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SEE ENERGY BRIEF

Monthly Analysis

LNG Market Dynamics in the East Mediterranean

Introduction

The latest conflict in the Middle East, following the attack last Saturday (28/2) on Iran by the combined US-Israel forces, has highlighted the vulnerability of LNG supply given Qatar's key role as global producer of the super cooled liquid. The halting last Monday of production by Qatar's Gas and the subsequent closure of its facilities for security reasons following Iranian drone strikes, combined with the difficulties of passage for LNG vessels through the Straits of Hormuz, have send European and Asian gas prices soaring. European gas prices in particular were also affected by the record low storage levels in several EU countries.

Consequently, on Monday Europe's gas price benchmark TTF rose over 50 per cent during intraday trading, before closing 39 per cent higher at €44.52/MWh, in the biggest daily percentage move in more than four years. Then, yesterday as hostilities the in the Gulf continued unabated, gas prices at TTF moved even higher at €55.85/MWh having gained 74.4% in just two days. These turbulent market conditions are bound to affect LNG trading in the medium term, with higher prices affecting deliveries of contracted volumes throughout SE Europe and the East Mediterranean.

In view of the fact that the East Mediterranean is emerging as an important geographical and trading area for energy supply in the SEE region, the analysis which follows -and was prepared well before the latest crisis- helps to explain the LNG market dynamics.

The LNG market in the Eastern Mediterranean is shaped by a combination of recent offshore gas discoveries, evolving infrastructure, and shifting regional trade flows. Countries like Israel and Egypt have significantly increased natural gas production over the past decade, with offshore fields such as Israel's Leviathan and Tamar contributing to higher output and export potential, and Egypt's Zohr field bolstering both domestic supply and LNG export capacity. Egypt currently hosts the region's main LNG liquefaction plants at Damietta and Idku, which process domestic production and piped gas from neighbors like Israel before exporting LNG to markets including Europe. Efforts are underway to link Cypriot gas reserves to Egyptian LNG facilities for eventual export, illustrating how infrastructure cooperation is central to realizing the region's export potential. Political and geopolitical factors — from conflicts to maritime boundary disputes — continue to influence how and when these gas volumes can reach LNG markets, adding layers of risk and uncertainty to investment and trade patterns. On the demand and pricing side, LNG dynamics in the Eastern Mediterranean are also affected by broader market conditions such as regional demand variations, global LNG trade flows, and competing supply routes. Prices in the East Mediterranean have at times shown premiums relative to other European hubs due to weather-related demand swings and shipping constraints, while at other times have softened amid lower overall demand and abundant pipeline gas alternatives. The region must contend

with longer shipping routes — especially when geopolitical tensions affect key transit passages — and the challenge of integrating LNG imports with existing energy systems. With Europe seeking to diversify away from traditional pipeline supplies and reduce reliance on Russian gas, the Eastern Mediterranean stands as a strategic crossroads. Its LNG dynamics increasingly reflect the interplay of regional production capacity, infrastructure development, and shifting global demand drivers.

