The LNG Gamble

Separating hype from evidence

June 2026

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PEMBINA Institute

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ISBN 1-897390-97-1

Recommended citation: Sanderson, Ian. The LNG Gamble: Separating hype from evidence. The Pembina Institute, 2026.

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Acknowledgements

The Pembina Institute recognizes that the work we steward and those we serve span the lands of many Indigenous Peoples. We respectfully acknowledge that our organization is headquartered in the traditional territories of Treaty 7, comprising the Blackfoot Confederacy (Siksika, Piikani and Kainai Nations); the Stoney Nakoda Nations (Goodstoney, Chiniki and Bearspaw First Nations); and the Tsuut'ina Nation. These lands are also home to the Otipemisiwak Métis Government (Districts 5 and 6).

These acknowledgements are part of the start of a journey of several generations. We share them in the spirit of truth, justice and reconciliation, and to contribute to a more equitable and inclusive future for all.

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Executive summary

Global liquefied natural gas markets have been upended by the conflict in Iran and the disruption of key Middle East supply routes. The resulting price spike and volatility illustrate how quickly LNG can become unaffordable for many importing countries and how rapidly demand can be destroyed in price-sensitive markets. While these shocks can tighten markets in the near term, they are also likely to accelerate longer-term energy security strategies that reduce reliance on imported fossil fuels — including faster deployment of renewables, storage, grid modernization, and, in some countries, nuclear. This report focuses on these long-term structural factors that are likely to determine whether new Canadian LNG projects are viable by assessing the economic, market, and climate risks associated with large-scale LNG expansion in Canada at a time of profound structural change in global gas markets.

LNG demand growth is slowing or stagnant

Across key prospective Asian markets, LNG demand growth is slowing, uncertain, or highly price-sensitive. In China, LNG imports are constrained by rising domestic production, expanding pipeline imports, and a limited role for gas in power generation alongside rapid renewable and nuclear build-out. In Japan and South Korea, LNG use is flat or declining as nuclear and renewables expand, and Japanese firms increasingly act as LNG portfolio traders rather than long-term end-market anchors. In India and other emerging economies, LNG demand responds sharply to price and typically grows meaningfully only when global prices fall to levels that are difficult to reconcile with the economics of new, higher-cost supply.

Canadian LNG faces a challenging global market

At the same time, the industry is entering a historic supply wave led by lower-cost producers, particularly the United States and Qatar, raising the risk that short-term market tightness gives way to renewed oversupply once the conflict is resolved. Market fundamentals are also shifting away from rigid, long-term take-or-pay contracting toward shorter-term, hub-linked pricing, increasing exposure to price volatility and weakening the revenue certainty that traditionally underpins LNG project financing. In a more competitive and flexible market, higher-cost new entrants are likely to be displaced first when margins compress.

Canadian LNG projects are particularly exposed in this environment because they sit higher on the global cost curve. High capital intensity, long supply chains, and major associated infrastructure increase breakeven costs and narrow the buffer against cost overruns, delays, or sustained periods of lower prices.

Coal replacement may not happen

The price levels required for large-scale coal-to-gas switching in emerging Asian power systems are below the long-run breakeven costs of new Canadian projects. In practice, LNG increasingly competes with rapidly scaling renewables and storage rather than displacing coal, making climate benefits uncertain while leaving projects exposed to both demand risk and carbon-related competitiveness risk over time.

Recommendation: Private capital should handle the risk

Despite these risks, Canadian LNG projects have received significant taxpayer subsidies through direct financial support, publicly financed infrastructure, preferential electricity rates, and foregone tax revenue. This shifts material market risk from private proponents to taxpayers and increases the likelihood that public funds will be exposed to stranded asset outcomes if global demand and prices evolve unfavourably. It also risks prioritizing LNG's use of clean electricity over other sectors that could deliver greater and more durable economic and climate benefits. Overall, Canadian LNG may present an export opportunity for private firms, but it does not represent a good bet for further taxpayer subsidies. Governments should not use public dollars to de-risk private LNG projects; proponents should proceed only where projects can attract private capital on their own merits and withstand realistic price, demand, and climate policy conditions.

1. Introduction

Canada stands at a critical juncture in the development of its liquefied natural gas (LNG) sector, with billions of dollars riding on assumptions about how global energy systems will evolve. These assumptions are based on LNG acting as a "transition fuel" for emerging economies as they shift from coal to renewable power, while meeting growing energy demand globally. At the same time, governments in Canada are setting aside capital to put towards major projects, for instance through the recently-announced Canada Strong Fund.[1] If LNG proves less competitive than anticipated, however, Canada risks over-committing to long-lived infrastructure that delivers limited economic returns while constraining domestic decarbonization efforts.[2] In those circumstances, public dollars should not be used to subsidize private LNG development — through measures such as direct subsidies, publicly financed infrastructure, preferential electricity rates, and foregone tax revenue.[3]

Private proponents have been slow to reach final investment decisions (FID) on proposed LNG terminals in Canada. In response, projects such as LNG Canada Phase 2 and Ksi Lisims LNG have been placed on the federal major projects list. The viability of these projects ultimately hinges on two questions: which markets will materialize for new Canadian LNG supply, and at what price?

This report examines the structural forces reshaping global LNG markets and explains why further LNG expansion in Canada represents a high-risk bet that should not be underwritten with public dollars. Canadian LNG is exposed to both long-term demand destruction and competition from renewables as countries around the world work to reduce their reliance on volatile fossil fuel imports. Projects now face a dual threat: demand destruction in the near term from high prices, followed by a likely glut of supply later this decade. Together, these forces increase the likelihood of stranded assets, elevate risks to public finances, and undermine Canada's climate commitments.

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[1] Prime Minister Mark Carney, "Prime Minister Carney announces the Canada Strong Fund – Canada's first sovereign wealth fund," news release, April 27, 2026. https://www.pm.gc.ca/en/news/news-releases/2026/04/27/prime-minister-carney-announces-canada-strong-fund-canadas-first

[2] Ian Sanderson, Will Noel and Janetta McKenzie, *Power Struggle: Exploring the economic and climate trade-offs of LNG electrification in British Columbia* (Pembina Institute, 2025), 12. https://www.pembina.org/pub/power-struggle

[3] Danielle LaBrush, Nichole Dusyk and Zachary Rempel, *Launching a Loss: An inventory of government support for British Columbia liquefied natural gas* (International Institute for Sustainable Development, 2025), iv. https://www.iisd.org/system/files/2025-09/government-support-lng-british-columbia.pdf

2. Conflict in the Middle East

Global LNG markets have been upended by the conflict in the Middle East. Prior to the conflict, the largest build out of supply in history was already underway, raising concerns about a looming supply glut and falling prices.[4] The acute disruption caused by the closure of the Strait of Hormuz, a chokepoint through which 20% of global LNG transits, has instead flipped the market into a shortage. Prices have surged by 80%, triggering demand destruction that is likely to deepen the longer the conflict continues.[5] This, in turn, increases the risk of longer-term oversupply if demand fails to materialize and depresses prices once the acute shock dissipates.

The biggest risk now facing LNG sellers is that importing countries will reassess LNG's role in energy policy altogether.[6] A prolonged conflict has been shown to decrease natural gas demand by 10% relative to base case as economies shift focus to energy security.[7] China, the world's largest LNG importer, has announced plans for accelerated construction of a new energy system, not reliant on imported fossil fuels, to safeguard energy security.[8] In March 2026, a Vietnamese developer announced plans to abandon what would have been the country's largest LNG-fired electricity generation project — a 4800 MW plant — in favour of a renewable energy development, citing the Iran war and the heightened risk of LNG prices becoming prohibitively expensive.[9] South Korea, which imports 97% of its energy, has similarly released an accelerated roadmap centered on renewable power alongside renewed plans to restart nuclear reactors.

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[4] Elena Mazneva, "IEA Says Questions Linger on Who Will Scoop Up New LNG Wave," *Bloomberg News*, November 11, 2025. https://www.bloomberg.com/news/articles/2025-11-12/iea-says-questions-linger-on-who-will-scoop-up-new-lng-wave

[5] Marwa Rashad, "Iran Ceasefire Eases Fears but LNG Sector Left Scarred, Industry Executive Says," *Reuters,* April 9, 2026. https://www.reuters.com/business/energy/iran-ceasefire-eases-fears-lng-sector-left-scarred-industry-executive-says-2026-04-09/

[6] Simon Flowers et al., "The Energy Crisis Is Coming to the Boil," *Wood Mackenzie,* March 19, 2026. https://www.woodmac.com/blogs/the-edge/the-energy-crisis-is-coming-to-the-boil/

[7] Wood Mackenzie, "Middle East Disruption Could Cut Global Oil Demand 20% and Gas 10% by 2050 as Energy Security Drives Shift to Independence," media release, April 8, 2026. https://www.woodmac.com/press-releases/middle-east-disruption-could-cut-global-oil-demand-20-and-gas-10-by-2050-as-energy-security-drives-shift-to-independence/

[8] Liz Lee and Claire Fu, "China's Xi Urges Faster Development of New Energy System as Middle East War Continues," *Reuters*, April 6, 2026. https://www.reuters.com/sustainability/climate-energy/chinas-xi-urges-faster-development-new-energy-system-middle-east-war-continues-2026-04-06/

[9] Francesco Guarascio, "Vingroup Proposes Scrapping LNG-Powered Plant Plan for Renewables Amid Iran War, Document Shows," *Reuters*, March 31, 2026. https://www.reuters.com/sustainability/climate-energy/vingroup-proposes-scrapping-lng-powered-plant-plan-renewables-amid-iran-war-2026-03-31/

3. Economic outlook

The conflict in the Middle East has introduced a significant disruption to global LNG markets. While the full extent of its impact will depend on the duration of the conflict and the degree of damage to key infrastructure, it is expected to materially tighten supply and increase price volatility in the near term.

Prior to this disruption, LNG markets were entering an unprecedented period of supply expansion, alongside growing uncertainty around the trajectory of long-term demand. Given the long-lived nature of LNG infrastructure investments, these structural dynamics remain highly relevant to the prospect of developing new projects in Canada. While the conflict may delay or temporarily obscure these trends, the conditions outlined below continue to reflect material changes expected in the LNG market once the acute effects of the current supply shock dissipate.

3.1 Supply wave

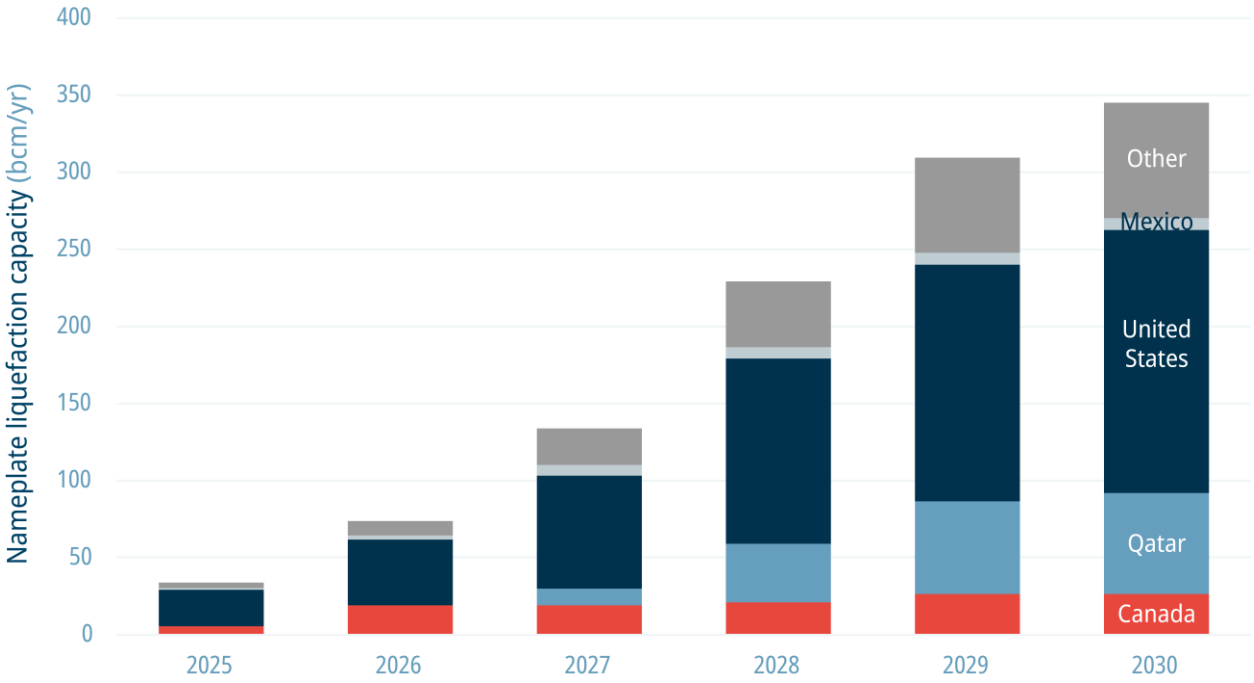


Figure 1. Projected cumulative LNG liquefaction capacity additions to 2030

Data source: IEA[10]

[10] International Energy Agency [IEA], "Cumulative LNG Liquefaction Capacity Additions from Post-FID Projects." https://www.iea.org/data-and-statistics/charts/cumulative-lng-liquefaction-capacity-additions-from-post-fid-projects

By 2030, close to 350 billion cubic metres (bcm) of new LNG supply is projected to have been added globally (Figure 1). This represents more than a 50% increase in supply from current levels and the fastest capacity expansion in the history of the industry.[11] A significant share of this new capacity is being developed by lower-cost producers in the United States and Qatar, both of which benefit from low upstream gas costs and large-scale export infrastructure. The U.S. accounts for 150 bcm/yr of additional capacity with Qatar adding another 65 bcm/yr. While the conflict with Iran introduces increased uncertainty around the timing and execution of projects in Qatar, these expansions are still widely expected to proceed.[12]

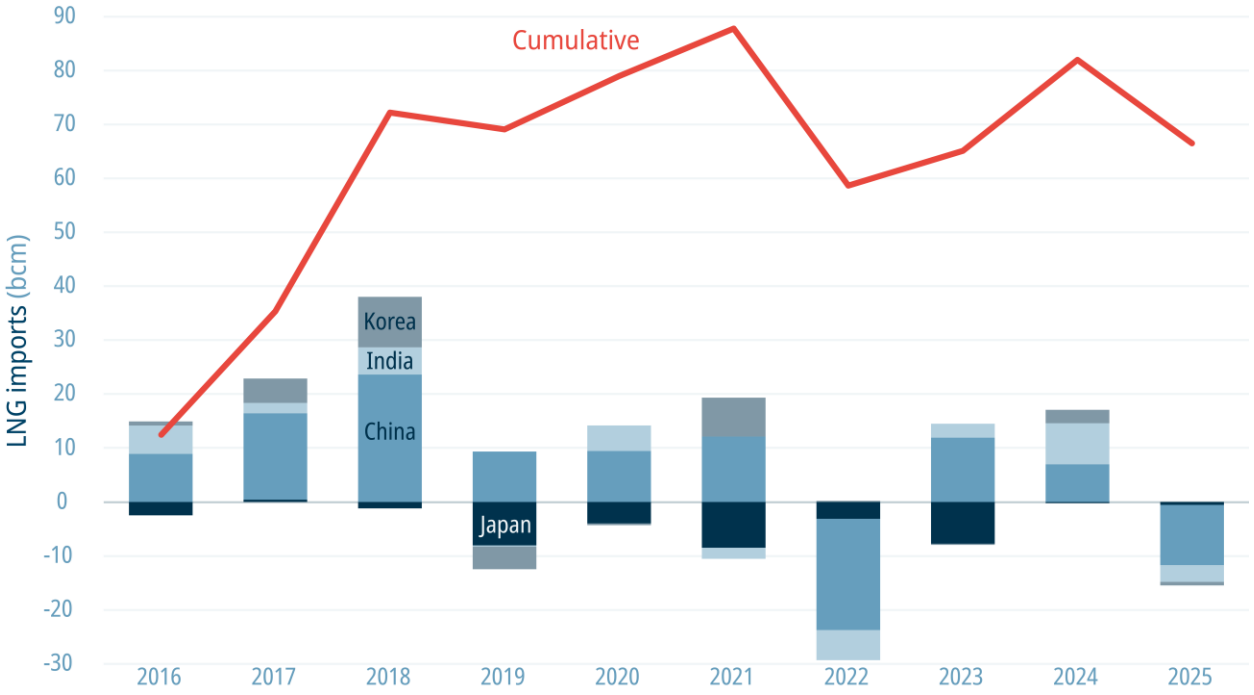


Figure 2. Annual change in LNG imports for key Asian economies

Data source: Joint Organizations Data Initiative, India Ministry of Petroleum & Natural Gas[13]

New supply was set to lead the market into a period of oversupply through 2030.[14] The pace with which new supply is being added to the market is faster than demand has grown historically. Figure 2 shows the annual change in LNG imports for major LNG importing

[11] IEA, *Gas 2025: Analysis and forecasts to 2030* (2025), 6. https://iea.blob.core.windows.net/assets/db3d568d-b985-4cc2-bb1a-119517f118ac/Gas2025.pdf

[12] Salma El Wardany and Stephen Stapczynski, "Qatar Said to Push LNG Expansion to 2027 After Iran Drone Attack," *Bloomberg News*, March 9, 2026. Reprinted in *Financial Post*. https://financialpost.com/commodities/energy/oil-gas/qatar-lng-expansion-2027-iran-drone-attack

[13] Joint Organizations Data Initiative, "Natural Gas Data: Data Downloads." https://www.jodidata.org/gas/database/data-downloads.aspx

India Ministry of Petroleum & Natural Gas, Petroleum Planning & Analysis Cell, "LNG Imports." https://ppac.gov.in/natural-gas/import

[14] *Gas 2025,* 7.

countries in Asia. Demand has grown at most by 37 bcm in a year. In 2025, demand in fact declined across key importing nations due in part to high prices. Cumulatively demand has grown by 66 bcm since 2016, just 18% of the proposed expansion in supply planned over the next five years.

While markets have been disrupted in the near term due to the conflict in Middle East, they have primarily delayed, rather than eliminated, the prospect of oversupply.[15] The timing and magnitude of any supply surplus are now more uncertain and increasingly contingent on how long the conflict will last, and the extent of delays to expansion.

A second gas crisis in less than five years is reinforcing a shift toward energy security among importing countries.[16] In practice, this is accelerating electrification, the deployment of renewables, and renewed interest in nuclear capacity. If regasification and related infrastructure in Southeast Asia and other emerging LNG-importing regions fail to expand as projected, up to one-quarter of expected demand growth may not materialize.[17] Taken together, these dynamics suggest that Canadian LNG projects entering the market toward the end of the decade and into the 2030s are likely to face a highly price-competitive and uncertain market environment.

