

Energy security case for gas is weaker than it looks

Cameron Fairlie | September 2026

Key Takeaways

- **More gas power does not necessarily mean greater energy security.** Southeast Asia's declining domestic gas production and rising demand mean new gas generation will increasingly rely on imported LNG, exposing countries to geopolitical disruption, global price volatility and supply competition. The region is expected to become a net gas importer around 2027-2028, with its LNG import bill potentially tripling to about USD245 billion by 2035.
- **Gas remains reliable, but its reliability advantage is narrowing and can come at a high cost.** Gas provides valuable dispatchable power, but batteries, grids and firmed renewables are increasingly able to provide the same flexibility. At recent LNG prices, gas-fired generation can become significantly more expensive than firmed solar power, undermining the assumption that gas is the affordable option.
- **New gas projects should be treated as a limited transitional tool, not the default solution.** Import-dependent gas projects increasingly struggle to pass tests against supply security, firmness, cost and carbon, while firmed renewables increasingly offer a more secure and economical pathway.

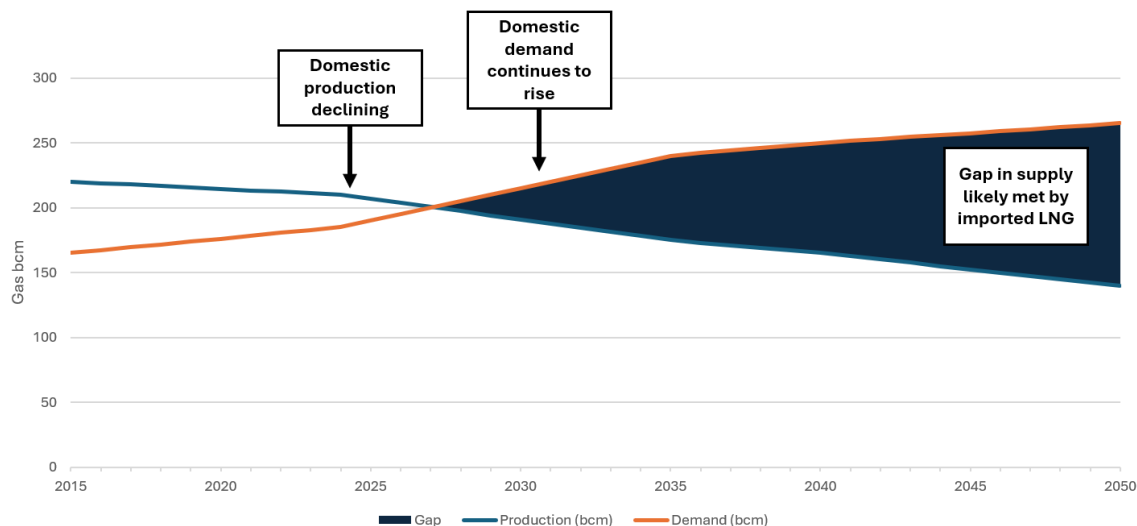
Executive Summary

Southeast Asia's answer to energy *insecurity* is, increasingly, more gas.

The region's energy policy is leaning towards more gas, and increasingly justifies it as a security asset. The argument is familiar: coal is high-emitting, renewable energy is variable, grids are under-built, and gas provides dispatchable power. That argument contains a truth – but also a major omission. For much of Southeast Asia, new gas increasingly means imported liquefied natural gas (LNG). Imported LNG may support reliability at plant level, but it can weaken energy security at system level.

Reliability is not synonymous with energy security. Reliability asks whether power can be dispatched when needed, whereas energy security asks whether the fuel is affordable, domestically controllable, resilient to shocks, and financially sustainable over the life of the asset.

Southeast Asia's Widening Gas Import Gap: Domestic Output versus Demand, 2015-2050 (bcm)



So, does more gas actually deliver energy security for Southeast Asia?

This brief note tests that case on three grounds which matter to financiers and policymakers: security of supply, system reliability, and cost.

Does more gas deliver energy security?

The case for gas has traditionally rested on three claims: it is more secure, more reliable and cheaper. Each is a component of energy security. The Energy Shift Institute examines the credibility of each, and how gas stacks up against the alternatives, starting with whether more gas makes supply more secure.