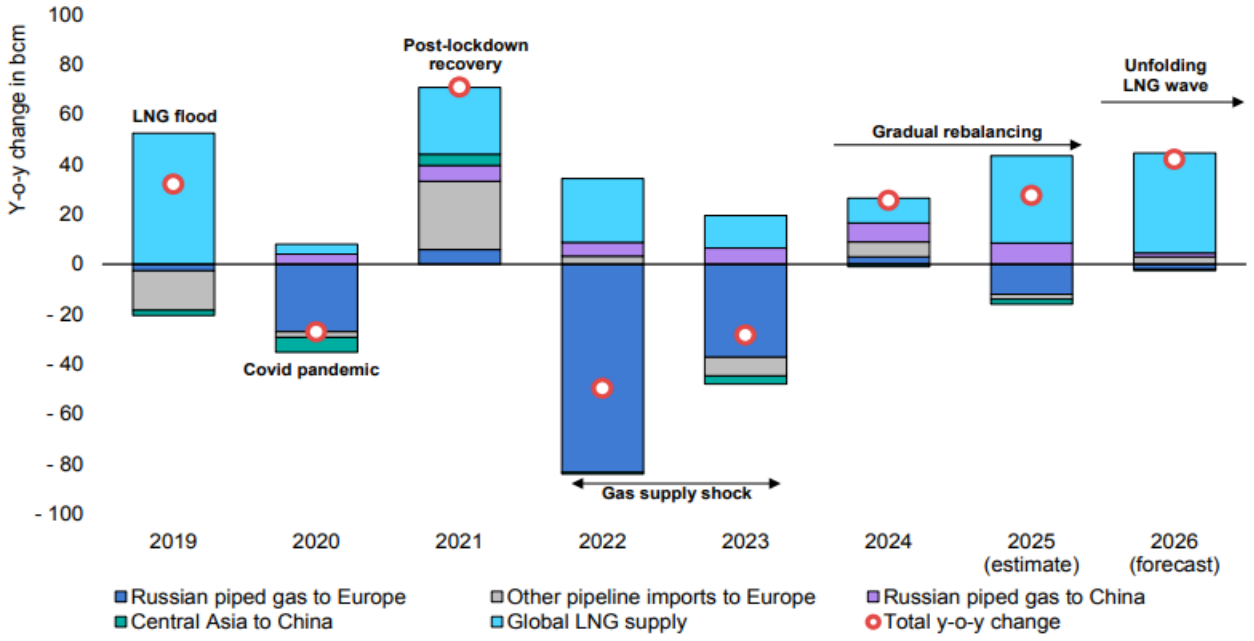
The Current Status of the Global LNG Market

According to the IEA **(1)**, 2025 was a transitional year for natural gas markets. While supply fundamentals remained tight in the first half of the year, strong LNG production growth gradually eased market conditions starting from July. Following a relatively strong increase in 2024, global gas demand growth slowed markedly in 2025 due to a combination of weaker industrial activity and relatively high spot LNG prices in the first half of the year. Market opening reforms continued to gather pace in Asia while the European Union reached a historic decision to phase out Russian natural gas imports by November 2027 at the latest **(2)**. Global LNG supply growth is set to accelerate further in 2026 to its fastest pace since 2019. This is expected to foster stronger global gas demand growth, primarily driven by China and emerging Asian markets.

Based on IEA's data, global LNG production increased by almost 7% (or 38 bcm) in 2025, with around three-quarters of the growth concentrated in the second half of the year. The Plaquemines LNG plant in Louisiana alone accounted for over 60% of the increase in LNG supply through the year and played a key role in the easing of market conditions.

Supply remained relatively tight in the first half of 2025. While global LNG supply increased by 4% (or 10 bcm) year-on-year (y-o-y) in the first half of 2025, this was partially offset by lower Russian and Norwegian piped gas deliveries to Europe. In addition, stronger storage injections in the European Union contributed to tighter markets. This kept European and Asian benchmark prices 30% and 40%, respectively, above their levels in the same period a year earlier. Global LNG supply growth accelerated to 10% (or 28 bcm) y-o-y in the second half of 2025, which gradually eased market conditions starting from July. TTF and Asian spot LNG prices fell 14% and 17% respectively in H2 2025 compared with the same period in 2024. The correlation between European and Asian benchmark prices rose to a new all-time high of 0.955 in 2025. This reflects the increasingly interconnected nature of regional markets amid the growing share of destination-flexible LNG supplies.

Figure 1: Year-on-year Change in Key Piped Natural Gas Trade and Global LNG Supply, 2019-2026



Source: IEA

Russian exports slowed in 2025, hampered by international sanctions on its two small-scale plants (Vysotsk LNG and Portovaya LNG) since March. Exports from the country's largest plant, Yamal LNG, were also down by about 7.5% y-o-y (or 2 bcm), linked notably to a more intensive planned maintenance schedule, based on IEA's data. In total, despite sporadic deliveries to China from the sanctioned Arctic LNG 2, Russian LNG exports fell by about 7% y-o-y (or 3 bcm). In addition, Norway was also a significant source of downside LNG supply as planned and unplanned maintenance significantly affected loadings from May to August. As a result, Norwegian LNG exports fell by nearly 35% y-o-y (or over 2 bcm).

On the import side, 2025 brought about somewhat of a reversal in trade dynamics compared with 2024. In 2024, robust pipeline supply in Europe and a sharp slide in global gas prices early in the year combined to drive an 18% y-o-y (or 30 bcm) decline in European LNG imports and a 7% y-o-y (or 26 bcm) increase in Asian LNG imports in that year. In 2025, however, European LNG imports returned to growth, increasing by 30% y-o-y (or 40 bcm), more than the incremental LNG supply that reached the global market. The combined effect of the halt in the Ukrainian transit agreement for Russian gas to Europe, lower Norwegian pipeline deliveries, more robust demand and increased storage injection needs led to a tighter European balance, sparking an increased reliance on LNG to balance the regional market.

Europe's LNG imports rose by 30% (or 40 bcm) and reached an all-time high of over 175 bcm in 2025. Stronger domestic demand, together with lower piped gas imports and higher storage injections during April-October, kept European LNG netback prices at a premium compared with key Asian markets. This in turn incentivised flexible LNG cargoes to flow towards Europe. Consequently, the share of LNG in Europe's

primary natural gas supply rose from 30% in 2024 to 38% in 2025. The United States increased its LNG deliveries to Europe by 60% y-o-y in 2025 and accounted for almost all incremental LNG supply to Europe during the year. The strong supply of US LNG played a key role in refilling Europe's gas storage sites ahead of the 2025/26 winter season. Russian LNG inflows fell by 10% (or 2 bcm), although Russia remained Europe's second largest LNG supplier. Belgium, France and Spain accounted for over 85% of Europe's total LNG imports from Russia in 2025.

Europe's LNG imports are expected to continue to increase in 2026 and reach a new all-time high of over 185 bcm, primarily driven by stronger storage injection requirements and higher piped gas exports to Ukraine. Norway's piped gas deliveries to the rest of Europe are expected to recover close to their 2024 levels, while imports from North Africa and Azerbaijan are projected to marginally increase. These higher deliveries are expected to be partly offset by lower piped imports from Russia and Iran (following the expiry of the contract with Türkiye in July 2026).

