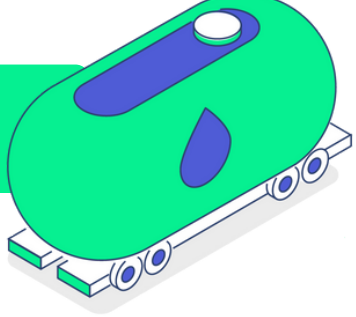
Importing More LNG: A Costly Mistake for EU Economics



***NB**: Summary based on an unbranded July 2025 guideline [link].*

Banking on liquefied ~~natural~~ gas (**LNG**) as a cornerstone for Europe's energy security is increasingly risky: economically, strategically, and environmentally. As the EU shifts away from Russian gas, it has rapidly become the world's top LNG importer, but this pivot is creating new vulnerabilities, dangerous dependencies and economic pitfalls.

At the start of Donald Trump's second term, the U.S. ramped up again pressure on the EU to buy American energy, using it as leverage in trade talks under the threat of tariffs. In April 2025, Washington pushed for $350 billion in energy purchases, and by July, a trade deal saw the **EU pledge $750 billion in U.S. energy imports over three years**: a sum equivalent to more than four times the global LNG market size in 2024. Reaching this goal would require tripling imports of oil, coal, and LNG by 2025, an increase far exceeding current market volumes, demand levels, and EU climate commitments. Redirecting that sum to renewables could expand installed solar and wind capacity by about 90%.

1 Failing Demand & Growing Overcapacity: The Costly Lessons of the Japanese Model

In 2024, the EU became the world's largest LNG importer, with 20% of the global volume. However, between 2021 and 2024, EU gas consumption fell by 20% and combined imports of pipeline gas and LNG dropped by 18%. **As ACER said, LNG imports in the EU have likely already peaked.**

The EU's 2025 "Affordable Energy Action Plan" proposes investing in overseas LNG projects and locking in long-term contracts, mirroring Japan. Yet, Japan's gas demand has dropped by 25% since 2014, forcing it to resell surplus LNG into an oversupplied market, often at a loss. The EU risks decades of fossil fuel lock-in, resale risks, and financial complexity. **This risks locking Europe into the "Japanese Model", a model that has cost Japan billions. China, which now receives about 58% of the EU's LNG re-exports, is experiencing a sharp demand slowdown** and overcapacity, limiting its imports and increasing the chance that Europe will be stuck with surplus LNG in an unpredictable market.

2 Investing in a Saturated Market: Creating Stranded Assets & Fueling Inflation

Massive new LNG projects (Qatar, U.S., Canada, etc.) are coming online, but demand is stagnating or falling in major markets. **The IEA forecasts a global LNG surplus of at least 130 bcm by 2030—more than total EU LNG imports in 2024 (~100 bcm).** The U.S. export boom could soon outpace global demand. Moreover, if sanctions on major Russian projects like Sakhalin-1 are lifted, with its 10-11 million tonnes of capacity, supply would expand further, intensifying oversupply and deepening price pressures.

European LNG import capacity is projected to grow by 60% between 2021 and 2030, risking stranded assets and underutilized terminals. **New infrastructure costs billions, with frequent overruns and ongoing maintenance expenses**. Projects risk underperforming financially, generating returns below investment thresholds (**sub-hurdle rates**). Volatile LNG prices further raise electricity costs and inflation, impacting EU households and businesses.

3 US LNG is a Strategic Vulnerability, Not Energy Security

The EU's reliance on U.S. LNG has soared (45% of imports in 2024), creating new dependencies and risks. This expansion of U.S. LNG is driven by the fracking industry's need to tap global markets, after previously producing a surplus for a more closed domestic market. The industry, heavily supported by subsidies, it is prone to political and market volatility, making it an unstable long-term supply source.

Recently, the U.S. has proven to be an unreliable partner. Trump's policy reversals make it risky to advance investments, like demand aggregation mechanisms, which are based on promises that may collapse and tariffs that might spike at any moment. That's politically irresponsible.

4 Climate & Social Risks

LNG is overall the world's most climate-damaging fossil fuel. **Life-cycle emissions from US LNG are 33% higher than coal**. Its production is tied to environmental destruction, human rights abuses, and global warming. Every new LNG project increases climate and financial risks.

Despite these risks, LNG continues to receive massive public subsidies, money that could accelerate the just transition to renewables. In 2023, G20 countries spent three times more on fossil fuels than on renewables.

KEY RECOMMENDATIONS

- **Halt EU political and public financial support**, including EU funding mechanisms and permitting fast-tracking, **for new LNG import terminals** and associated long-term fossil fuel supply contracts that conflict with Europe's declining gas demand and climate targets.
- **Ensure strong implementation of the EU Methane Regulation** across fossil fuel supply chains, including LNG imports. Resist weakening the regulation and extend its provisions to energy imports as intended. Mandatory methane monitoring, leak detection, repair, and methane intensity limits must be rigorously enforced. **This is a critical strategy to reduce methane emissions and should be integrated into the broader trajectory to phase out fossil gas in the EU**.
- **Rapidly scale up renewable energy deployment and energy efficiency across the EU to replace fossil gas demand**. Renewables are now cost-competitive, create more jobs, and are less volatile than fossil gas and LNG. The EU has already shown that renewables and efficiency can rapidly cut gas demand and costs. In just 18 months, new wind and solar replaced 20 bcm/year of fossil gas, saving €53 billion in import costs. However, renewables must be deployed responsibly, with community involvement, fair benefit-sharing, resource justice, and biodiversity safeguards, to avoid repeating centralized, profit-driven, and extractive energy models.
- **Prioritize grid modernization and electrification of heating, transport, and industry to cut fossil gas and LNG dependency**. Supporting electric alternatives will enhance energy security, strengthen EU industrial competitiveness, and reduce exposure to volatile gas markets.

This summary has been endorsed by the following groups: