

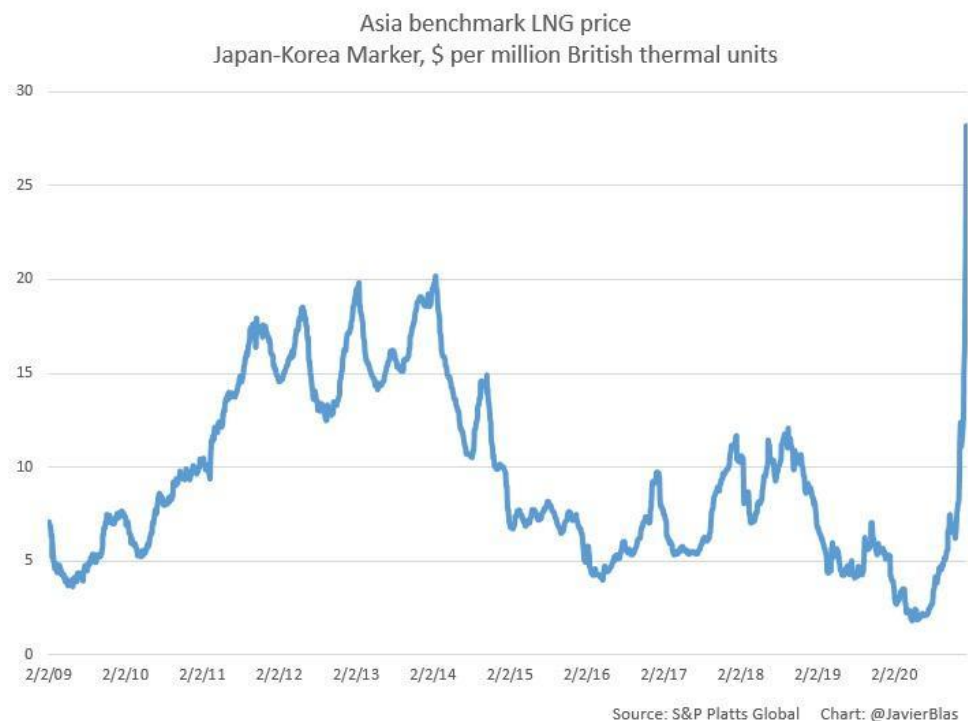
The Future of LNG Prices in 2022

After record breaking prices in 2021, Liquefied Natural Gas (LNG) prices appear that they will likely be more stable in 2022. LNG is shaping up to be one of the world's most important and largest energy sources of the decade as countries shift away from petrol-based power. While LNG is still a fossil fuel with high carbon emissions, it is also a [bridge fuel](#) for many nations unable to transition to renewable energy due to a lack capacity or infrastructure.

Natural gas futures have exploded as a result, with demand for LNG expected to [double by 2040](#). The prices for natural gas have risen throughout 2021, and while still more economically viable than other fossil fuels, it has raised questions about what the market will look like in the coming years.

What is LNG Price?

The factors affecting natural gas prices are similar to those regulating other forms of power - namely supply, demand, weather, and the costs of different energy sources. For example, cold winters and high prices of other energy sources can drive up demand for LNG, increasing its prices. This is what happened in Europe in 2021 when prices rose to USD 38.03 per million British Thermal Units (MMBTU). Previous peaks in 2020 and 2019 were at USD 5.90 per MMBTU and USD 7.20 MMBTU, [respectively](#). In Asia, [spot prices](#) hit a high of USD 48.30 per MMBTU in late December, partially resulting from rising prices in Europe.



Source: [OilPrice.com](https://oilprice.com)

How much does LNG cost per ton?

The current prices represent historic highs for LNG production. The highs as mentioned above of USD 38.03 per MMBTU and USD 48.30 per MMBTU were unprecedented and represent price increases of over 300% compared to the previous year. The United States, which has its own domestic LNG operations, also saw [peaks](#) early in the year. This propelled prices to over USD 10.00 per MMBTU from its usual hovering closer to USD 3.00 per MMBTU. While this is high, it's still below the historical peak of USD 20.81 per MMBTU in 2005.

Why are LNG Prices High?

LNG prices are expected to dip as the year progresses, and demand for heating drops, but prices will likely remain at higher levels than before. This is due to several factors, [including](#):

- Changing consumption habits linked to the global COVID pandemic
- Rising demand for LNG as the world moves away from other fossil fuels
- Growing electrification rates in Asia
- Eurasia's reliance on Russian gas
- Political instability involving Russia and Eastern Europe

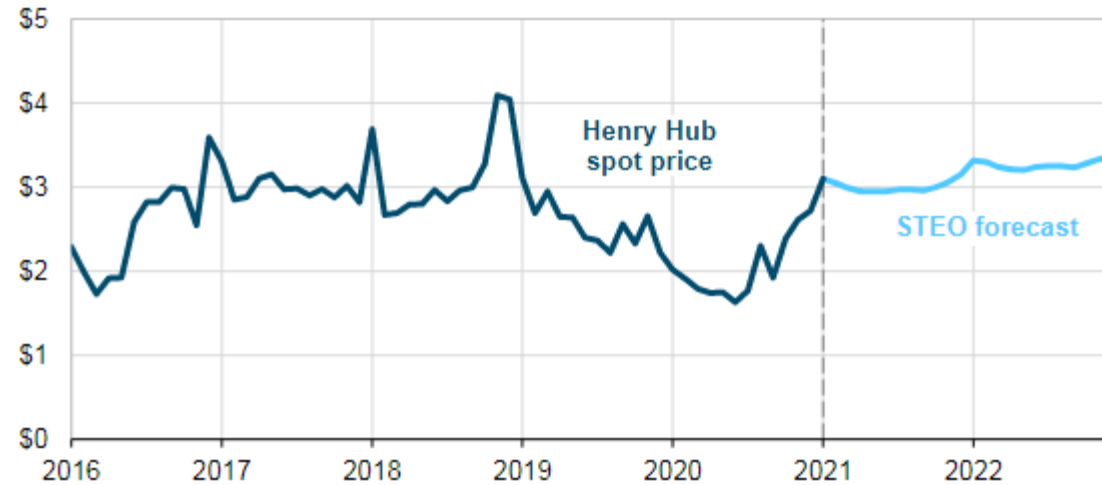
This combination of factors is keeping LNG prices high.

Will natural gas prices go up in 2022?

Although prices have been dropping through January and February, some market speculators forecast potentially high LNG prices for the near future. This results from weather uncertainties and tensions with Russia, one of the world's largest LNG providers.

Monthly Henry Hub natural gas spot price (Jan 2016–Dec 2022)

dollars per million British thermal units



Source: U.S. Energy Information Administration, *Short-Term Energy Outlook (STEO)*

Source: [Energy Information Agency](#)

This has reinforced calls for local LNG supply chains across Asia and Europe, which rely on Russia for their natural gas. Several projects are in the works, but they won't come online before [2023](#). These projects will help reduce LNG prices across the board.

LNG Prices Will Eventually Fall

Forecasters are bullish on natural gas futures. Global demand for LNG is set to double by 2040, and new projects are underway to ensure that Europe and Asia become less reliant on Russian gas. This will help ensure that prices lower from their current rates and stabilize the market to reduce volatility. We expect these changes will happen from 2023 onwards, and projections [reflect this](#).

While many people still see LNG as a controversial choice for energy due to its carbon emissions, it will be the go-to source of power in the coming decade. This will continue to drive up the price until it starts to be replaced by renewable energy as the world's primary power source.