3.2 Demand outlook

3.2.1 LNG demand

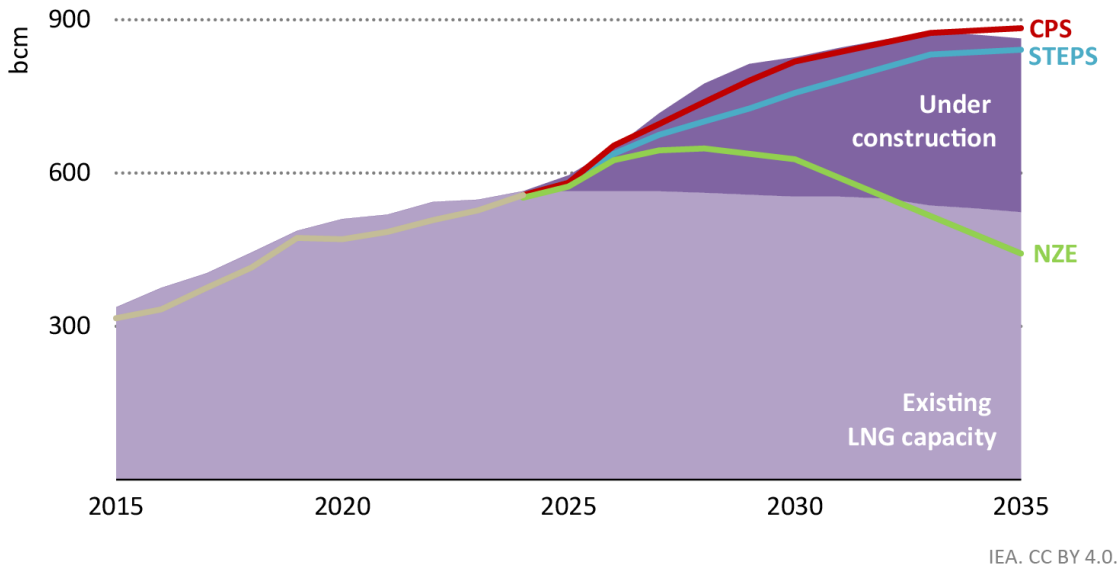
Projections for global LNG demand highlight the growing uncertainty surrounding future market conditions. In the International Energy Agency (IEA)'s Stated Policies Scenario (STEPS)[18], LNG demand increases by approximately 35% between 2024 and 2030 (Figure 3). However, this growth is smaller than the projected expansion in global LNG export capacity over the same period. As a result, the market outlook suggests increasing competition among suppliers and downward pressure on LNG prices, with prices approaching the operating cost of the lowest-cost LNG producers.

[15] Jack Sharples and Bill Farren-Price, *The Iran War and Disruption to LNG Supply from the Persian Gulf* (Oxford Institute for Energy Studies, 2026), 10. https://www.oxfordenergy.org/wpcms/wp-content/uploads/2026/03/Comment-The-Iran-War-and-Disruption-to-LNG-.pdf

[16] Russia's invasion of Ukraine sent gas prices to record highs and cut Europe off from piped gas, leading to significant strains on LNG markets.

[17] *Gas 2025,* 8.

[18] The IEA's Stated Policies Scenario (STEPS) shows where the global energy system is headed if countries follow through on existing policies and stated policy intentions under current market and investment conditions.



The large upcoming wave of additional LNG export capacity is fully absorbed in the CPS but results in well-supplied global gas markets in the STEPS through to 2035

Note: CPS = Current Policies Scenario; STEPS = Stated Policies Scenario; NZE = Net Zero Emissions by 2050 Scenario.

Figure 3. World Energy Outlook supply and demand for LNG

Source: IEA[19]

Importantly, none of the scenarios presented by the IEA include additional LNG supply in Canada beyond LNG Canada Phase 1, which is in operation, plus the relatively small Woodfibre LNG and Cedar LNG facilities, which are under construction. Additional facilities such as LNG Canada Phase 2 or Ksi Lisims would add further pressure to an already oversupplied market.

In the short term, the conflict in Iran may prompt importing countries to seek out more reliable sources of LNG, including from Canada. But it is also very likely that countries will accelerate efforts to reduce reliance on imported fossil fuels overall.[20] In the aftermath of Russia's invasion of Ukraine, the European Union focused on limiting EU dependence on Russian natural gas by, in part, planning to increase renewable power deployment; European countries with a higher share of renewables already in their power mix were less affected by price spikes. The likeliest outcome of the current conflict is a prolonged period of high prices that will lead to demand destruction, particularly in price-sensitive Asian markets. These price impacts could see up to 92

[19] IEA, *World Energy Outlook 2025* [*WEO 2025*], 70, Figure 1.28. https://www.iea.org/reports/world-energy-outlook-2025

[20] "The Energy Crisis Is Coming to the Boil."

bcm of demand lost between 2026 and 2027 in the worst-case scenario.[21] Whether this demand will recover after prices recover is highly uncertain.

Coal-to-gas switching is often cited as a key mechanism through which expanded LNG supply could reduce global emissions. However, the extent of coal-to-gas switching depends heavily on relative fuel prices and policy conditions. IEA modelling (Figure 4) indicates that significant switching requires prices well below US$5 per million British thermal units (MBtu), compared with average LNG prices of around US$12/Mbtu.[22] Prices at these levels are unsustainable for most producers and unlikely to persist in the market. For reference, liquefaction costs on an average Canadian LNG facility are US$3.50/MBtu.[23] This implies significant demand growth is unlikely to materialize to alleviate the projected supply glut.

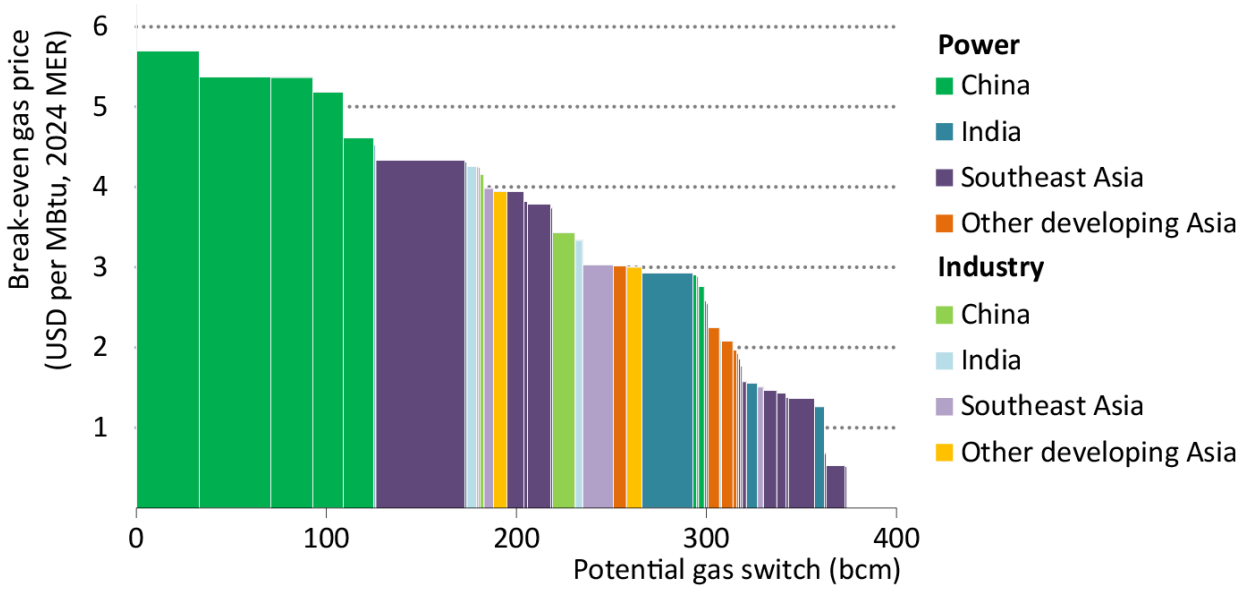


Figure 4. Potential coal-to-gas switching at different gas prices

Source: IEA[24]

[21] Mike Fulwood, *Modelling the Impact of the Strait of Hormuz Closure on Global Gas Flows and Prices* (Oxford Institute for Energy Studies, 2026). https://www.oxfordenergy.org/wpcms/wp-content/uploads/2026/03/Comment-Modelling-the-Impact-of-the-Strait-of-Hormuz-Closure.pdf

[22] *Gas 2025,* 33.

[23] Mark Kalegha, *The Ksi Lisims LNG Project and the Broader Canadian LNG Sector Face Strategic Challenges* (Institute for Energy Economics and Financial Analysis, 2025), 16. https://ieefa.org/sites/default/files/2025-06/REVIEWED_Ksi%20Lisims%20LNG%20Project%20and%20Canadian%20Sector%20Face%20Strategic%20Challenges_June%202025.pdf

[24] *WEO 2025,* 74.

3.2.2 Natural gas demand

Long-term projections for global natural gas demand — including piped gas — vary widely across energy outlooks (Figure 5). While some industry scenarios project continued growth through 2050, others anticipate a plateau or steep decline as countries accelerate the transition to low-carbon energy. In the scenarios shown above, global demand in 2050 ranges from roughly 3,585 bcm to over 5,500 bcm, illustrating the large degree of uncertainty surrounding the future role of gas in the global energy system.

