

IS THE DEVELOPMENT OF NEW FOSSIL GAS PROJECTS NECESSARY TO MEET FUTURE DEMAND?

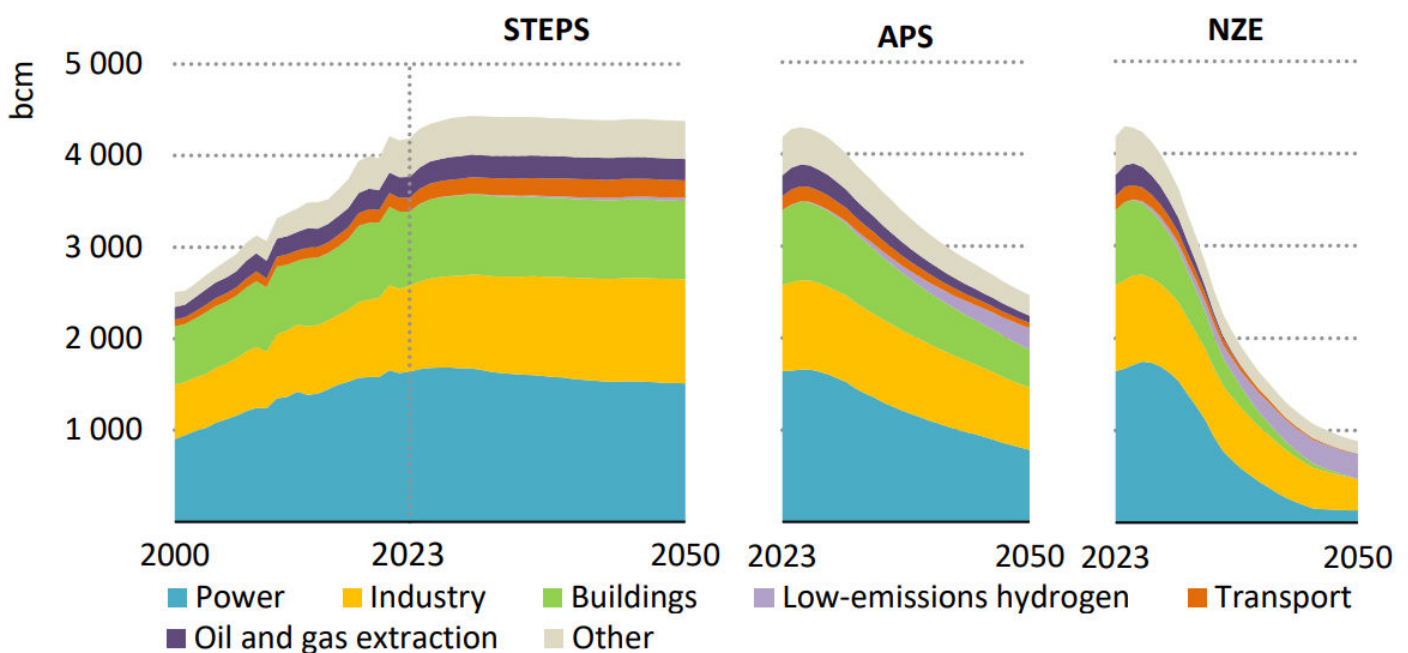
The invasion of Ukraine and rising energy prices have raised questions about the possibility of halting fossil fuel expansion while still ensuring energy security, particularly in meeting fossil gas needs. However, shortly after the conflict began, the International Energy Agency (IEA) reaffirmed its call to stop the development of new oil and gas projects. It stated that existing production and export capacities, including those with final investment decisions (FID), would be sufficient to meet demand, which the agency still projected to decline in the medium term.¹ This holds true regardless of the energy scenario used, as reiterated by the IEA in its World Energy Outlook 2024.²

According to IEA scenarios, demand for fossil gas is expected to peak before 2030, even under current policies. Gas demand could decrease by 4% by 2030 under the climate commitments of various coun-

tries, and by 14% in the IEA's 1.5°C scenario. However, this global trend hides regional disparities, particularly between developed and developing economies and countries.

