

European LNG Trade and Financial

9th February 2026

Market Implications

- **Abstract 1:** Europe expected to import record volumes of LNG in 2026, approximated at 185 billion cubic meters
- **Abstract 2:** Geopolitical shifts and policy changes have impacted markets for LNG heavily, EU faces difficult trade-off in securing natural gas reserves
- **Abstract 3:** LNG has serious downsides, as can be observed by U.S. LNG exports falling in January to 11.3 million metric tonnes, down from December's record of 11.5 MT due to weather conditions. Spot gas prices rose in several regions to all-time highs in the last week of January as demand for the fuel rose to near-record levels.

Global Energy Strategist

Name

ties.den.hollander@student.uva.nl

Head of Research

Junho Son

junho.son@student.uva.nl

LNG has in recent years shifted to a structural pillar of European gas security and geopolitical exposure across the region. The post Nord stream realignment of supply away from pipeline dependence has driven an expansion of import capacity, a surge in spot market activity, and deeper integration with global LNG trade dynamics. Europe is now expected to import record volumes, around 185 bcm (billion cubic meters) in 2026, supported by expanding global supply and diversification policies.

This structural pivot is occurring alongside regulation changes. EU policy frameworks are moving toward a full phase-out of Russian gas imports, including LNG, as part of a diversification and energy security strategy designed to reduce geopolitical pressure and reliance. LNG movements must therefore be evaluated not purely as commodity logistics but as capital flow signals; reflecting infrastructure investment, contract duration movements, and evolving regional

dependency structures. Recent trade data highlights this dynamic: the United States supplied roughly 60% of EU LNG imports in January 2026, underlining this rapid concentration of supply relationships. Simultaneously, short-term supply shocks continue to drive market adjustments. Weather-related disruptions reduced U.S. export volumes early in 2026, prompting flows from alternative suppliers and demonstrating the sensitivity of transatlantic gas balances to upstream operational risk.

Diving further into these short-term supply shocks we can observe the immediate impacts on spot prices. This due to the exports of liquefied natural gas from the U.S. falling in January to 11.3 million metric tonnes, down from December's record of 11.5 MT. Spot gas prices rose in several regions to all-time highs in the last week of January as demand for the fuel rose to near-record levels. These developments collectively illustrate that LNG movements now function as a financial signal of energy system

restructuring; linking geopolitical and foreign policy, infrastructure, and derivatives markets rather than simply reflecting physical demand.

According to ACER (Agency for the Cooperation of Energy Regulators) in their 2025 Monitoring report the EU faces a trade-off between securing higher LNG volumes to ensure stabler pricing, while maintaining the flexibility to avoid over-contracting in a changing market environment. Thus, their recommendation is to secure a reserve LNG supply under flexible-contracts. Although gas demand is projected to decline over the medium-term, securing additional contracted LNG volumes would significantly reduce short-term exposure to price volatility. To avoid carbon lock-in and stay aligned with climate goals, new LNG contracts should include destination flexibility for long-term deals or be structured as short- to medium-term contracts. Longer-tenor agreements improve cash-flow predictability and infrastructure investments but introduce lock-in risk should price benchmarks fall or decarbonisation policies accelerate demand erosion. Conversely, shorter or destination-flexible contracts embed optionality that allows buyers to redirect cargoes or adjust procurement volumes, albeit at the cost of increased exposure to spot-market fluctuations.

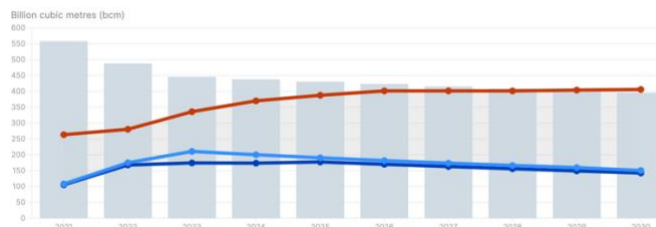
Growth in spot market LNG procurement has materially increased price volatility, reinforcing the importance of derivative hedging frameworks anchored to benchmarks such as TTF (Title Transfer Facility). While spot sourcing allows market participants to exploit favourable pricing or avoid long-term carbon lock-in, it also exposes earnings to abrupt swings such as supply disruptions, weather patterns, or geopolitical developments. To mitigate these risks, there is an increasing

reliance on futures, swaps, and options positions to offset price uncertainty. However, hedging LNG exposures remains imperfect due to basis risk between physical cargo pricing and financial benchmarks, as well as liquidity constraints in longer-dated contracts. These limitations mean that risk transfer is partial rather than complete, preserving residual volatility within balance sheets. Consequently, fluctuations in spot LNG flows should be interpreted as both indicators of physical supply adjustment and drivers of financial market positioning.

Europe's LNG import capacity buildout is outpacing demand

LNG historical and forecasted demand and capacity, 2021-2030

■ LNG capacity ■ 2023 LNG demand forecast* ■ 2022 LNG demand forecast* ■ Total gas consumption

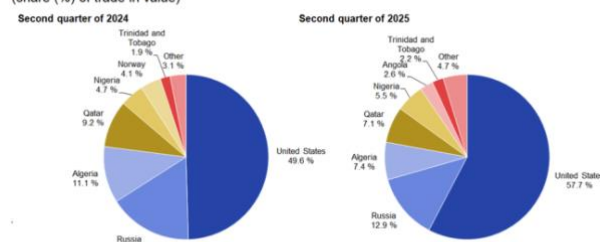


Source: Gas Infrastructure Europe, Kpler, IEEFA • Includes EU27, UK, Türkiye, Albania, Norway, 2022 and 2023 LNG demand forecasts based on IEEFA analysis.

<https://ieefa.org/articles/europes-lng-capacity-buildout-outpaces-demand>

EU imports of liquefied natural gas by partner

(share (%) of trade in value)



Source: Eurostat database (Comex) and Eurostat estimates

eurostat

[https://ec.europa.eu/eurostat/statistics-explained/index.php?title=EU imports of energy products - latest developments](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=EU_imports_of_energy_products_-_latest_developments)

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