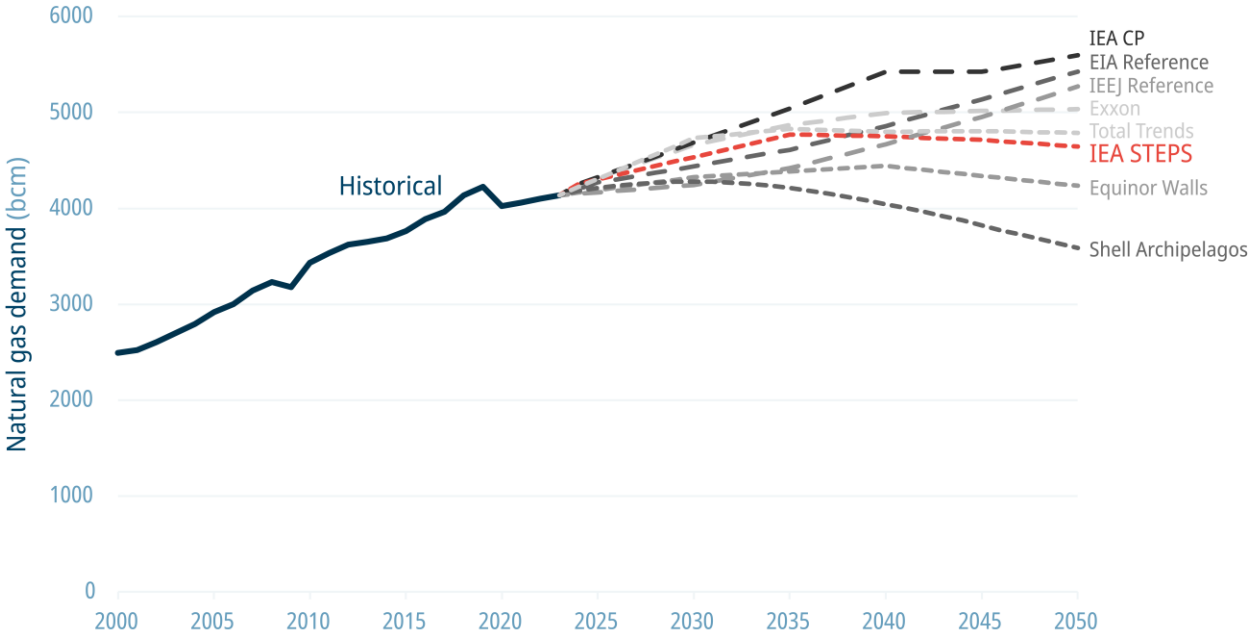


Figure 5. Natural gas demand scenarios through 2050

Data source: International Energy Forum[25]

Much of the divergence across scenarios reflects different assumptions about the pace of climate policy implementation and the deployment of low-carbon technologies. Scenarios aligned with stronger climate action show global gas demand declining significantly after the 2030s as renewable electricity, energy storage, electrification, and efficiency reduce reliance on fossil fuels.

Demand projections are also highly sensitive to fuel prices and infrastructure investment, even in the absence of strong climate policies. In many markets, natural gas must compete with rapidly falling costs for solar, wind, and battery storage. As these technologies scale, they can reduce the role of gas in electricity generation and industrial energy use.

[25] International Energy Forum, *Outlooks Comparison Report 2026* (2026). https://www.ief.org/_resources/files/reports/ief-outlooks-comparison-report-2026.pdf?v=1

The widespread across demand outlooks highlights the risk of committing to large new gas export infrastructure. LNG projects typically require five years to construct and several decades of operation to recover investment costs. If global gas demand follows lower-demand pathways, Canadian projects built today could face declining demand, underutilization, or increased competition in global markets.

3.3 On what terms?

A key component determining the viability of LNG projects is the ability to secure offtake agreements, and on what terms. Under traditional project financing, developers typically secure long-term supply contracts before reaching FID.[26] However, buyers have been shifting away from long-term take-or-pay agreements towards short-term contracts offering greater flexibility, optionality, and diversification in response to market uncertainty. As LNG markets become more liquid and globally integrated, these developments may reduce the ability of new entrants to rely on long-term, fixed-price contracts to support project development.

A recent buyer survey showed roughly 70% of respondents willing to secure short-term contracts, a 20% increase from just 2023.[27] In Asia, the share of LNG imports purchased through short-term or spot contracts increased from about 26% in 2015 to roughly 31% in 2024.[28] At the same time, pricing mechanisms are shifting away from traditional oil-indexed contracts toward gas-to-gas pricing, which now accounts for more than half of LNG pricing globally.[29] This increases exposure to gas price volatility, decreasing revenue certainty.[30]

These changes in contracts have shifted how the entire market operates.[31] For Canadian LNG projects, this shift may make it more difficult to secure the long-term contracts traditionally required to underpin project financing and de-risk large capital investments. Greater reliance on

[26] Sean O'Brien and Antonio Erias Rodriguez, "Record Year for Gas Liquefaction Investment Lights a Path Towards Market Flexibility," *IEA*, February 19, 2020. https://www.iea.org/commentaries/record-year-for-gas-liquefaction-investment-lights-a-path-towards-market-flexibility

[27] Alessandro Agosta, Gabriela Vargas, Maria Clara Minelli and Nicholas Browne, "2025 LNG Buyers' Survey: Strategy in a Changing Energy Market," *McKinsey & Company,* February 2, 2026. https://www.mckinsey.com/industries/oil-and-gas/our-insights/2025-lng-buyers-survey-strategy-in-a-changing-energy-market

[28] IEA, "Impact Analysis of the Two Largest LNG Import Regions," in *Gas Market Lessons from the 2022–2023 Energy Crisis* (2025). https://www.iea.org/reports/gas-market-lessons-from-the-2022-2023-energy-crisis/impact-analysis-of-the-two-largest-lng-import-regions

[29] Greg Molna, "The Share of Hub-Based LNG Pricing Rose to Over 50% for the Very First Time in 2024," *Global LNG Hub*, June 27, 2025. https://globallnghub.com/the-share-of-hub-based-lng-pricing-rose-to-over-50-for-the-very-first-time-in-2024.html

[30] *Gas 2025,* 96.

[31] IEA, *Global Gas Security Review 2024* (2024), Executive Summary. https://www.iea.org/reports/global-gas-security-review-2024/executive-summary

short-term and hub-based pricing increases exposure to global gas price volatility and intensifies competition amongst suppliers, particularly from the United States and Qatar.

3.4 At what price?

Before the conflict in the Middle East, benchmark prices for LNG were forecast to fall to between US$7-8/MBtu by 2030 — around 40% lower than today's levels.[32] In the IEA's STEPS scenario, gas prices average roughly US$7.5/MBtu through 2035. If the conflict causes an acute but only temporary supply shock, these projections still hold as they are driven largely by longer-term oversupply in the market from low-cost producers.

Lower market prices have important implications for the viability of future Canadian LNG projects. This could significantly narrow project margins and make it more difficult to secure long-term contracts needed to underpin new investment. At the same time, even at these lower prices LNG remains a premium fuel in many Asian markets, limiting its ability to compete as a baseload energy source over the long term and constraining significant demand growth.[33]

A widely held assumption among proponents of large-scale LNG expansion is that growing global supply could be absorbed if gas is sufficiently cheap to displace coal in emerging Asian electricity generating systems. The key to natural gas fulfilling its potential as a transition fuel relies on its ability to reach high-income markets at prices below US$8/MBtu, and low-income markets below US$6/MBtu.[34] With the crisis in Iran pushing prices higher in the short term, it is even more likely that countries will double down on renewables, grid modernization, and storage capacity, which are increasingly cost competitive, while continuing to use coal as needed.[35]

This creates a structural problem for Canadian LNG. The price environment necessary to stimulate the level of demand growth required to absorb new supply is the same environment that would weaken the economic case for new Canadian projects. At price levels around US$12/MBtu — a range where new Canadian LNG projects would be expected to compete —

[32] Mike Fulwood, *A New Global Gas Order? (Part 1): The Outlook to 2030 After the Energy Crisis* (Oxford Institute for Energy Studies, 2023), ii. https://www.oxfordenergy.org/wpcms/wp-content/uploads/2023/07/NG-184-A-New-Global-Gas-Order-Part-1.pdf

[33] *WEO 2025,* 72.

[34] Claudio Steuer, *Outlook for Competitive LNG Supply* (Oxford Institute for Energy Studies, 2019), 20. https://www.oxfordenergy.org/wpcms/wp-content/uploads/2019/03/Outlook-for-Competitive-LNG-Supply-NG-142.pdf

[35] Gavin Maguire, "Iran War Deals Harder Blow to Natural Gas Than Oil," *Reuters*, March 24, 2026. https://www.reuters.com/markets/commodities/iran-war-deals-harder-blow-natural-gas-than-oil-2026-03-24/

projected demand growth in Asia is limited.[36] Further, any premiums that originally could have been captured shipping to Asian markets is rapidly eroding due to increased contracting flexibility.

3.5 Breakeven costs

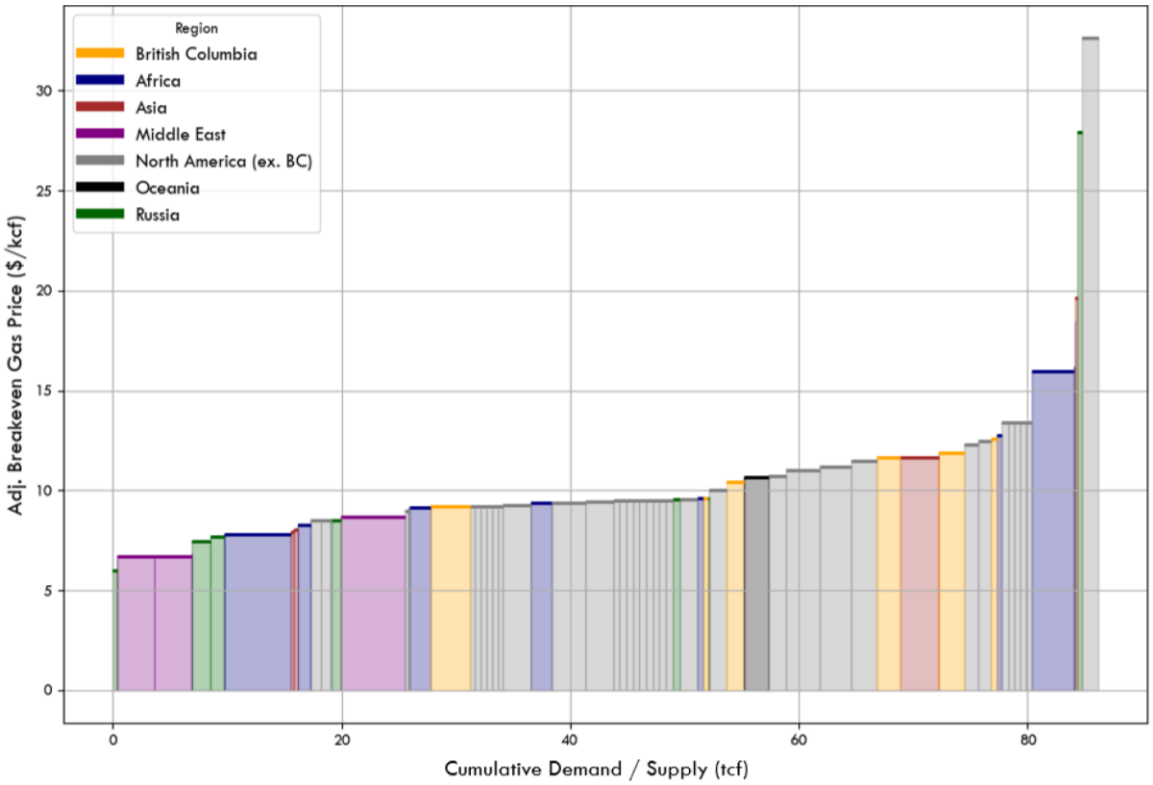


Figure 6. Global LNG cost curve

Source: Carbon Tracker Initiative using Rystad Energy, IEA, CTI analysis. Note: Analysis as of May 2024[37]

