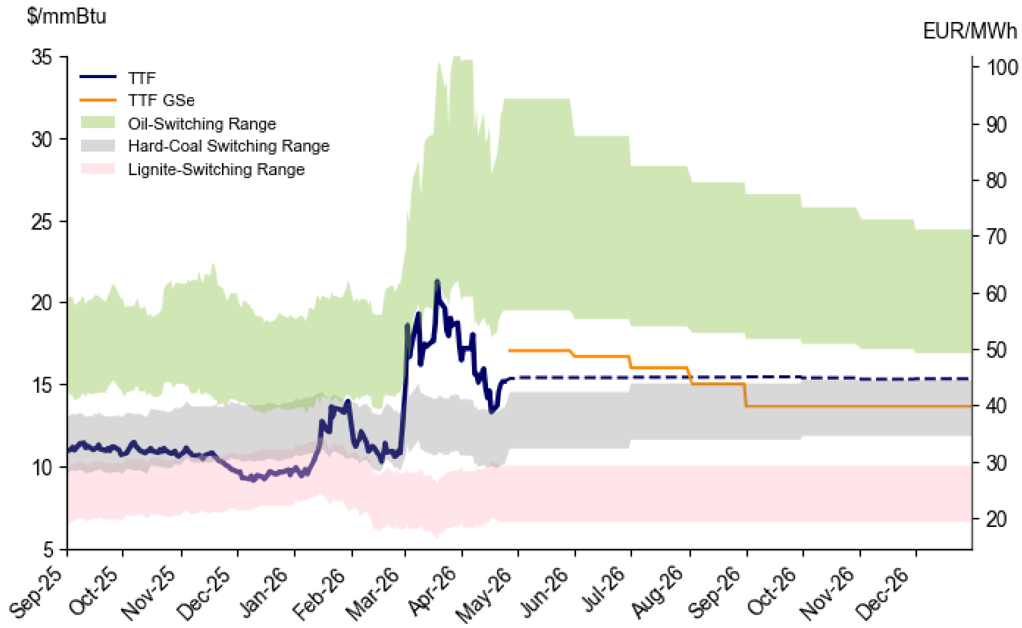
Source: Bloomberg, Goldman Sachs Global Investment Research

We Keep Our TTF and JKM Price Forecasts Unchanged, With Risks Still

Skewed to the Upside

Exhibit 8: We continue to see TTF above the coal switching range as sufficient for the market to balance this year

TTF prices and fuel switching ranges vs GS forecasts and forwards



Prices shown in gas-equivalent terms, adjusted for carbon costs and burning efficiency; oil products (residual fuel oil at the bottom, distillate fuel at the top) adjusted for carbon costs only. Forwards as of April 24th, 2026.

Source: ICE, S&P Global Commodity Insights, Goldman Sachs Global Investment Research

Exhibit 9: The price upside we estimate for further SoH normalization delays keeps risks to our forecasts skewed to the upside

EUR/MWh

	Benign Scenario - Normalized flows in or before mid-Jun	GS TTF Base Case - Normalized flows from late Jun)	Adverse scenario - Normalized flows from late-Jul	Severely Adverse scenario - Slower prod. ramp vs Adv. Scen. and bigger long-term damage to supply
Bal 2Q26	40	50	55	60
3Q26	40	44	65	80
4Q26	40	40	53	80
Bal 2026	40	44	58	75
2027	30	30	33	62

Base case: SoH LNG flows fully normalized (minus 13 mtpa long-term damage to Qatari capacity) by late-Jun. Adverse scenario: SoH normalized (minus 13 mtpa long-term damage to Qatari capacity) by late-Jul. Severely adverse scenario: Slower LNG export ramp vs adverse scenario, fully normalizing by early-Aug (minus a larger 20 mtpa of long-term damage to Qatari capacity). Benign scenario: Full SoH flow normalization (minus the 13 mtpa of damage to Qatari capacity) in or before mid-Jun.