1. REGARDLESS OF THE SCENARIO, FOSSIL GAS DEMAND SHOULD PEAK BEFORE 2030

Natural gas demand by sector and scenario, 2000 - 2050



Source: IEA, World Energy Outlook 2024, page 145

1. IEA, Medium-Term Gas Report 2023, October 2023

2. IEA, World Energy Outlook 2024, October 2024

As early as 2022, the IEA stated in all its scenarios that fossil fuel demand would reach a peak or plateau before 2030,³ including in the Stated Policies Scenario (STEPS), which accounts for existing climate policies. Regarding fossil gas, meeting the climate commitments already adopted by nations (in the IEA's Announced Pledges Scenario (APS)) would lead to a 4% decline in demand between 2023 and 2030, and a 14% reduction in the Net Zero Emissions by 2050 Scenario (NZE Scenario), which models an energy trajectory by 2050 compatible with limiting warming to 1.5°C by the end of the century.⁴

In the longer term, the NZE Scenario projects global demand at 882 billion cubic meters (bcm) by 2050 (a reduction of about 79% compared to 2023), which is less than the current consumption of the United States alone.⁵ This decline would be made possible largely by eliminating fossil gas from the building and transport sectors (1 bcm and 7 bcm, respectively, by 2050) and limiting its role in balancing power grids in the electricity generation sector.⁶ The demand reduction would reach 13.6% by 2030, 46.1% by 2035, and 78.9% by 2050.⁷ A sharp decline in fossil gas demand is a feature of all scenarios aiming to limit global warming to 1.5°C with little or no overshoot.⁸

2. ARE THE DEMAND DECLINE PATHWAYS IN 1.5°C-ALIGNED SCENARIOS REALISTIC?

While global demand for fossil gas is expected to decrease in the medium and long term, this global trend masks territorial disparities, as the inevitable (and significant) decline in demand in developed economies and countries compensates for potential increases in emerging or developing economies and countries. But should we fear a significant rise in demand in developing countries, risking tension in gas markets, if declines elsewhere are less than anticipated?

a. The inevitable decline in demand in developed countries

The IEA considers that any increase in fossil gas demand in emerging and developing economies and countries would be largely offset by a decline in demand in developed econo-

mies.⁹ This decline has been evident for several years: in 2023, demand in OECD European countries reached its lowest level since 1995, down 7% from 2022, with 75% of the reduction attributed to the electricity generation sector.¹⁰

In Japan, the largest liquefied natural gas (LNG) consumer, the decrease in fossil gas demand due to the rise of renewables and the return of nuclear energy has led to a surplus of imports, forcing the country to resell volumes purchased under long-term contracts to neighbouring Asian countries.¹¹ South Korea, historically the largest buyer of LNG from the United States, has also seen reduced fossil gas needs, with imports dropping by nearly 5% in 2023.¹²

3. IEA, [World Energy Outlook 2023](#), page 18, October 2023

4. IEA, [World Energy Outlook 2024](#), page 144, October 2024

5. IEA, [World Energy Outlook 2024](#), October 2024

6. IEA, [World Energy Outlook 2024](#), page 144, October 2024

7. Ibid.

8. International Institute for Sustainable Development (IISD), [Navigating Energy Transitions: Mapping the road to 1.5°C](#), October 2022

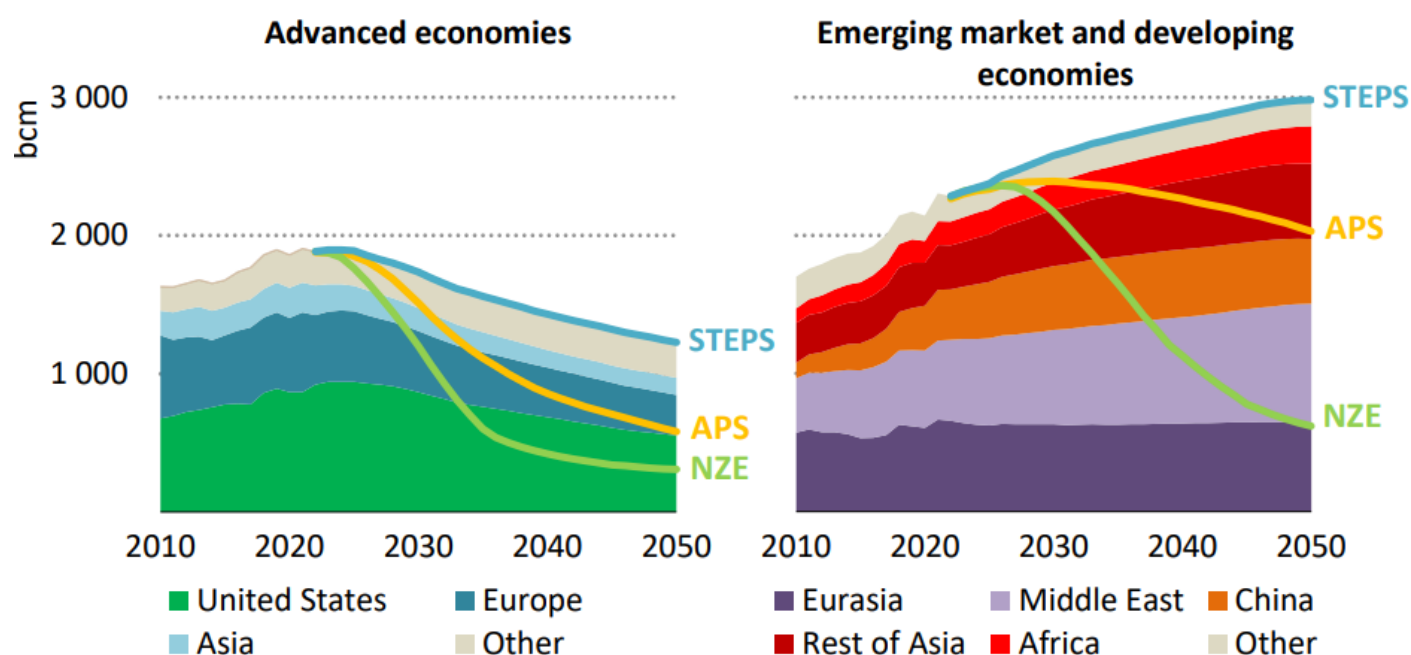
9. IEA, [World Energy Outlook 2023](#), Figure 3.24, page 137, October 2023