The breakeven cost of Canadian LNG projects is generally higher than that of many competing exporters, particularly the United States and Qatar, due to a combination of structural cost factors across the supply chain. In a global analysis of proposed LNG projects, Carbon Tracker found those in B.C. have a unit cost 26% greater than the global average.[38] Figure 6 shows the breakeven costs for various projects and cumulative supply to generate a cost curve. Notably, the STEPS and CPS scenarios in WEO2025 point to demand growth of 200–260 bcm (7–9 tcf) by

[36] Clyde Russell, "Europe Drives LNG Import Growth as Asia Stumbles on Higher Price," *Reuters*, July 1, 2025. https://boereport.com/2025/07/01/europe-drives-lng-import-growth-as-asia-stumbles-on-higher-price-russell/

[37] Maeve O'Connor, *Turning Tides* (Carbon Tracker Initiative, 2024), 12. Available at https://www.pembina.org/pub/turning-tides

[38] *Turning Tides,* 12.

2035, for which there is substantial amounts of supply with breakeven prices below proposed Canadian projects.

LNG breakeven prices are typically assessed by comparing the delivered LNG price (often benchmarked to Asian spot prices such as JKM) with the full cost of producing, transporting, liquefying, and shipping the gas. While Western Canada benefits from relatively low upstream natural gas costs, Canadian LNG projects face higher capital costs for liquefaction facilities, significant infrastructure requirements, and logistical challenges that raise the overall breakeven price. Shell's pro-forma estimate for LNG Canada assumed a long-run delivered price to Asia (JKM/JKTC benchmark) of US$8.50/MBtu in 2018. However, more recent estimates in light of construction cost inflation and pipeline construction costs have pushed estimates of breakevens to US$11/MBtu. One major factor is capital intensity. LNG facilities on Canada's west coast have been among the most expensive LNG developments globally on a per-tonne basis.[39] LNG Canada Phase 1 represented the largest private-sector investment in Canadian history, costing $48.3 billion.[40] Natural gas production is concentrated in northern British Columbia and requires extensive supporting infrastructure, including long pipelines to transport gas from production basins to coastal export terminals. For example, LNG Canada required the construction of the 670-km Coastal GasLink pipeline in addition to the liquefaction terminal itself. Costs for this pipeline were triple the initial estimate by completion in 2023.[41] It should be noted that labour costs in Canada are higher than in many competing jurisdictions, which translate to a higher standard of living for Canadian workers.

By contrast, U.S. LNG projects benefit from several structural advantages that reduce their breakeven costs. Many U.S. export terminals are located along the Gulf Coast, where they can connect directly to an extensive existing pipeline network and established energy infrastructure. As a result, U.S. LNG export costs are often more closely tied to the Henry Hub gas price plus liquefaction and shipping costs, allowing projects to remain competitive even at relatively lower LNG prices. Qatar, meanwhile, represents one of the lowest-cost LNG producers globally as the country's massive North Field gas reservoir allows extremely low upstream production costs, and decades of LNG development have created a highly integrated export system with existing

[39] Institute for Energy Economics and Financial Analysis, "North American LNG Export Tracker," updated January 2026. https://ieefa.org/north-american-lng-export-tracker

[40] This cost includes Kitimat terminal, Coastal GasLink and other infrastructure, and associated upstream investment.

Brent Jang, "Shell, Mitsubishi Mull Their LNG Canada Stakes as Expansion Looms," *The Globe and Mail*, January 27, 2026. https://www.theglobeandmail.com/business/article-shell-mitsubishi-lng-canada-stakes-expansion/

Innovation, Science and Economic Development Canada, "Government of Canada Confirms Support for Largest Private Investment in Canadian History," media release, June 24, 2019. https://www.canada.ca/en/innovation-science-economic-development/news/2019/06/government-of-canada-confirms-support-for-largest-private-investment-in-canadian-history.html

[41] "North American LNG Export Tracker."

infrastructure, experienced contractors, and economies of scale. As a result, Qatari LNG can often be delivered to global markets at some of the lowest costs in the industry.

A comparison of liquefaction fees for facilities highlights the challenge faced by Canadian LNG projects (Table 1). These fees are the costs paid to LNG export terminals to process natural gas into LNG, covering plant operating costs, fuel use, capital recovery, and the project owner's return. Liquefaction fees for Canadian LNG projects are over double the global average, and 40% above new U.S. projects. Meanwhile Qatar's integrated structure means both lifting (cost to produce the gas) and liquefaction fees vastly undercut Canadian and U.S. projects, even before considering feedgas costs.

Table 1. Liquefaction fees globally

Region	Liquefaction fee (US$/MBtu)
Global average (2023)[42]	$2
Qatar (lifting and liquefaction)[43]	$2
U.S. Gulf Coast (new greenfield)[44]	$2.65-$2.95
LNG Canada Phase 1 (2022)[45]	$4.15

[42] Curtis Williams, "U.S. LNG Producers Ink Near-Record Contract Volumes, Even as Fees Climb," *Reuters*, November 6, 2025. https://www.reuters.com/business/energy/us-lng-producers-ink-near-record-contract-volumes-even-fees-climb-2025-11-06/

[43] Ira Joseph and Anne-Sophie Corbeau, "How Qatar's LNG Decisions Will Impact an Oversupplied Global Market," *Center on Global Energy Policy*, September 8, 2025. https://www.energypolicy.columbia.edu/publications/how-qatars-lng-decisions-will-impact-an-oversupplied-global-market/

[44] Poten & Partners, "U.S. LNG Contract Prices Rise on Higher Costs, EPC Price Refreshes," March 2025. https://www.poten.com/lng-opinions-us-lng-contract-prices-rise-on-higher-costs-epc-price-refreshes/

[45] Clark Williams-Derry, *British Columbia LNG Project Costs Rising Again* (Institute for Energy Economics and Financial Analysis, 2023), Table 1. https://ieefa.org/sites/default/files/2023-01/British%20Columbia%20LNG%20Project%20Costs%20Rising%20Again_February%202023.pdf

4. Market outlook

Four of the world's five largest LNG importers are Asian countries, and these — particularly China — have long been viewed as the primary engines of global LNG demand and Canada's most important prospective export markets. However, LNG imports across several Asian economies declined in 2025 (Figure 7) as exposure to volatile prices, infrastructure constraints, and energy-security considerations prompted shifts in energy policy.[46] While a single year does not constitute a trend, a range of underlying structural factors suggests that demand growth in these markets may be more constrained and price-sensitive than often assumed. This section examines the structural headwinds limiting the prospects for large-scale LNG demand growth across key Asian economies.

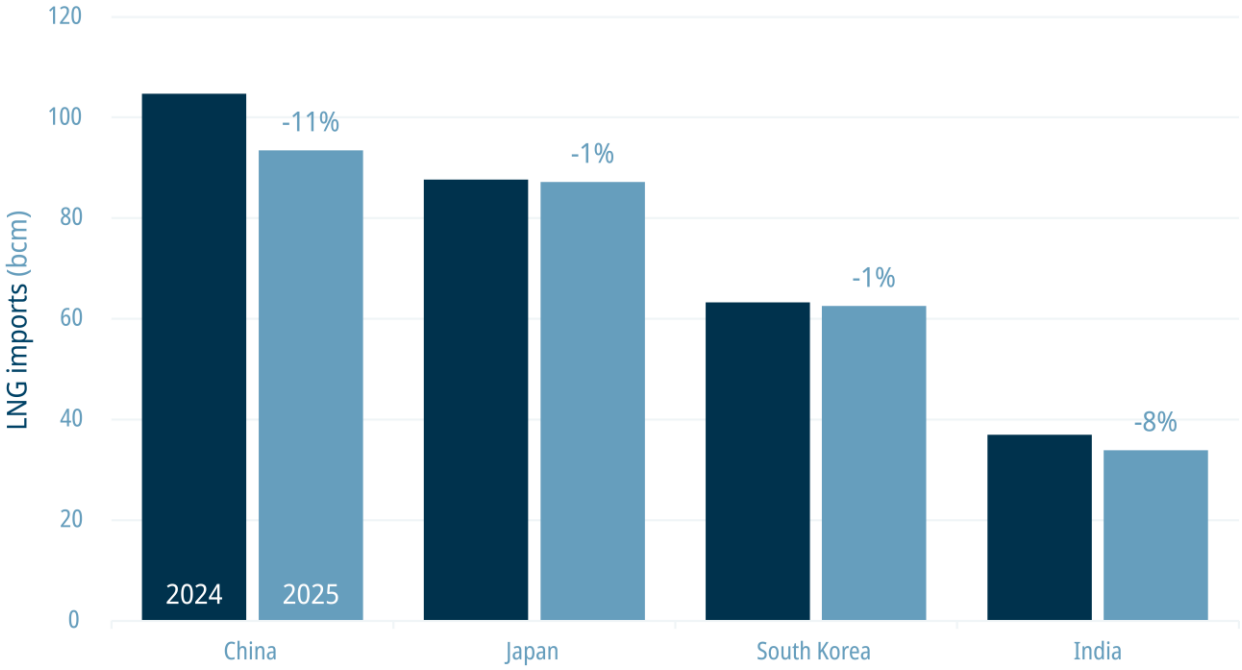


Figure 7. LNG imports for top four importing countries

Data source: Joint Organizations Data Initiative, India Ministry of Petroleum & Natural Gas[47]

[46] Christopher Doleman and Sam Reynolds, "Asia's Falling LNG Demand in 2025 Defies Investor Optimism for Rapid Growth," *Institute for Energy Economics and Financial Analysis*, December 4, 2025. https://ieefa.org/resources/asias-falling-lng-demand-2025-defies-investor-optimism-rapid-growth

[47] "Natural Gas Data: Data Downloads."