Security: More gas means more imported LNG

Southeast Asia is not short of gas today. Indonesia, Malaysia, Myanmar and Brunei are net exporters. Vietnam meets 94% of its demand from domestic sources,¹ while the Philippines and Thailand can fulfil about 60%. Cambodia, Laos and Singapore are the only countries with no domestic gas.

Gas production in the region, however, has been declining steadily over the last 10 years, a drop that is forecast to accelerate over the next two decades. Depleting fields will drive down domestic output from about 210 billion cubic metres (bcm) in 2024 to an estimated 175bcm by 2035, according to the International Energy Agency (IEA).

This decline in production is occurring at the same time as gas demand has been rising steadily. The IEA forecasts that demand will grow by more than 30% through to 2035.²

Where the two projections cross, in 2027-2028, is when Southeast Asia is expected to become a net gas importer (Figure 1).

Further, the gap between falling domestic supply and rising demand can be filled only by imported LNG, and with current policies it continues to widen. The IEA forecasts the region's import bill climbing from more than USD80 billion in 2024 to about USD245 billion by 2035,³ an increase of roughly threefold.

Gas imported for energy security is, in practice, a form of dependence on imported fuel, and the question is whether that dependence makes supply more secure or less. Before the 2026 war broke out, about 20% of the world's LNG moved through the Strait of Hormuz, and the Middle East accounted for 30% of Southeast Asian gas imports.

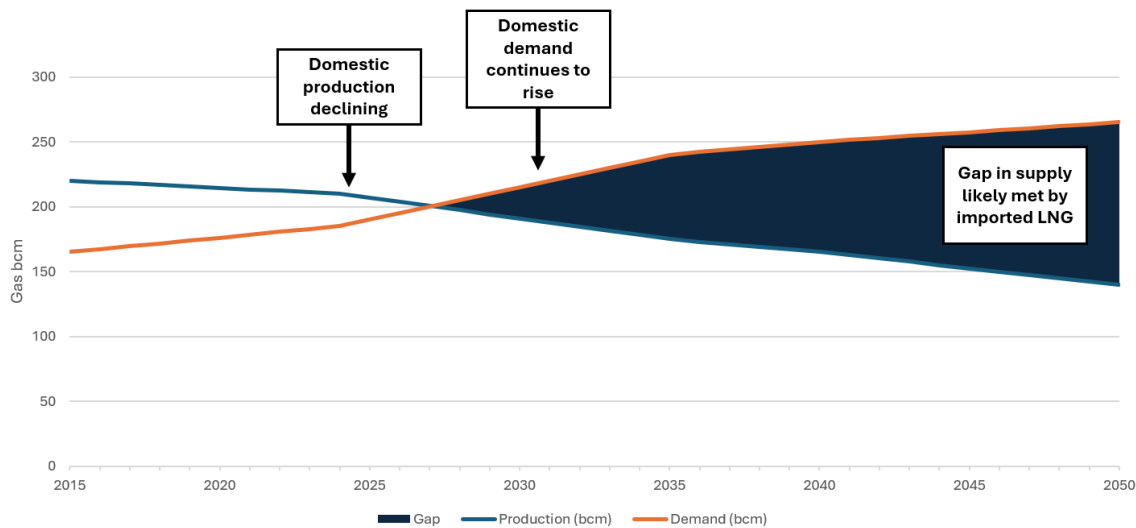
These sizeable percentages highlight geographic concentration as one half of the security exposure faced by importing countries.

¹ International Energy Agency (IEA). [Southeast Asia Energy Outlook 2026](#). June 2026

² IEA. [Southeast Asia Energy Outlook 2026](#). June 2026

³ Refer to Middle East import share and energy import bill figures: IEA. [Southeast Asia Energy Outlook 2026](#). June 2026

Figure 1. Southeast Asia's Widening Gas Import Gap: Domestic Output versus Demand, 2015-2050 (bcm)



Source: ESI analysis using IEA's Southeast Asia Energy Outlook 2026

The other half of the security exposure lies in the price of energy. LNG trades in a single global market, and in a supply squeeze, buyers in Japan and South Korea – with deeper balance sheets and long-term contracts – can outbid their counterparts in Asia, as proven in the 2022-2023 energy crisis.

Back then, Asian buyers increasingly failed to obtain long-term LNG contracts, instead becoming more exposed to importing on the spot price. Thailand's spot purchases reached about 56% of imports in 2023, from 22% in 2021, as domestic supply decreased.⁴ There were also instances where suppliers diverted contracted cargoes when the cost of breaching the contract was less than what they could otherwise obtain.⁵

In 2022, Pakistan was priced out of the spot market altogether.⁶ Bangladesh halted spot purchases in July and August of that year, shedding nearly 20% of its power load at the peak of the crisis.⁷ Then in 2026, Pakistan re-entered the LNG spot market at multiyear-high prices after QatarEnergy declared force majeure on its long-term contracts, leaving Pakistan with no recourse or incoming cargoes.⁸

These examples illustrate the effects of geopolitical-led disruptions on energy supply in the last few years. The Japan-Korea Marker (JKM), the benchmark spot price for LNG deals in Northeast Asia, used to sit in a stable band of USD5 to USD10 per metric million British thermal units (MMBtu) before Covid-19 and the 2021-2022 energy crisis. That is the baseline many project financiers still implicitly underwrite.

However, the Asian market has not delivered in that price range since 2021. Instead, it has spiked repeatedly well above that band, including during the 2021-2022 and 2026 energy shocks (Figure 2).

⁴ Channel News Asia. [Heavily reliant on gas for decades, Thailand now finds it no longer cheap nor clean](#). April 2026

Argus Media. [Thailand's gas production key to future LNG imports](#). October 2024

LNG Industry. [Room for growth in Southeast Asia?](#) May 2024

⁵ Refer to Pakistan LNG Limited proceedings: Profit by Pakistan Today. [Pakistan to file for damages on default by Eni, Gunvor](#). April 2022

S&P Global Commodity Insights. [Gunvor says it has not defaulted on obligations to supply LNG to Pakistan](#). March 2022

Bloomberg. [How energy traders left a country in the cold](#). December 2023

⁶ IEA. [Gas market lessons from the 2022-2023 energy crisis](#). October 2025

⁷ IEA. [Gas market lessons from the 2022-2023 energy crisis](#). October 2025

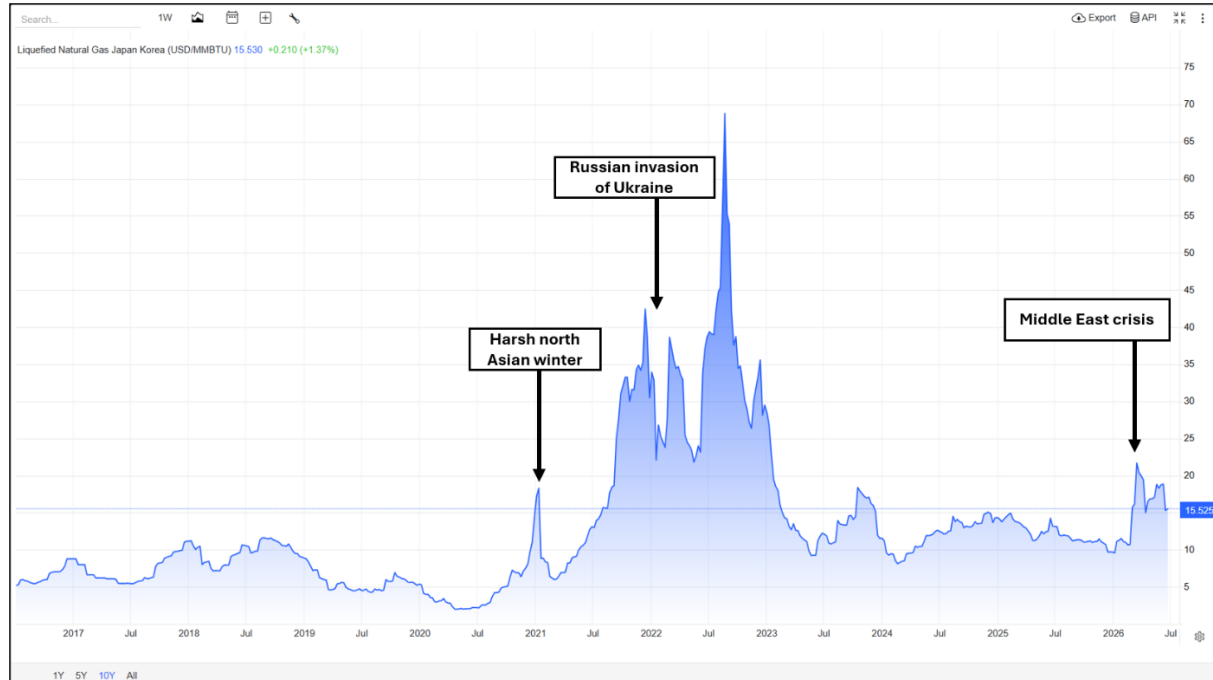
⁸ OilPrice. [Qatar's \\$20 billion LNG blackout forces Pakistan back to the spot market](#). April 2026