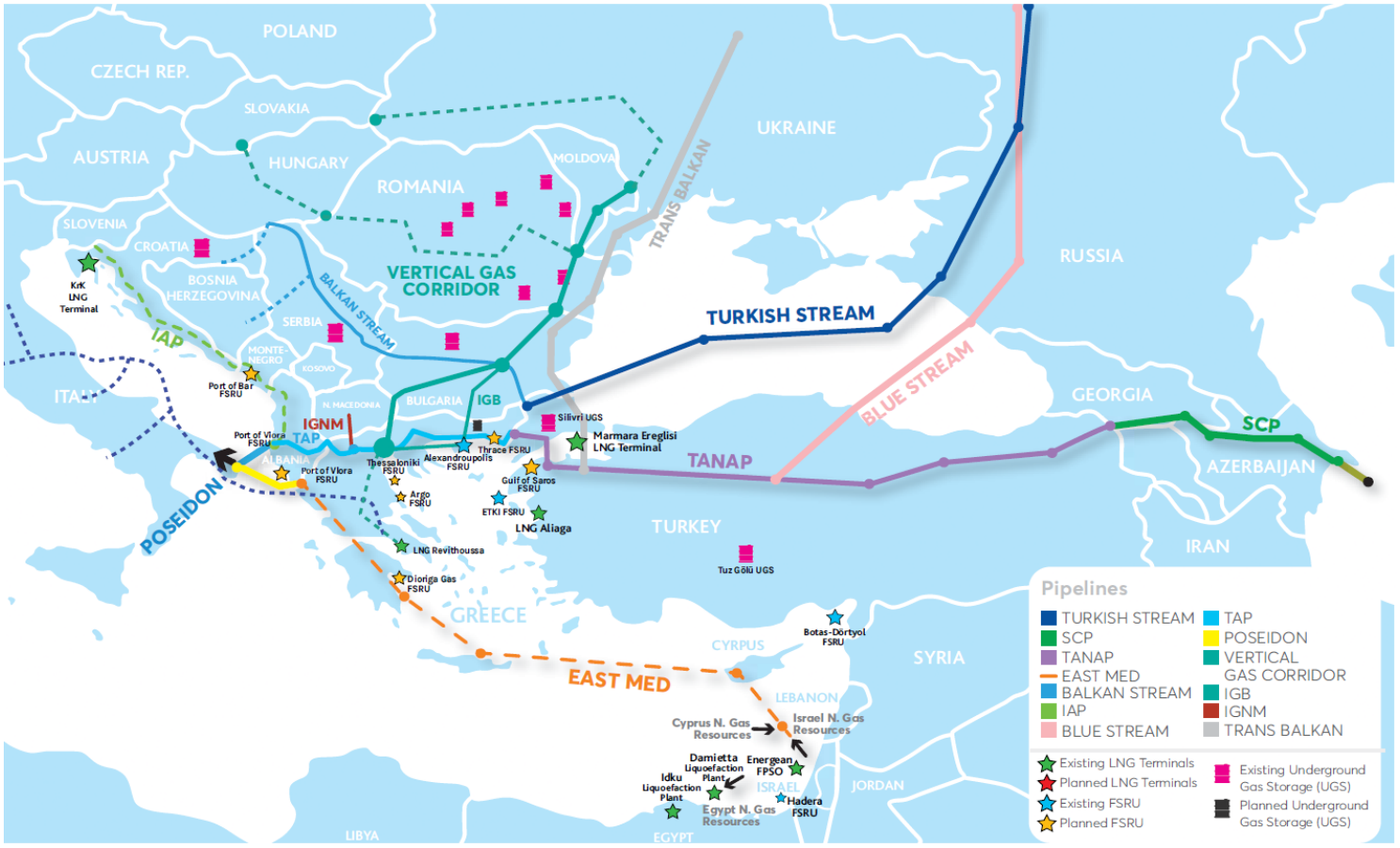
In 2026, IEA expects that global LNG supply to increase by over 7%, or 42 bcm, as new liquefaction projects continue to ramp up production and some (although not all) of the downside factors that emerged in 2025 are cast aside.

The Current Status of the LNG Market in the East Mediterranean

LNG development in the Eastern Mediterranean has accelerated over the past decade following major offshore gas discoveries in Israel, Egypt and Cyprus. Fields, such as Leviathan and Tamar offshore Israel, and Zohr offshore Egypt, have reshaped the regional energy balance by transforming former gas importers into potential exporters. These discoveries have strengthened energy security in producing countries while positioning the region as an emerging supply source for international LNG markets, particularly Europe.

Egypt plays a central role in the region's LNG trade because it hosts the Eastern Mediterranean's only operational liquefaction facilities, located at Idku and Damietta on the Mediterranean coast, as shown in the following Map. These plants process both Egyptian production and imported Israeli pipeline gas, liquefying it for export to Europe and Asia. This infrastructure advantage has made Egypt a regional LNG hub, enabling neighboring producers without liquefaction capacity, such as Cyprus, to consider export strategies that rely on Egyptian facilities. However, export volumes remain sensitive to domestic demand fluctuations, especially during periods of peak summer electricity consumption in Egypt.

Map: LNG Terminals and FSRUs in the East Mediterranean



Source: IENE

Outside Europe, Egypt is the market that saw the largest import growth by far, with an incremental take of over 9 bcm y-o-y (or 280%), pushing the country's total LNG imports to a record 12.5 bcm as domestic production fell to decade lows and demand remained strong, based on IEA's data. Egypt's gas sector remained under pressure in 2025, after years of domestic production decline. The country's natural gas production fell by almost 15% (or nearly 7 bcm) y-o-y in the first 11 months of 2025. Demand remained broadly flat over the period, necessitating the ramp-up of imports. LNG inflows surged to over 12 bcm in 2025, compared with roughly 3 bcm in 2024, with the United States supplying close to 80% of these volumes. Pipeline inflows from Israel remain essential. In the first 11 months of 2025, Israel supplied 8.4 bcm of piped gas to Egypt, accounting for almost 15% of the country's total gas demand. Egypt's regasification capacity has expanded through multiple FSRUs at Ain Sokhna, Alexandria, and Damietta, supporting rising domestic demand for power generation, industrial use, and cooling during peak summer months. LNG exports remain marginal – about 1 bcm in 2024 and just 0.5 bcm in 2025 – as domestic supply takes priority.

Israel's gas production in 2025 remained flat at 27 bcm, as output gains were constrained by maintenance and expansion-related outages and a temporary shutdown of both the Leviathan and Karish fields during Israel's 12-day war with Iran in June. In 2026, gas production is set to grow by more than 10% and reach 30

bcm due to the expansion of the Leviathan and Tamar fields, which are scheduled to be completed in Q4 2025 and H1 2026, respectively. Domestic consumption increased by an estimated 5% in 2025 and is set to grow by another 1% in 2026, driven by the power sector, where Israel plans to phase out routine coal burning by the end of 2026, based on IEA's estimates.

Cyprus currently does not produce or export LNG yet because it has no operational liquefaction facilities on the island, and no commercial gas production has started from its offshore fields. Several gas discoveries have been made in the Cypriot Exclusive Economic Zone (EEZ) — such as the Cronos and Aphrodite fields — but development plans are still underway and final investment decisions (FIDs) have not been implemented. Cyprus's production infrastructure for natural gas extraction and processing is still under development, and commercial volumes of gas have not yet been flowing from these fields.

To enable LNG exports in the future, Cyprus is working with regional partners — especially Egypt — to bring its gas to market. Agreements signed with Egypt outline plans to transport Cypriot offshore gas (e.g., from the Cronos field) via pipeline to Egyptian facilities, where the gas can be processed and liquefied at existing LNG plants such as Damietta before being exported to Europe and other markets. This cooperation leverages Egypt's existing liquefaction infrastructure because Cyprus itself lacks large-scale LNG facilities **(3)**. If these development and export plans proceed on schedule, the first Cypriot gas exports — in the form of LNG exported through Egyptian terminals — could begin by around 2027, helping Cyprus become a significant LNG contributor to European markets. The success of these plans depends on FIDs, continued exploration results, and the timing of infrastructure build-out and intergovernmental cooperation. **(4)**

In addition to Cronos, Cyprus continues exploration efforts in other offshore blocks (e.g., Glaucus and Pegasus discoveries made with ExxonMobil and partners), which could expand potential future gas volumes available for export. However, commercial production remains contingent on these appraisal results and the development of export pathways. **(5)**

While there are recent offshore exploration agreements in **Greece** aimed at finding gas reserves — including Chevron and other international firms exploring potential resources off the Greek continental shelf **(6)** — any meaningful domestic production from these efforts is years away and not yet factored into current LNG statistics. Greece's natural gas consumption has been rising in recent years. More specifically, domestic natural gas consumption increased by 6% in 2025, compared to 2024, reaching 70.16 TWh from 66.20 TWh in 2024, according to DESFA's 2025 gas data **(7)**, demonstrating that the Greek natural gas market continued its upward trajectory over the past year. This development confirms the stable position of natural gas as a key pillar of the country's energy system.