"LNG Imports."

4.1 China

China is the world's largest importer of natural gas and represents the greatest source of uncertainty for future LNG demand growth. As shown previously, China has been the driver of changes in imports for Asia over the past decade (Figure 2) — although LNG imports have been largely unchanged since 2021. However, structural features of China's energy system suggest that LNG demand growth may be more limited than often assumed. Despite shifts in other parts of the energy system, natural gas has maintained a consistently small role in China's primary energy demand, accounting for only about 8–9% over the past five years.[48] Natural gas plays an even smaller role in China's electricity system, accounting for only 3% of electricity generation, remaining largely unchanged since 2016 (Figure 8).[49]

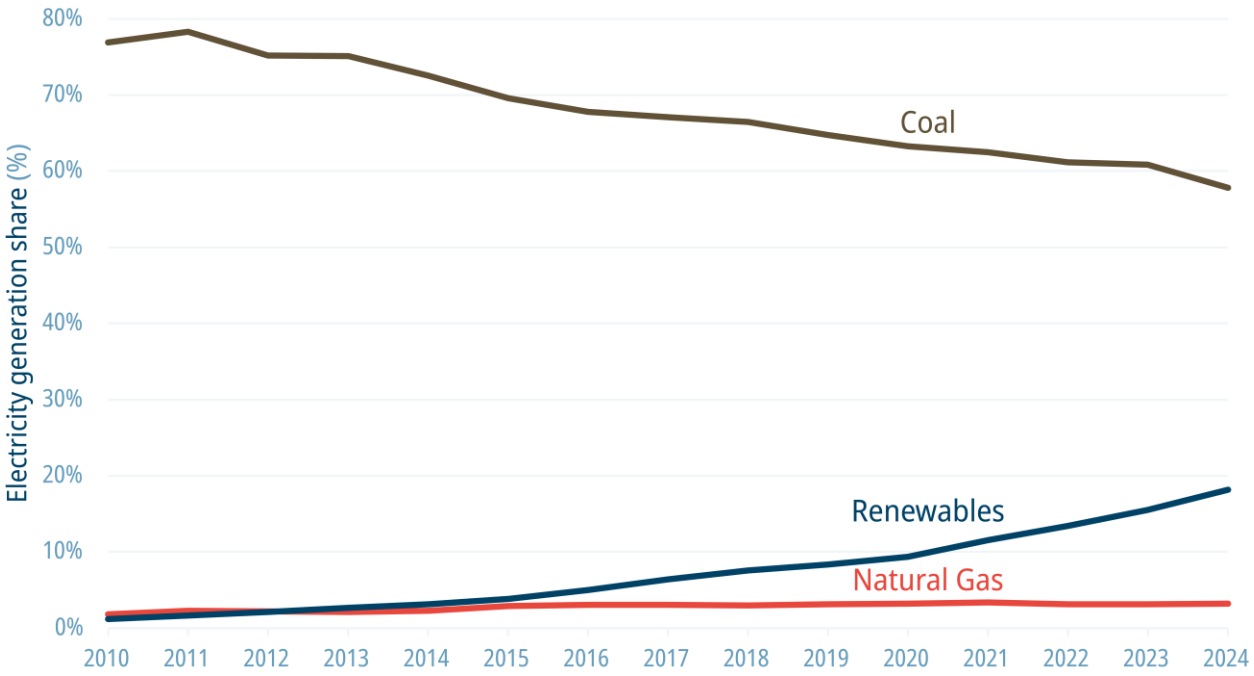


Figure 8. Share of electricity generation in China

Data source: Ember[50]

Rather than replacing coal with natural gas, China has prioritized a rapid build-out of renewable energy and continued growth of nuclear.[51] Gas-fired power plants largely function as peaking

[48] Karen Teo, "Why Gas Plays a Minimal Role in China's Climate Strategy," *Carbon Brief*, January 22, 2026. https://www.carbonbrief.org/explainer-why-gas-plays-a-minimal-role-in-chinas-climate-strategy/

[49] IEA, "China: Energy Mix." https://www.iea.org/countries/china/energy-mix

[50] Ember, "Electricity Data Explorer," updated March 24, 2026. https://ember-energy.org/data/electricity-data-explorer/

[51] U.S. Energy Information Administration, "China Country Analysis Brief," updated May 19, 2025. https://www.eia.gov/international/analysis/country/chn

units to balance variable renewable generation, reflected in utilization rates often below 25%.[52] At the same time, China is set to account for roughly 60% of global renewable capacity growth this decade and is already on track to meet its 2035 wind and solar capacity targets several years ahead of schedule.[53]

China's strategy to improve energy security also limits the potential growth of LNG imports. Domestic gas production is expected to increase by roughly 20% by 2030, equivalent to around 55 bcm per year.[54] The most recent five-year plan has committed to ensuring self-sufficiency in oil and gas demand by expanding reserves and ramping up production.[55] Pipeline imports are also expanding rapidly, particularly with the ramp-up of the Power of Siberia pipeline system and other Central Asian connections, which could increase piped gas imports by roughly 75% by the end of the decade.[56] Because pipeline gas and domestic production are typically cheaper and more stable than LNG, Chinese buyers have shown a strong preference for these sources when available. This abundance of both domestic supply and piped gas has meant Chinese buyers have less incentive to buy spot LNG unless prices are in the US$8/MBtu range.[57]

By reducing its reliance on LNG, China has been able to cushion itself against recent market disruptions and trade tensions. When prices spiked following the conflict in Iran, weak domestic gas demand allowed China to divert record volumes of LNG cargoes to other Asian buyers rather than absorb higher costs.[58] Similarly, escalating trade tensions with the United States enabled China to cut LNG imports by 16% in 2025, prompting forecasters to revise demand expectations downward for 2026.[59]

LowCarbonPower, "Electricity in People's Republic of China in 2025." https://lowcarbonpower.org/region/People's_Republic_of_China

[52] Cindy Liang, Ying Ting Lew and Gwen Teo, "China's Peak Power Load Hits Record High Amid Heat Wave, Economic Growth," *S&P Global*, July 7, 2025. https://www.spglobal.com/energy/en/news-research/latest-news/lng/070725-chinas-peak-power-load-hits-record-high-amid-heat-wave-economic-growth-nea

[53] IEA, *Renewables 2025* (2025), 7. https://iea.blob.core.windows.net/assets/48eccb83-984c-45d2-bf78-67a61e88d241/Renewables2025.pdf

[54] *Gas 2025, 41.*

[55] Carol Yang, "China Vows to Stabilise Oil and Gas Output in New Five-Year Plan as Global Risks Mount," *South China Morning Post*, March 10, 2026. https://www.scmp.com/economy/global-economy/article/3345995/china-vows-stabilise-oil-and-gas-output-new-5-year-plan-global-risks-mount

[56] *Gas 2025,* 42.

[57] Wei Xiong (guest), "Is China's Falling LNG Demand a Warning Sign for Global Markets?" *Let's Talk Energy,* video podcast, Rystad Energy, February 11, 2026. https://www.youtube.com/watch?v=dNfpMZwolqo

[58] Charles Kennedy, "China Resells Record LNG Volumes as Global Gas Crunch Bites," *OilPrice*, April 1, 2026. https://oilprice.com/Latest-Energy-News/World-News/China-Resells-Record-LNG-Volumes-as-Global-Gas-Crunch-Bites.amp.html

[59] "Asia's Falling LNG Demand in 2025."

Nelson Xiong, "China Gas Supply Strength Caps LNG Demand Growth," *Kpler*, January 2, 2026. https://www.kpler.com/blog/china-gas-supply-strength-caps-lng-demand-growth

Looking ahead, stronger policy support for energy security in China's recently approved 15th five-year plan is likely to reinforce these trends. Continued expansion of domestic gas production alongside rapid renewable deployment is expected to further constrain LNG's role in China's energy system. Taken together, these factors suggest that while China will remain an important LNG importer, its demand growth is highly uncertain and more price-sensitive than many LNG project developers assume.

4.2 Japan / South Korea

Japan and South Korea are established large importers in the LNG market as they are almost fully dependent on imported LNG to meet domestic gas demand. With that being said, demand from these countries is not expected to grow going forward. In the IEA's most recent World Energy Outlook, demand from both countries is expected to be flat or decline to 2035 as they continue to shift towards renewables and focus on energy security.[60]

4.2.1 Japan

Japan is a key player in the global LNG market, supported by extensive investments across the industry. Japanese companies are involved in every stage of the global LNG value chain, from upstream gas extraction and liquefaction to shipping, regasification, and building gas-fired power turbines.[61] Japanese companies are major investors in foreign gas fields as well as LNG export and import terminals all over the world, from the U.S. and Australia to Southeast Asia. Japan also owns more LNG carriers than any other country, reinforcing its central role in global LNG trade.

Historically, Japan was one the world's largest LNG importers and a reliable source of long-term demand for new supply. However, declining domestic consumption and growing renewable and nuclear generation are reducing Japan's direct LNG needs. At the same time, Japanese companies are increasingly acting as global LNG portfolio managers, buying, trading, and reselling LNG cargoes rather than consuming them domestically.[62] Japanese utilities were reselling about 40% of the LNG they purchased, up from 16% in 2018, while domestic consumption has been declining (Figure 9). Meanwhile, Japan's 7th energy strategy sees fossil generation declining 20% by 2040 with renewables and nuclear generating 70% of the grid's

[60] *WEO 2025,* 71.