Pipeline & Gas Journal. [Pakistan defers LNG contract with Qatar to 2026, citing surplus](#). December 2024

US Energy Information Administration. [International LNG prices rise amid Strait of Hormuz closure](#). April 2026

The pre-Covid period of stable and low prices appears to have become a thing of the past, with higher prices and more volatility the new normal. More explicitly, this means cheap LNG should no longer be the default assumption behind new gas investments.

Figure 2. Asian LNG Spot Price (Japan-Korea Marker), USD/MMBtu, 2016-2026



Sources: Trading Economics; S&P Global Platts JKM assessment

The same crises that are used to justify more gas also demonstrate how little security imported gas provides. When supplies tightened, Southeast Asia's first response was more coal and gas rationing rather than more gas; the Philippines declared a national energy emergency and suspended its spot market, and Indonesia leaned on coal as a short-term backstop.⁹

The gas build-out itself is stalling on its underlying economics rather than due to policy. Vietnam has brought online less than 2 gigawatts (GW) of its 22.5GW LNG target, primarily held back by power-purchase terms lenders will not bank, and in March 2026, one of its largest developers proposed abandoning a USD6.7 billion LNG plant to switch to renewables and storage, citing fuel prices and currency risk.¹⁰ Security perceptions afforded by gas are wavering.

Reliability: Real but narrowing

The strongest component of the gas security story is physical reliability. Gas turbines are dispatchable and weather-independent, with efficient combined-cycle units for steadier running, and fast-start open-cycle peakers that ramp in minutes. These are genuine advantages for fast-growing energy markets which have grid constraints hampering solar and wind deployment.

Those advantages have been narrowing in recent years. Australia has among the highest battery penetrations relative to grid size, and its energy market is an early indicator of where firming¹¹ is heading. Battery discharge during the evening peak rose about 175% year on year in Q4 2025, while

⁹ Norton Rose Fulbright. [Impact of the Middle East conflict on Asia-Pacific power markets](#). June 2026
Center on Global Energy Policy, Columbia University. [Asia's gas shock playbook: Coal, curtailment, and competing for LNG](#). April 2026

¹⁰ Dialogue Earth. [Vietnam's gas projects stall amid investor claims of unbankability and a renewables pivot](#). July 2026

¹¹ Firming means combining variable renewables generation with storage or dispatchable capacity so output can be committed to a defined level at a defined time. "Firmed solar" in this note refers to solar power paired with battery storage.

gas-fired peaking fell around 27%.¹² Those batteries mostly last for one to four hours, so they displace peaking gas rather than serve as multi-day backups. Gas still uniquely has a role in baseload power generation, but that has shrunk as energy storage and grids are developed.

Firm renewables are also catching up. Investing in gas power today, which is an investment over a 30-year horizon, needs to weigh up whether the increasingly marginal firming benefit gas provides over firmed renewables sufficiently outweighs the rising imported-fuel exposure it brings. Dispatchability on its own does not guarantee energy security: a fast-starting plant running on imported LNG solves the problem of reliability but not supply security.

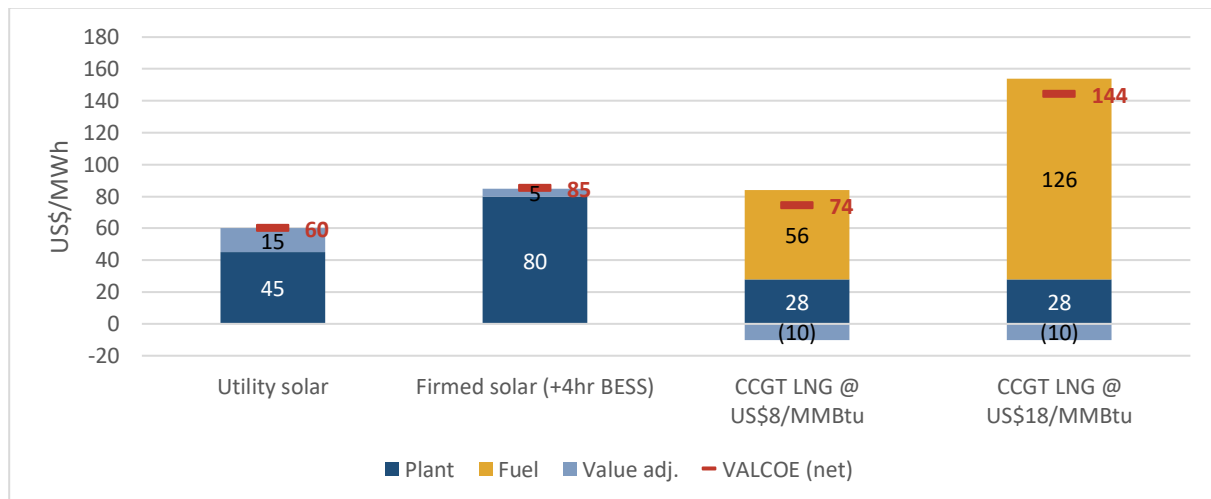
Cost: Affordability is part of security

The overall affordability of the energy solution is a key part of its security, and the price of LNG has a material effect on the cost of the gas plant. Any comparison of energy costs therefore has to show how much of a gas plant's cost moves with the delivered gas price.

The levelised cost of energy (LCOE) spreads a plant's capital, financing, fuel and operating costs across the expected output. However, it does not consider when that power is delivered, or how exposed the fuel bill is.

By contrast, the IEA's value-adjusted levelised cost of energy (VALCOE) decomposes into plant cost (capital expenditure plus operations and maintenance), fuel input cost (plus any carbon cost) and a value adjustment for dispatchability. This provides a better baseline for comparing different generation sources. Figure 3 shows a VALCOE-style decomposition that uses value-adjustment directions provided by the IEA.

Figure 3. Value-adjusted Levelised Cost of Energy, illustrative, USD/MWh



Source: Illustrative VALCOE decomposition using IEA value-adjustment directions

The VALCOE of gas is highly sensitive to the fuel input cost, which has become increasingly volatile since 2022. A combined-cycle gas turbine (CCGT) plant with imported LNG costing USD8/MMBtu, which was the IEA input assumption in its 2025 analysis,¹³ results in a VALCOE of USD74 per megawatt-hours (MWh), marginally competitive to firmed solar power at USD85/MWh.¹⁴

¹² Australian Energy Market Operator. [Quarterly Energy Dynamics Q4 2025](#). January 2026

¹³ IEA. [Global energy and climate model: Techno-economic inputs](#). 2025

¹⁴ Refer to the LCOE decompositions: International Renewable Energy Agency. [Renewable power generation costs in 2024](#). July 2025

In setting USD8/MMBtu, the IEA utilises a long-run modelled assumption that, in its own words, “does not attempt to represent the fluctuations and price cycles” of the market. In recent years, however, Southeast Asia has paid far more than this assumption of USD8/MMBtu.

The JKM has averaged roughly USD18/MMBtu over the past five years, a figure lifted by the 2022 spike but one the region has in practice paid.¹⁵ At that five-year average, the gas VALCOE roughly doubles to about USD144/MWh, well above firmed solar power.

For the VALCOE of gas and firmed solar to be equal requires an LNG price near USD10/MMBtu, a level the region has sat above almost continuously since 2021.¹⁶

In 2024, the IEA identified this mismatch in gas’ price competitiveness. It estimated that most new LNG export projects needed to earn around USD8/MMBtu on delivery just to cover investment and running costs, yet emerging and developing economies would generally need delivered gas to be imported at USD3 to USD5/MMBtu for new gas-fired power to compete with renewables and coal at scale. New supply cannot be built much below the price at which it stops making sense for the buyer.

The costs the comparison leaves out

VALCOE does not account for two key costs that relate to gas and renewables. On the gas side, regasification and import terminal charges add roughly USD2 to USD4/MMBtu, or about USD14 to USD28/MWh, to the delivered price.¹⁷

On the renewables side, grid connection runs at USD5 to USD10/MWh where renewables represent a low share of the grid, rising to USD25 to USD40/MWh as wind and solar power approach half of generation.¹⁸

The renewables cost is modelled and paid gradually. It can be reduced through better grid planning and storage siting. The LNG cost is contracted and charged on every unit of fuel in the plant. Therefore, the renewables grid cost is diffused, while the gas regasification and import terminal cost is linked directly, making affordability a security question.

