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IS THE RISE IN GLOBAL LNG SUPPLY AN OPPORTUNITY FOR TÜRKİYE?

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The President of the International Energy Agency (IEA) has stated that many of the LNG (liquefied natural gas) projects initiated in the US and Qatar have reached the completion stage and that gas prices will thus decrease. This will result in gas importing countries such as European countries, Türkiye, India, and Japan benefiting from the activation of new LNG capacities starting from next year.[1] According to OAPEC's LNG Market Report, global LNG exports rose by 1.6 per cent compared to the previous year, the slowest growth since 2020, due to fewer new projects, limited production capacity, and Western sanctions. The US remains the largest LNG exporter, followed by Qatar. In addition, the report draws attention to the changing dynamics in the market by stating that LNG demand decreased in Europe while increasing in Asia. Europe's LNG imports fell by 18.1 per cent, the first decline since the Russia-Ukraine War that started in 2022. The US is Europe's largest LNG supplier, accounting for 43 per cent of its imports.[2]

According to the annual report published by Shell, global LNG demand is estimated to increase by approximately 60 per cent by 2040. In line with the goals of development and decarbonization around the world, the need for gas in the fields of electricity generation, industry, transport, heating, and cooling is increasing. Economic growth in Asia also increases this demand. China and India are developing their LNG import capacities and infrastructures to meet their increasing demands. On the supply side, more than 170 million tons of new LNG supply are projected by 2030 to meet this increasing demand, although the initiation times of new LNG projects are uncertain. In addition, the report shows that the LNG supply in 2024 experienced the lowest increase in the last decade.[3]

These fluctuations in natural gas markets are having a negative impact on European Union (EU) countries. Natural gas prices in 2025 are at the highest levels of the last two years. The President of the European Commission, Ursula von der Leyen, has stated that LNG imported from the US is a cheaper alternative,[4] however, current prices are about twice as high as before the Russian-Ukrainian War. The fact that the EU's gas storage rate is 36 percent (about 24 billion cubic meters) lower than last year also puts upward

pressure on prices. The effort to compensate for this will increase the EU's demand for global LNG markets. The continued rise and volatility in gas prices since 2022 has had a domino effect, affecting other sectors, notably electricity, and increasing the scale of the economic damage, which is noticeable for both households and businesses. Industrial consumers in Europe pay 30 per cent more for gas than in China and five times more than in the US. Naturally, this also has implications for the competitiveness of European industries. In addition, Europe is facing energy challenges at a time of increasing economic and geopolitical uncertainties. Although the LNG projects announced by the US and Qatar are expected to bring some relief, they will take time to be actualized and, at least in the short term, this does not seem to be a viable strategy for European countries facing high gas prices. It is essential for Europe to strengthen its energy security by diversifying its energy sources. To this end, Europe needs to enter into long-term contracts for the establishment of a stable gas supply.[5]

In the light of this recent data, it is clear that enhancing energy cooperation between Türkiye and Europe is essential for Europe's diversity of energy sources and energy security. Türkiye already fulfills this role by transporting gas from different suppliers, mainly Azerbaijan, to European markets. Additionally, the inclusion of Turkmenistan gas in this network has reinforced this role. Moreover, given the uncertainties and fluctuations in LNG markets, long-term energy agreements through pipelines would be strategically more stable for Europe's energy security. Considering that Türkiye is an LNG importing country, it can be argued that this situation will be in Türkiye's favor as the increase in global LNG markets will affect prices downwards. On the other hand, when Türkiye's strategic goal of becoming a regional energy center is evaluated with a long-term perspective, it will be seen that Türkiye's interest lies in the regional cooperation and energy infrastructure it develops in the field of energy rather than increasing LNG trade. The pipeline transportation of natural gas from Central Asia, the Caucasus and the Middle East to Europe via Türkiye as a hub country will reinforce Türkiye's goal of becoming an energy hub, while at the same time guaranteeing Europe's energy security. The Qatar-Türkiye gas pipeline project stands out in terms of these objectives. If this project, which has been brought back to the agenda after the overthrow of the regime in Syria, is realized, the Russian gas that Europe has stopped buying could be replaced by Qatari gas, thus creating a safer alternative to LNG.

**Picture: IEA*

[1] Ata Ufuk Şeker, Global LNG surge to benefit Europe, Türkiye, and Asia: IEA chief, *Anadolu Agency*, 20 February 2025, https://www.aa.com.tr/en/energy/general/global-lng-surge-to-benefit-europe-turkiye-and-asia-iea-chief/47632.

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[3] Marwa Rashad and Emily Chow, Shell expects 60% rise in global LNG demand by 2040 as Asia leads growth, *Reuters*, 25 February 2025, https://www.reuters.com/business/energy/shell-expects-60-rise-global-lng-demand-by-2040-2025-02-25/.

[4] EU may consider replacing Russian LNG imports with those from US, von der Leyen says, *Reuters*, 8 November 2024, https://www.reuters.com/business/energy/eu-may-consider-replacing-russian-lng-imports-with-those-us-von-der-leyen-says-2024-11-08/.

[5] Gergely Molnar and Peter Zeniewski, European gas market volatility puts continued pressure on competitiveness and cost of living, *The International Energy Agency (IEA)*, 23 February 2025, https://www.iea.org/commentaries/european-gas-market-volatility-puts-continued-pressure-on-competitiveness-and-cost-of-living.

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