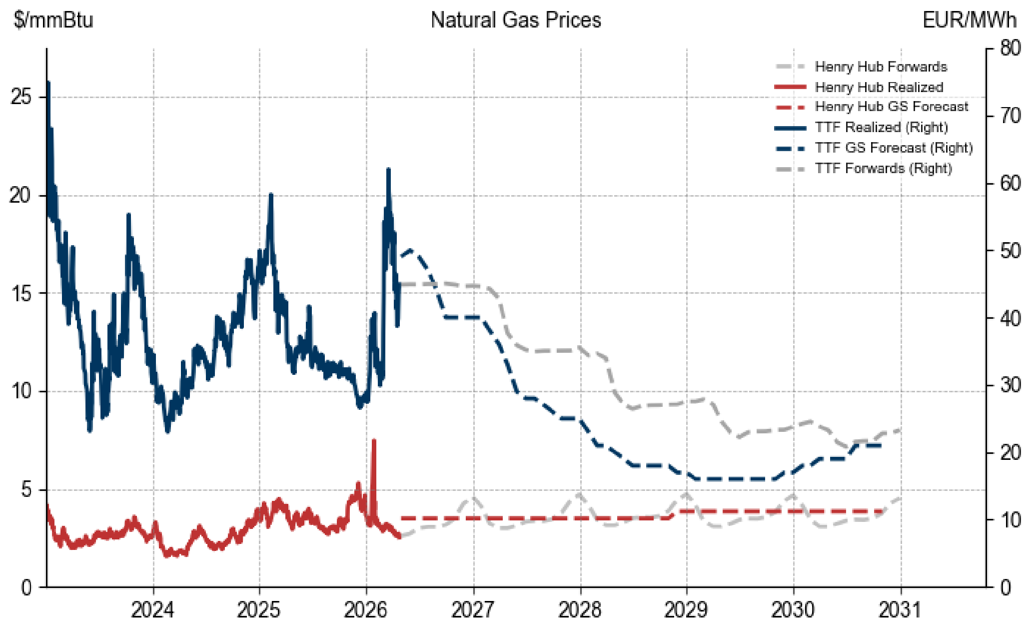
Source: Goldman Sachs Global Investment Research

Our Delayed SoH Normalization Baseline Does Not Change

Long-Term TTF and JKM Views

Exhibit 10: We expect TTF and JKM to price below $7/mmBtu in 2028 and below $6/mmBtu in 2029...

TTF and Henry Hub prices against forwards and GS forecasts

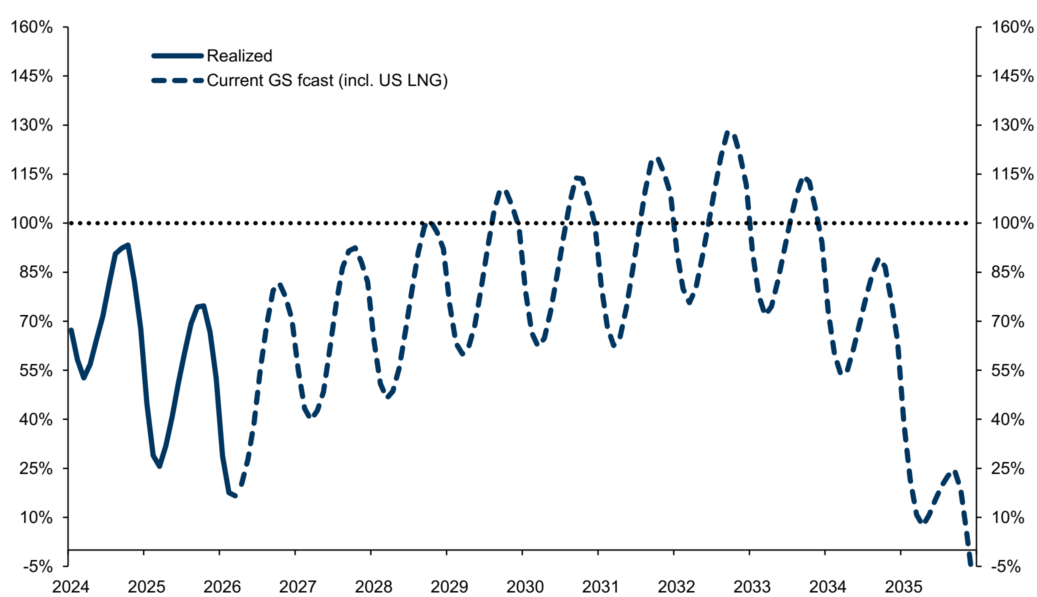


Forwards as of April 24th, 2026.

Source: ICE, CME, Goldman Sachs Global Investment Research

Exhibit 11: ...To help incentivize enough demand to manage the oversupply in global LNG markets towards the end of this decade

GS estimated NW European gas storage, % full



Source: Bloomberg, Goldman Sachs Global Investment Research