One dimension sits outside the scope of this paper but is worth flagging: the carbon gap between imported LNG and renewables. Assessing LNG’s emissions properly requires a full life-cycle view, since liquefaction, shipping and methane slip can materially erode gas’ “cleaner than coal” advantage.¹⁹

When LNG prices spike, who pays for the losses?

Across Southeast Asia, countries absorb LNG price shocks differently. This is a real problem that is often not priced into models.

In markets with pass-throughs of fuel costs, such as the Philippines and Singapore, consumers and industry face higher tariffs. Where tariffs are capped, in Indonesia, Malaysia, Thailand and Vietnam,

¹⁵ Trading Economics. [Liquefied Natural Gas Japan Korea](#). Accessed August 2026

S&P Global. [Platts JKM \(Japan Korea Marker\) LNG price assessment](#). Accessed August 2026

The five-year average is sensitive to the 2022 crisis (annual average ~USD34, peaks at ~USD70); the current spot is USD15 to USD19/MMBtu in mid-2026.

¹⁶ ESI analysis: Goal-seeking the delivered gas price at which CCGT VALCOE equals firmed solar (~USD85/MWh) gives roughly USD10/MMBtu. A CCGT burns ~7MMBtu/MWh, so each USD1/MMBtu on fuel adds ~USD7/MWh.

¹⁷ Songhurst, B. [The outlook for floating storage and regasification units \(FSRUs\)](#). Paper NG 123, Oxford Institute for Energy Studies. July 2017

Hauber, G. and Reynolds, S. [Examining cracks in emerging Asia’s LNG-to-power value chain](#). Institute for Energy Economics and Financial Analysis. December 2021

Onshore regasification adds ~USD2/MMBtu at 50% utilisation, rising to ~USD4 at low utilisation.

¹⁸ Nuclear Energy Agency. [The costs of decarbonisation: System costs with high shares of nuclear and renewables](#). 2019

Grid integration cost rises non-linearly with variable-renewable share and can be moderated.

¹⁹ Howarth, R.W. [The greenhouse gas footprint of liquefied natural gas \(LNG\) exported from the United States](#). Energy Science & Engineering. 12(11): 4843-4859. October 2024

state power utilities are the first to absorb losses until governments compensate them through subsidies or a deferred recovery mechanism. Ultimately, public finances – contributed by taxpayers – suffer. In Myanmar, the system pays through reduced generation or power cuts.

This is why LNG import dependence is not only a fuel security question. It should also be a question of tariffs, utility solvency and fiscal risk.

A decision test for new gas

The smarter play for Southeast Asia is to treat imported gas as providing a shrinking, time-bound balancing role – not a default for baseload or peaking.

Rather than ask whether or not to import gas, the practical question for a financier or policymaker is whether a specific project meets a sequence of security questions. A project that fails any one of the following questions does not deliver energy security, whatever the prevailing narrative says.

1. **Supply:** Is the imported gas secured under long-term contracts that hold through a price shock, for the life of the asset, rather than being spot and short-term cargoes that reprice with the global market?
2. **Firmness:** Does the gas deliver firm capacity that storage-backed renewables in the domestic system cannot already provide, and for how long will that advantage last over the asset's life?
3. **Cost:** Is the gas the lowest-cost firm option against firmed solar power on a like-for-like basis, tested at gas prices that are informed by recent experience and a reasonable forward view rather than a modelled long-run assumption? And who ultimately bears the losses?
4. **Carbon:** Once the full life-cycle emissions of imported LNG are counted, including liquefaction, shipping and methane slip, does the gas still deliver a genuine transition benefit over coal without locking in decades of emissions?

On current evidence, new import-dependent gas projects struggle to pass all four questions in Southeast Asia. For an increasingly import-dependent region, the security case for gas is weaker than it was five years ago, and the economics increasingly favour firmed renewables once current LNG prices and the full value chain are accounted for.

Gas can still play a transitional role. But treating imported LNG as energy security by default is a policy assumption. Southeast Asia does need secure, firm and affordable power, which is precisely why each project should be tested against these four questions.

Where a project satisfies the questions, it is delivering a genuine security benefit; where it fails one of the questions, the plan is carrying an exposure that has not been fully priced in.

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The Energy Shift Institute is an independent public interest energy finance think-tank driving context, clarity and credibility for Asia's energy transition pathways.

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