ENERGY MARKETS

Rewriting competitiveness in energy

Gas markets are oversupplying, electricity is straining under AI demand, and methane rules are raising the bar. Together, these forces are rewriting competitiveness in energy, writes Mark Davis FEI, CEO of Capterio, a British company focused on reducing gas flaring.

Enthusiasm for the current energy transition path appears to be wavering. Against this backdrop, motivated by their 'low-carbon' credentials and spurred on by the apparently insatiable demands from AI data centres, gas market players are sensing an opportunity. At Gastech (the world's largest gas conference, held in Milan in September), producers were subtly evolving their narrative. Rightly or wrongly, gas is no longer being vocalised as a 'bridge' or a 'transition fuel': instead, it is increasingly marketed as a 'destination fuel'.

In addition to piling into renewables, Europe's response to high prices and a desire to exit Russian gas is to secure new gas supplies. Conveniently, LNG output is surging (from the US, Qatar, Australia, Canada, Mozambique and elsewhere), adding an additional ~400bn m^3 of capacity (or 70%) by the early 2030s, according to analyst Anne-Sophie Corbeau, Global Research Scholar at the Center on Global Energy Policy.

At Gastech, the US contingent was present in full force, inking long-term purchasing contracts for their soon-to-double LNG output. It is clear that the US rationale is part politically motivated (Secretary of State for the Interior Doug Burgum noted that the US wants to 'sell energy to our friends so they don't have to buy from our adversaries'), but part commercial (eyeing up more than $50bn in annual revenues).

But almost no one at Gastech was talking about the elephant in the room – LNG oversupply – and the need to ensure that companies minimise waste to maximise their own competitiveness.

Some considerations of the coming LNG surge

The surge in LNG exports needs careful consideration for three main reasons.

Firstly, new EU methane standards may restrict market access to 'dirty' gas. Whilst their details are not yet fully defined, by 2030 LNG exporters will need to meet stringent carbon intensity standards or risk losing market access and/or pay penalties.

Secondly, LNG exports are likely to further drive up US power prices. Exports divert valuable domestic supplies (which are already at risk due to lower oil prices, as discussed below). And when combined with the surge in power for AI data centres and the new administration's lack of enthusiasm for wind and solar, power prices are likely to increase.

The link between lower oil prices and gas supply is worth unpicking. The often-missed link is that one third of US gas production is so-called 'associated gas', that

LNG tanker at Nigeria LNG's terminal at Bonny Island (Trains 1–6). In October 2025, Shell Nigeria Exploration and Production Company (SNEPCo), together with Sunlink Energies and Resources, took a final investment decision (FID) on the HI gas project offshore Nigeria to supply 60,000boe/d to Nigeria LNG via the Train 7 development. Production is expected to begin before the end of this decade.

Photo: Julius Berger

IEA report predicts rise in short-term demand and medium-term growth

Following a slowdown in 2025, growth in global demand for natural gas is expected to rise in 2026, according to the IEA's latest quarterly *Gas Market Report* published in July 2025.

The report finds that market fundamentals remained tight in 1H2025 due to a combination of lower Russian piped gas exports to the European Union, relatively modest growth in LNG output and higher storage injection needs in Europe.

In this context, and amidst elevated macroeconomic uncertainty, global natural gas demand growth is forecast to slow from 2.8% in 2024 to around 1.3% in 2025. The increase is expected to be almost entirely driven by North America and Europe, with the growth in consumption in the Asia-Pacific region – where many markets tend to be sensitive to higher prices – falling to its weakest annual rate since the energy crisis in 2022.

The report sees global demand growth picking up again in 2026 and accelerating to around 2% as a considerable increase in LNG supply eases market fundamentals and fosters stronger demand growth in Asia. In 2026, LNG supply is set to rise by 7%, or 40bn m^3 – its largest increase since 2019 – as new projects come online in the US, Canada and Qatar.