10. IEA, [Gas Market Report Q1-2024](#), page 34, January 2024

11. Institute for Energy Economics and Financial Analysis (IEEFA), [Japan's largest LNG buyers have a surplus problem](#), March 2024.

12. IEEFA, [Global LNG Outlook 2024-2028](#), April 2024

Natural gas demand by region and scenario, 2010-2050



IEA. CC BY 4.0.

Natural gas demand declines in advanced economies in each scenario; in emerging market and developing economies the difference between scenario outcomes is larger

Source: IEA, World Energy Outlook 2023

b. The example of Europe

European fossil gas demand had already plateaued before the energy-saving efforts triggered by the invasion of Ukraine.¹³ The first period of decline between the 2010 peak (430 bcm) and 2014 was partly offset by a recovery between 2014 and 2017 (post-financial crisis recovery), before plateauing again between 2017 and 2021 at around 400 bcm. Since 2022, Europe has experienced a sharp drop in fossil gas consumption. This downward trend is expected

to continue with the European Union's Fit for 55 and RePowerEU programmes, which aim to reduce European gas consumption by 32% and 68%, respectively, between 2018 and 2030.¹⁴ While the search for alternative sources of supply to reduce dependence on Russia led to an increase in LNG imports,¹⁵ this diversification is not sustainable due to the structural decline in demand. Overall, European fossil gas imports decreased by 12% in 2023 compared to 2022.

13. European demand increased by 37% between 1990 (300 bcm) and 2021 (410 bcm). Source : Agora Energiewende, *Breaking free from fossil gas. A new path to a climate-neutral Europe*, figure 2, page 21, may 2023.

14. Agora Energiewende, *Breaking free from fossil gas: A new path to a climate-neutral Europe*, Figure 19, page 40, May 2023

15. IEA, *Gas Market report Q1-2024*, page 28, January 2024

c. A limited increase in emerging and developing economies and countries

In emerging and developing economies and countries, the observed increase in fossil gas consumption is unlikely to significantly raise global demand, mainly due to the lower competitiveness of fossil gas compared to

renewables in Asian countries.¹⁶ A prime example is Pakistan's reversal on its gas import projects.¹⁷ For many emerging and developing economies and countries, it is preferable to develop power generation that does not rely on fossil gas imports, given the market's volatility and often uncompetitive prices.

16. Zero Carbon Analytics, Bullish Asian gas demand forecasts eroded by renewable surge, April 2024; IEEFA, Global LNG Outlook 2024-2028, page 27-43, April 2024

17. Bloomberg, Pakistan Plans U-Turn on Fuel Imports After Prices Surge, February 2023

RECOMMENDATIONS

Reclaim Finance calls on financial institutions not to present fossil gas as a transitional energy source and to commit to a complete short-term halt to all financial services that support fossil gas expansion across its value chain, including in the power generation sector. This includes an immediate halt to all support for new gas fields and liquefied natural gas (LNG) export terminals, as well as to the companies developing them.

Click [here](#) to consult our detailed recommendations for financial institutions.

