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# Global LNG demand to grow beyond 50% by 2040, driven by industrial requirements in China

Global demand for liquefied natural gas (LNG) is projected to increase by more than 50% by 2040, as industrial coal-to-gas switching accelerates in China and South Asian and South-east Asian countries use more LNG to support their economic growth, according to Shell's LNG Outlook 2024.

Global trade in LNG reached 404 million tonnes in 2023, up from 397 million tonnes in 2022, with tight supplies of LNG limiting growth while keeping prices and price volatility above historical averages. Demand for natural gas has already peaked in some regions but continues to rise globally, with LNG demand expected to reach around 625-685 million tonnes per year in 2040, according to the latest industry estimates.

"China is likely to dominate LNG demand growth this decade as its industry seeks to cut carbon emissions by switching from coal to gas," said Steve Hill, Executive Vice President for Shell Energy. "With China's coal-based steel sector accounting for more emissions than the total emissions of the UK, Germany, and Turkey combined, gas has an essential role to play in tackling one of the world's biggest sources of carbon emissions and local air pollution."


Dalia ElGabry

Over the next decade, declining domestic gas production in parts of South Asia and Southeast Asia could drive a surge in demand for LNG as these economies increasingly need fuel for gas-fired power plants or industry. However, countries in South Asia and Southeast Asia would need significant investments in gas import infrastructure.

The Shell LNG Outlook 2024 shows that gas complements wind and solar power in countries with high levels of renewables in their power generation mix, providing short-term flexibility and long-term security of supply.

European energy security LNG continued to play a vital role in European energy security in 2023, following a slump in Russian pipeline exports to Europe in 2022, with new regasification facilities helping to improve the security of energy supplies. European LNG imports remained at similar levels in 2022, despite an overall decline in European gas demand in 2023.

Relatively mild winter temperatures in countries that rely on gas for heating, combined with high gas storage levels, stronger nuclear power generation, and a modest economic recovery in China, all helped balance the global gas market in 2023.

This helped bring down and stabilise gas prices in the key importing regions of Europe and East Asia compared to the record highs and unprecedented volatility seen from late 2021 through 2022.

However, gas prices and volatility remained significantly higher in 2023 than in the 2017-2020 period.

Despite a well-supplied global market in 2023, the lack of Russian pipeline gas supply to Europe and a limited amount of LNG supply growth over the last year mean that the global gas market remains tight and vulnerable to supply disruptions.