Most of Greece's LNG activity today is focused on imports. Greece imports significant volumes of LNG through terminals such as the Revithoussa LNG terminal and the Alexandroupolis FSRU. LNG has become an

important source of gas supply, sometimes representing over 40%-50% of total gas imports in recent months, with the United States being a major supplier, followed by countries such as Nigeria, Norway, and Algeria. LNG imports have grown sharply as Greece diversifies away from certain pipeline supplies and strengthens its role as a gateway for global LNG into SE Europe.

While Greece itself is a net importer rather than producer of LNG, the country has also increasingly become a transit and export hub for natural gas in broader terms. Natural gas exports (mainly re-exports or gas transmitted via interconnections to neighboring markets) tripled in 2025, compared to 2024, rising by 196.21% to 8.59 TWh from 2.90 TWh the previous year, based on DESFA's 2025 gas data, helping Greece strengthen its role as a regional energy transit country. However, these exports are not LNG exports in the traditional sense — they are largely pipeline exports of regasified LNG or piped gas rather than Greece liquefying and exporting LNG cargoes of its own.

Regarding imports, **Türkiye** has developed one of Europe's largest LNG import infrastructures, with multiple onshore terminals and FSRUs that together provide regasification capacity in excess of 50 bcm per year. LNG currently accounts for a significant share of its gas imports — around 13-15 bcm per year historically, with expectations that LNG volumes could grow meaningfully under new long-term contracts. Sources of LNG include the United States, Algeria, and other global suppliers, and Türkiye has signed long-term purchase agreements to secure LNG supplies for the mid-2020s and beyond. In terms of exports, Türkiye is not a traditional LNG exporter. It does play a regional transit and trading role, as regasified gas imported as LNG and pipeline gas can be transmitted onward through interconnections with neighboring markets. However, liquefaction for export in true LNG form does not currently occur in Türkiye. Plans to increase domestic production — particularly from Black Sea discoveries — alongside expanding LNG import and sourcing diversity could in the future support broader regional gas trade, but LNG export cargoes from Türkiye are not a current feature of the market.

LNG Market Dynamics in the East Mediterranean

Geopolitical factors significantly influence LNG prospects in the Eastern Mediterranean. Maritime boundary disputes, regional political tensions, and security concerns can delay upstream development and infrastructure investments. At the same time, Europe's effort to diversify gas supplies following the reduction of Russian pipeline imports has increased strategic interest in Eastern Mediterranean gas. The region is viewed as a supplementary supply source rather than a dominant one, given its relatively modest reserves compared to major LNG exporters such as Qatar or the United States.

In Greece, LNG infrastructure is expanding rapidly as the country positions itself as a key gateway for liquefied natural gas into Southeastern and Central Europe. Greece already operates the existing onshore

Revithoussa LNG Terminal, which has been a cornerstone of LNG imports and diversification away from pipeline-only sources. More recently, the Alexandroupolis FSRU began commercial operations in late 2024, enabling LNG imports in the north and acting as a strategic hub.

Beyond these, several additional FSRU projects are progressing in Greece. The Dioriga Gas FSRU in Corinth, which is at an advanced planning stage, has received regulatory approval, a planned Argo FSRU project near Volos is scheduled to come online by 2028, and Elpedison's proposed FSRU in Thessaloniki is targeted for the late 2020s. Combined, these facilities could more than double Greece's LNG regasification capacity from about 12.5 bcm to roughly 27.5 bcm by 2030, markedly enhancing the country's ability to receive and process LNG cargoes from global suppliers. **(8)**

In Türkiye, LNG infrastructure remains a major component of the country's energy strategy, with an existing fleet of four operational LNG receiving terminals — including FSRUs and onshore facilities — that already support substantial gas imports. Türkiye is now planning to expand this capacity further by installing additional FSRUs on its Mediterranean coast. One new floating regasification unit is planned immediately beside the existing BOTAŞ Dörtyol FSRU in Hatay to double the capacity of that terminal, and another FSRU project is planned between Gazipaşa and Anamur to strengthen gas supply flexibility and intake capacity on the southern coast. **(9)**