[61] Kate Mackenzie and Tim Sahay, "Molecules of Freedom," *Phenomenal World*, March 31, 2025. https://www.phenomenalworld.org/analysis/molecules-of-freedom/

[62] Japan NRG, *From Importer to Trader: Japan's Shifting Role in the Global LNG Market* (Japan Energy Summit & Exhibition, 2025). https://www.japanenergyevent.com/media/5jkeaxh5/from-importer-to-trader-japan-shifting-role-in-the-global-lng-market_report-by-japan-nrg.pdf

electricity.[63] While Japanese firms remain influential investors and financiers of LNG projects — including Canadian developments such as LNG Canada — their shifting role means they are less likely to act as long-term end-market consumers. Further, with more than $50 billion invested in Australian LNG and tens of billions deployed across U.S. LNG projects, Japan has strong financial and strategic incentives to prioritize these supply sources.[64]

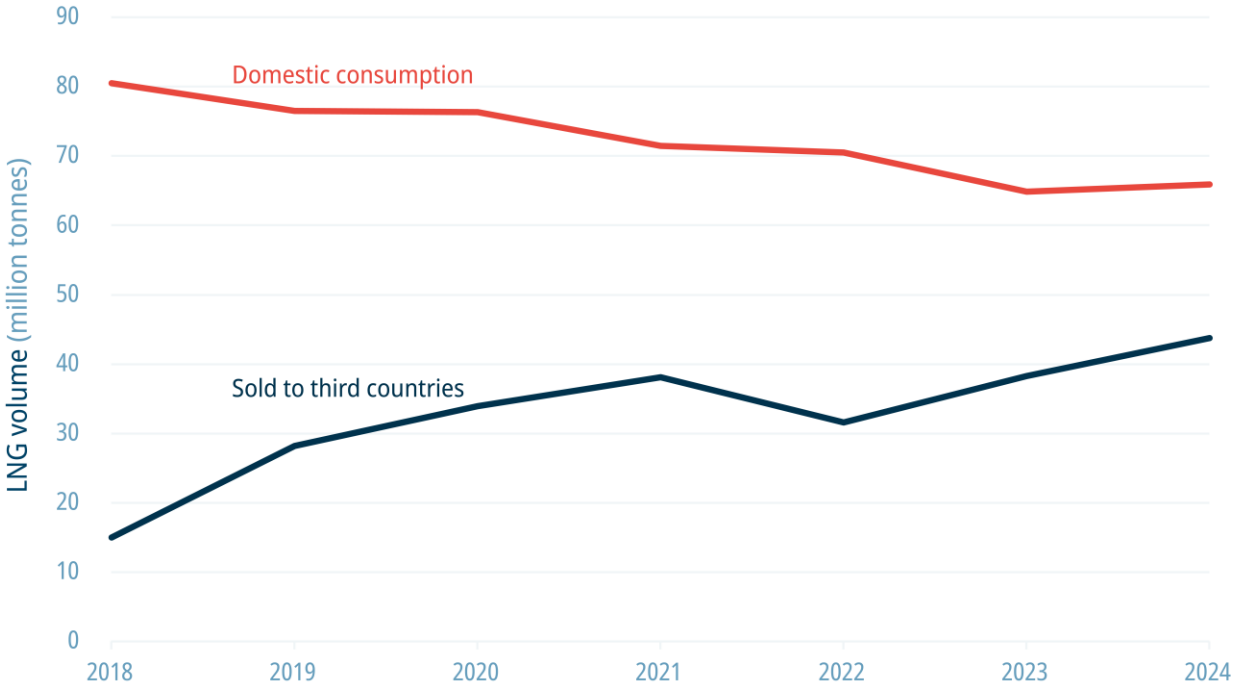


Figure 9. LNG handling volumes for Japan

Data source: JOGMEC[65]

4.2.2 South Korea

South Korea's newly finalized 11th Basic Plan for Long-Term Electricity Supply and Demand outlines a significant shift in the country's future power mix that is likely to limit long-term growth in LNG demand. Under the plan, the government intends to reduce electricity generated using LNG from roughly 25% in 2030 to just over 10% by 2038, as part of a broader strategy to

[63] Japan Agency of Natural Resources and Energy, *The 7th Strategic Energy Plan* February 2025, 14. https://www.enecho.meti.go.jp/en/category/others/basic_plan/pdf/7th_outline.pdf

[64] InfluenceMap, "Corporate Japan's Role in Promoting Australian Fossil Fuels," February 2026. https://influencemap.org/briefing/LNG-briefing-34341

[65] Japan Organization for Metals and Energy Security (JOGMEC), "Natural Gas and LNG Related Information: LNG Handling Volume," *JOGMEC Journal*, February 18, 2026. https://oilgas-info.jogmec.go.jp/nglng_en/handling_volume/1010737.html

decarbonize the electricity system while strengthening energy security.[66] This transition will be driven primarily by a large expansion of nuclear and renewable generation, which are expected to displace a portion of gas-fired power over the coming decades. These plans may in fact accelerate as President Lee Jae Myung has advocated for a rapid and more extensive transition to renewables in response to the conflict in Iran.[67]

4.3 India

Fast-growing emerging and developing economies in Asia, such as India, Vietnam, and the Philippines, are often cited as another potential source of future LNG demand growth and a place where LNG can help countries decarbonize with coal-to-gas switching. However, demand growth in these countries hinges crucially on price, and increasingly on energy security.[68]

India illustrates this dynamic. The country is industrializing at a time when solar power, battery storage, and electric technologies are becoming increasingly abundant and cost-competitive. Rather than adopting LNG as a bridge fuel in the power sector, India's current energy planning prioritizes rapid expansion of renewable energy. This is evidenced in the National Generation Adequacy plan which sees solar capacity quadrupling and wind tripling to 2036 with no addition of new gas generation.[69] As a result, natural gas will continue to play a very limited role in India's electricity system, accounting for less than 2% of power generation. This role could shrink further in the wake of the conflict in Iran, which has triggered gas shortages and prompted the government to accelerate approvals for wind power and battery energy storage projects.[70]

India's LNG demand is highly price-sensitive, with import volumes fluctuating sharply as global LNG prices rise and fall. Many industrial consumers have built operations around fuel flexibility and can rapidly switch to cheaper alternatives when LNG becomes uneconomic. For example, LNG imports declined by roughly 10% in 2025 as buyers delayed purchases in anticipation of

[66] Michelle (Chaewon) Kim, "South Korea's 11th Power Plan Makes Partial Progress Towards Decarbonization," *Institute for Energy Economics and Financial Analysis*, March 31, 2025. https://ieefa.org/resources/south-koreas-11th-power-plan-makes-partial-progress-towards-decarbonization

[67] Han Ye-na and Jung Han-kook, "Government Seeks LNG Ship Orders Through U.S. Terminal Investment," *Chosun Ilbo* (English Edition), March 5, 2026. https://www.chosun.com/english/national-en/2026/03/05/EFDTBJWO5NEGNBA7KKH4CWMPNM/

[68] *WEO 2025,* 72.

[69] India Central Electricity Authority, *Generation Adequacy Plan for 2035–36* (2026). https://cea.nic.in/wp-content/uploads/notification/2026/03/Generation_Adequacy_Plan_2035_36.pdf

[70] Sethuraman N R, "India Boosts Renewable Push Amid Gas Supply Disruptions, Minister Says," *Reuters*, March 30, 2026. https://www.reuters.com/sustainability/boards-policy-regulation/india-boosts-renewable-push-amid-gas-supply-disruptions-minister-says-2026-03-30/

lower prices from an expected wave of new global supply.[71] Where LNG demand has grown in India, it has been concentrated primarily in the fertilizer sector, which benefits from substantial government subsidies that make gas a viable feedstock.[72]

Government planning documents also highlight cost as a major constraint on gas use. India's Draft National Electricity Policy 2026 notes that gas-fired power plants in the country face low utilization rates and limited operational flexibility due largely to high LNG prices.[73] As a result, LNG demand growth in India is widely expected to depend on sustained low global prices, with analysts suggesting that imports increase only when LNG prices fall to around US$6–7/MBtu.[74] Further, significant coal-to-gas switching in the electricity sector would require prices to remain below US$3/MBtu which are unsustainable for any producer (Figure 4).

Taken together, these factors suggest that while India represents a large and growing economy, its LNG demand growth is uncertain and highly price dependent. For new Canadian projects, demand in India is likely to materialize at prices well below break-even. As well, shipping costs from Canada are significantly higher compared to Qatar which further puts Canada at a competitive disadvantage.

[71] Rakesh Sharma and Rajesh Kumar Singh, "India's LNG Demand Drops in 2025 as Buyers Wait for Supply Wave," *Bloomberg*, September 15, 2025. https://www.bloomberg.com/news/articles/2025-09-16/india-s-lng-demand-drops-in-2025-as-buyers-wait-for-supply-wave

[72] Sam Reynolds and Purva Jain, *Can LNG Displace Coal Demand in India?* (Institute for Energy Economics and Financial Analysis, 2025), 6. https://ieefa.org/resources/can-lng-displace-coal-demand-india

[73] India Ministry of Power, *Draft National Electricity Policy 2026* (2026). https://powermin.gov.in/sites/default/files/webform/notices/Seeking_comments_on_Draft_National_Electricity_Policy_2026.pdf

[74] Anjana Anil and Tanay Dhumal, "India's LNG demand set to grow across industries – if prices cooperate," *Reuters*, January 28, 2026. https://www.reuters.com/business/energy/indias-lng-demand-set-grow-across-industries-if-prices-cooperate-2026-01-28/

5. Emissions

As we've established, LNG does not compete with coal power on cost — but LNG is also often touted as coal's 'clean' alternative. However, while LNG, and natural gas overall, is less emissions-intensive than coal, these are still fossil fuels and they generate greenhouse gas emissions along the value chain.

