



# Liquefied Natural Gas (LNG)

EIC Insight Report

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## Executive summary

The Liquefied Natural Gas (LNG)/Gas industry is currently undergoing a seismic shift as countries around the world progressively adopt net-zero (NZE) targets to regulate carbon emissions, with the aim of developing cleaner energy systems to fulfill Paris Climate Agreement goals. As of 2021, mitigating the climate crisis has become a firm priority for global economies. This is evidenced by China announcing that it will end building and funding coal projects in nations covered by its Belt and Road Initiative, plus the USA, Canada, and another 18 countries committing to stopping



public financing for unabated fossil fuel projects abroad. Alongside this, the emergence of the COVID-19 pandemic in early 2020 negatively impacted global markets; with its effect on the energy sector being particularly pronounced, as a result of repeated lockdowns and slowed transport, trade, and economic activity. Consequences such as an increase in price volatility and risk, supply chain disruptions, delivery bottlenecks, and an acceleration in automation and digitalization processes of energy services, are expected to remain for a long time.

The 26th Conference of the Parties to the United Nations Framework on Climate Change (COP26), which happened in Glasgow, Scotland, in November 2021, contributed actively towards



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the further commitment to net-zero targets and move towards cleaner energy sources. Finance and insurance costs for coal projects were pledged to increase and plans for the development of international carbon markets were included in Article 6 of the Paris Rulebook. While there were no significant adjustments following COP26 for oil, Gas is set to occupy a significant role within the energy transition. The 'phasing down' of coal could give Gas a function as a transition fuel, especially in developing economies in Asia, where the share of coal in energy mixes is currently high, and overall energy demand is growing strongly. Also, Gas continues to play a role in the longer term in a decarbonized form, thanks to carbon capture and storage (CCS) technology and increasing use as a source for hydrogen.

The year 2022 has brought natural gas and LNG to the centre of discussions. The European Commission endorsed natural gas as a transition fuel under its sustainable finance taxonomy

released in February 2022 and now considers classifying some projects involving it as sustainable investments, which supports the idea to adopt it as a bridge fuel. Also in February 2022, the invasion of Ukraine by Russia, one of the largest fossil fuel producers in the world and a huge energy partner for Europe, has seriously affected the energy sector, shifting the current geopolitics of energy and further disrupting an already fragile sector. In this context, natural gas, including LNG, occupies an important role as a versatile energy form that is not only a substitute for more polluting energy sources but also as a fuel that can provide energy security to those who lack it.

To understand how natural gas and LNG will position itself in a post-pandemic world, this Insight Report will focus on both the current role that the sector plays globally, and its future potential in aiding the Energy Transition. The report will detail liquefaction and regasification processes including trade flows between countries and utilisation rates, discuss challenges and opportunities for improvements within the sector, and display information around regional markets including imports and exports.



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