Other Eastern Mediterranean countries show varying levels of LNG engagement. Jordan has already commissioned an FSRU terminal at Aqaba, enabling LNG imports to diversify its energy supply. In contrast, Lebanon's proposed FSRU projects have been shelved or delayed, leaving the country without large-scale LNG import capacity for now. Syria's LNG infrastructure remains undeveloped following years of conflict, though recent geopolitical changes could create future investment opportunities. The Vasilikos LNG import terminal project in Cyprus has also experienced significant delays and setbacks, and its future remains uncertain. Construction work on the terminal — which was originally intended to include shore infrastructure, a berth for an FSRU, and supporting pipelines — has been suspended due to technical, contractual, and administrative issues after the withdrawal of the original Chinese-led contractor.

These developments in the aforementioned countries reflect broader Eastern Mediterranean LNG market dynamics. Infrastructure investment is rapidly increasing as regional players seek to boost supply flexibility, diversify away from traditional pipeline sources, and leverage LNG as a tool for energy security and geopolitical positioning. Greece's push to build multiple FSRUs links to its ambition to act as a transit hub for US and other LNG into Europe, while Türkiye's expansion of regasification capacity is aimed at bolstering domestic supply resilience and expanding its role as a major LNG importer and regional energy platform.

Looking ahead, LNG growth in the Eastern Mediterranean will depend on continued upstream investment, stable regulatory framework, and expanded infrastructure such as additional pipelines, FSRUs and LNG

terminals. Price competitiveness will also be crucial, as Eastern Mediterranean LNG must compete with established suppliers in a market characterized by growing global liquefaction capacity. While the region is unlikely to transform global LNG trade on its own, it holds strategic importance as a flexible, geopolitically significant supply source bridging Middle Eastern production and European demand.

Energy Price Dynamics in the East Mediterranean

Price dynamics are a central part of LNG market behavior in the Eastern Mediterranean, reflecting how regional supply, demand, trade routes, and broader global conditions interact to determine what buyers pay for LNG. LNG prices in the Eastern Mediterranean have at times traded at a premium above major European benchmarks, driven by local demand spikes, weather-related consumption, and shipping bottlenecks. For example, East Med LNG prices once reached record premiums relative to the Northwest Europe marker due to Mediterranean heatwaves and limited vessel availability. Conversely, weak demand, abundant storage, and cheaper pipeline gas have also pushed East Med prices below European LNG prices at times, illustrating how seasonal demand and intra-regional factors can flip price dynamics. **(10)**

Figure 2: TTF Price that is Used as an LNG Price Reference

Source: ICE

LNG price formation in the region isn't just about the commodity itself, as transport costs have become a significant price driver. Longer voyages (such as US supply routes), constrained carrier availability, and seasonal charter demand have caused LNG shipping rates to surge sharply, lifting landed LNG costs. High freight rates directly affect prices seen at import terminals in Greece, Türkiye, and elsewhere, especially when global demand draws LNG carriers toward Asia or major European hubs. **(11)**

The increasing role of US LNG in Eastern Mediterranean imports has contributed to local pricing dynamics. US LNG tends to be linked to Henry Hub-based pricing, which can be higher than traditional long-term Russian pipeline gas or other benchmarks. In markets like Greece, this has translated into imported LNG

prices significantly above European averages, with American cargoes at times costing 50% or more than the regional mean, affecting electricity costs and consumer energy bills.

Prices in the Eastern Mediterranean are not isolated; they reflect global LNG market trends such as Asian demand, European storage levels, and global supply growth. Periods of weak global demand or oversupply have pulled LNG prices down across markets, including Eastern Mediterranean hubs, while supply disruptions (e.g., shipping delays or production shortfalls) can push prices upward. Additionally, geopolitical events — such as conflicts affecting transit routes or production — can create risk premiums that feed into regional LNG pricing. **(12)**

Overall, price dynamics in the Eastern Mediterranean LNG market are shaped by a blend of local supply-demand balances, transport and logistical costs, the mix of LNG sources, and broader global LNG market conditions, making them volatile and sensitive to both regional developments and global energy trends.

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