The report notes that geopolitical tensions in the Middle East have fuelled recent price volatility.

is, gas co-produced with oil. When oil prices are low (and they are expected to remain around $50/b through 2026), drill-baby-drill slows, putting future gas supplies at risk. The pressure could intensify as OPEC+ continues to unwind its voluntary production cuts (coupled with Kurdistan's recent reopening of its oil export pipeline via Turkey). A resulting crunch in associated gas production could make Australia an undesirable role model for the US. In Australia, 74% of all gas produced is already exported to high-priced international markets. And LNG-linked prices have pushed up electricity prices, especially whenever gas is the marginal generator (ie coal or renewables are constrained).

Thirdly, the global outlook for gas remains highly uncertain. As Corbeau notes in her Qatar's energy decisions article, that country's response (itself soon to surge in LNG export capacity) remains unclear. It could flood global markets and act as an OPEC-style pressure point (driving down prices and crushing higher-cost producers), or it could constrain its supplies to Europe (in protest to the EU's upcoming regulations). Furthermore, indications of China's direction of travel are mixed: LNG imports are reportedly down for the 11th consecutive month, yet increased imports are planned from Arctic LNG 2 and Sakhalin 2 (according to Russia's Energy Minister), and Russia is now powering ahead with its new Power of Siberia 2 gas pipeline.

Given the uncertain gas market outlook, it is perhaps not surprising that there was a flurry of LNG contracts being signed at Gastech, with exporters keen to 'lock in' offtake agreements before the situation changes. But some thought that Gastech was more a 'deal-making frenzy and reality denial', with 'peak hubris' on display. Perhaps even 'irrational exuberance', according to executives from Shell and TotalEnergies, who noted that many recently-approved projects are 'at the higher end of the cost curve'. But this could be a boon for buyers.

A competitive buyers' market?

In an oversupplied international market (which most analysts say is highly likely), gas prices would fall, buyers would gain leverage, and consumers and industries would benefit. Increasing supply options for major purchasing blocks could enable importers to select their energy, in part, on its end-to-end carbon intensity.

For gas, the proposed, but not yet fully defined, EU Methane Emissions Regulation (EU MER) will matter more than ever. Importers will want to buy (and perhaps pay more for) 'differentiated' gas (ie gas that is certified to have low emissions from production and transport). Exporters would do well to take note to ensure their supplies remain competitive, else there is a risk that they may have to cede market share, lower price expectations or face penalties.

Whilst the EU's methane regulations are controversial in the views of many exporting blocks, it is encouraging that 42 institutional investors (collectively accounting for more than €4.5tn in managed assets) recently wrote to the EU Commission to quickly adopt the proposed regulations. They argue not only that import standard implementation is the right thing to do, but also that the EU regulations (and their equivalents in the US) fundamentally help to improve companies' operational performance, resilience and competitiveness.

Competitiveness matters. Countries with significant supply chain waste (for example, through flaring, venting and leaking) and with high emissions intensities could lose their edge. Within the LNG supply chain, there is a 100x variation in the 'flaring intensity' between the best and most challenged LNG liquefaction plants globally, according to new Capterio research. Africa's average intensity is many times greater than that of the Americas.

Globally, these three sources of waste account for 7% of all gas supply, some 270bn m^3/y (perhaps more than $60bn of annual revenues), according a recent analysis of global flaring data by Capterio.

To put the value of the wasted gas into perspective, consider that AI today consumes 415 TWh/y of electricity according to the International Energy Agency (IEA). But if 50% of the wasted flared, vented and leaked gas (roughly what the IEA says has a negative marginal abatement cost) were put towards AI data centres, they could triple their energy use (adding 780 TWh/y, or 89 GW of continuous power) while also dramatically reducing emissions (on the scale of 3–4 Gt CO_2e emissions).

Projects which reduce methane and flaring are among the fastest and most cost-effective ways to curb global warming in the near term. A recent 165 MW flared-gas-to-power project in Kurdistan, completed in under a year, is a case in point and not only improved grid reliability, but also helped ease regional unrest.

The world is becoming increasingly complex and uncertain. As global LNG supply expands and new methane regulations tighten, producers that fail to curb waste and demonstrate transparency risk losing market access. In contrast, those that innovate to capture and monetise wasted gas can turn a looming oversupply into an opportunity – transforming environmental stewardship into a competitive advantage. ■

Note: The main article is based on an article originally published on LinkedIn in early October 2025.

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