5.1 Life cycle emissions

Emissions occur upstream during natural gas extraction, in the midstream stage where gas is processed and transported through pipelines, and at export terminals where it is liquefied and prepared for shipping (Table 2). Additional emissions are produced during international transport and ultimately when the gas is combusted by end users. The IEA estimates that roughly 350 megatonnes (Mt) of CO_2e are generated annually from the global LNG supply chain alone; that is, not including the emissions associated with the end-stage combustion of the LNG.[75]

Table 2. Emissions share as part of LNG supply chain

	Production, Processing, and Transmission	Liquefaction	Shipping	Regasification
% total GHG emissions	**47%**	**33%**	**18%**	**1%**
% of supply chain CO_2 emissions	34%	43%	22%	1%
% of supply chain methane emissions	80%	9%	10%	2%

Data source: IEA[76]

The emissions produced when LNG is ultimately burned by end users are even more significant. Roughly 80% of total life cycle emissions occur at the point of combustion, when natural gas is used for electricity generation, industrial processes, or heating.[77] Although these emissions occur outside Canada, they represent a substantial portion of the global climate impact associated with Canadian LNG exports (Figure 10). Clean Energy Canada estimates that the

[75] IEA, *Assessing Emissions from LNG Supply and Abatement Options* (2025), 5. https://iea.blob.core.windows.net/assets/5ad737ee-750d-460e-8c33-fb9140f1043d/AssessingemissionsfromLNGsupplyandabatementoptions.pdf

[76] *Assessing Emissions from LNG Supply and Abatement Options*.

[77] "How Canadian LNG Impacts the Climate."

combustion emissions associated with the exported gas from six LNG projects to be 129 Mt CO_2e per year.[78] That is more than Canada's entire oil and gas sector combined.

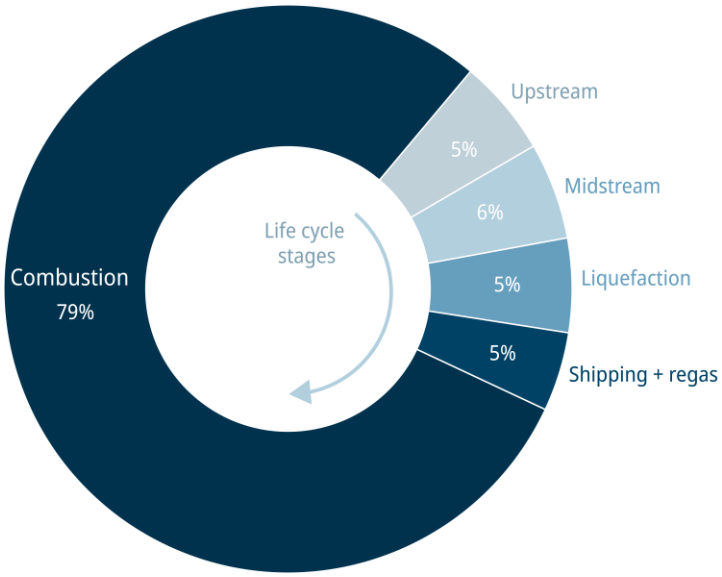


Figure 10. Stage-wise GHG emissions of Canadian LNG for power generation in China

Data source: Nie et al.[79]

Methane leakage also represents a significant contributor to LNG's life cycle emissions (Table 2). Methane, the primary component of natural gas, is a highly potent greenhouse gas that can escape during production, processing, and transport. Even very small leakage rates can materially increase LNG's climate impact because methane has a far higher short-term global warming potential than carbon dioxide. Estimates of methane emissions vary widely across jurisdictions and production systems, creating uncertainty around the true life cycle emissions intensity of LNG supply chains.[80]

5.1.1 The B.C. context

LNG facilities in British Columbia are required to be net-zero ready by 2030; however, this requirement does not have a time limit for achieving net-zero facility emissions, applies only to liquefaction terminals, and excludes the substantial emissions associated with upstream and

[78] Stefan Pauer and Jana Elbrecht, *An Uncertain Future: Expanding B.C.'s LNG Industry* (Clean Energy Canada, 2024), 3. https://cleanenergycanada.org/wp-content/uploads/2024/03/Report_LNG-Macrh2024.pdf

[79] Yuhao Nie et al., "Greenhouse-gas emissions of Canadian liquefied natural gas for use in China: Comparison and synthesis of three independent life cycle assessments," *Journal of Cleaner Production*, 258 (2020). https://www.sciencedirect.com/science/article/abs/pii/S0959652620307484

[80] *Assessing Emissions from LNG Supply and Abatement Options*, 7.

midstream stages.[81] These upstream and midstream segments account for roughly 80% of pre-shipment emissions.[82] Recent analysis finds adding proposed LNG projects cancels out emissions reductions that have been achieved elsewhere in the economy, as oil and gas emissions double from 2023 levels.[83]

Meeting the energy demand of LNG terminals requires large quantities of electricity; this could divert power away from higher-value electrification opportunities that deliver greater economic and climate benefits to B.C..[84]

5.2 LNG as a coal alternative

Although LNG is frequently characterized as a "cleaner" alternative to coal, its full emissions profile remains substantial. Research findings vary widely, with some analyses projecting net increases in global emissions and others indicating potential reductions from coal-to-gas switching. One study estimating the impacts of a North American LNG export terminal on global emissions found a possible emissions range from −39 to +11 Mt CO_2e per year, depending on the extent to which LNG displaces coal or increases overall energy consumption.[85] Another assessment of U.S. LNG exports to Asian markets reached a similarly wide range, estimating global life cycle impacts from an 88,000-tonne reduction to a 170,000-tonne increase in CO_2-equivalent emissions per billion cubic feet of LNG exported.[86] Outcomes depend heavily on end-use conditions, price-driven demand responses, and methane leakage along the supply chain.

Crucially, there is no guarantee that imported LNG would displace coal in recipient countries. As outlined earlier in this report, many Asian economies are not pursuing coal-to-gas switching at current LNG prices. In such cases, additional LNG supply could increase overall fossil fuel

[81] Government of British Columbia, Minister Letter to Chief Executive Assessment Officer, March 21, 2025. https://www.projects.eao.gov.bc.ca/api/public/document/67e6facb8211a700221cd236/download/Attachment%201_%20Minister%20letter%20to%20CEAO_21%20Mar%202025.pdf

[82] Jan Gorski and Jason Lam, *Squaring the Circle: Reconciling LNG expansion with B.C.'s climate goals* (Pembina Institute, 2023), 10. https://www.pembina.org/pub/squaring-circle

[83] Aaron Hoyle et al., "Green vs growth? Exploring British Columbia's energy transition trade-offs using integrated energy systems modelling," *Environmental Research. Letters* 21 (2026). https://iopscience.iop.org/article/10.1088/1748-9326/ae3ab5

[84] *Power Struggle,* 18.

[85] Sean Smillie, Nicholas Muller, W. Michael Griffin and Jay Apt, "Greenhouse Gas Estimates of LNG Exports Must Include Global Market Effects," *Environmental Science & Technology*. 56 (2022). https://pubs.acs.org/doi/10.1021/acs.est.1c04753

[86] Alexander Q. Gilbert and Benjamin K. Sovacool, "Carbon Pathways in the Global Gas Market: An Attributional Lifecycle Assessment of the Climate Impacts of Liquefied Natural Gas Exports from the United States to Asia," *Energy Policy* 120 (2018). https://www.sciencedirect.com/science/article/pii/S0301421518303793

consumption or compete directly with low-cost renewable energy, resulting in higher emissions than those assumed under coal-to-gas switching scenarios.[87]

Taken together, these factors suggest that life cycle emissions represent an important long-term risk for both the climate and future LNG projects. As global energy systems shift toward lower-carbon sources of power and heat, the emissions associated with LNG production, transport, and combustion could increasingly affect the competitiveness of Canadian exports in international markets. LNG export terminals and associated infrastructure are meant to operate for several decades. This long asset life creates a significant risk that projects approved today could face declining demand or policy constraints as global energy systems decarbonize.

[87] U.S. Department of Energy, "Statement from U.S. Secretary of Energy Jennifer M. Granholm on Updated Final Analyses," December 17, 2024. https://www.energy.gov/sites/default/files/2024-12/Statement%20from%20U.S.%20Secretary%20of%20Energy%20Jennifer%20M.%20Granholm%20on%20Updated%20Final%20Analyses_12.17.2024.pdf

6. Recommendations

The evidence in this report points to a clear conclusion: further LNG expansion in Canada should not be underwritten with public dollars. Canadian LNG projects face heightened commercial risk due to uncertain long-term demand, increasing competition from lower-cost suppliers, more flexible contracting structures, and growing climate and energy-system constraints. In this context, governments should focus on protecting the public interest by avoiding new financial exposure to projects whose economics remain uncertain and whose benefits are likely to be captured primarily by private proponents.

1. **Do not provide new public subsidies, financing, or risk-sharing for LNG projects.**
   Governments should not offer direct subsidies, concessional financing, publicly funded enabling infrastructure, preferential electricity rates, tax expenditures, or other measures designed to improve the economics of new LNG developments. These interventions shift commercial risk from private proponents to taxpayers and increase the likelihood that public funds will be exposed to stranded-asset outcomes if global LNG demand or prices weaken.

2. **Require LNG projects to proceed only on fully commercial terms.**
   LNG proponents should be expected to secure private financing and demonstrate that projects are viable without government de-risking. Public policy should not treat weak commercial viability as a rationale for intervention. If private capital is unwilling to absorb the risks associated with long-lived LNG infrastructure in a volatile and increasingly competitive global market, governments should not do so on its behalf.

3. **Prioritize scarce clean electricity and public resources for higher value uses.**
   In British Columbia, supplying LNG terminals with clean electricity can create significant opportunity costs by diverting power and public investment away from other strategic uses, including grid reliability, industrial decarbonization, building electrification, transportation, and clean economic development. Governments should prioritize these higher-value and more durable public-interest outcomes over supporting LNG expansion.

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