

# NEWS

For Release September 30, 2015

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## **Robust Production, Near-record Storage and Growth in Electric and Industrial Demand This Winter, Says NGSA Forecast**

Washington, D.C. – Strong natural gas production and storage inventories approaching a new record have positioned the gas industry well to meet winter demand, the Natural Gas Supply Association (NGSA) today said in its 15th annual *Winter Outlook* assessment of the natural gas market. **Production, storage, weather and customer demand combined are forecasted to place neutral pressure on this winter’s natural gas prices compared to the winter of 2014-2015, NGSA said in its forecast.**

Using published data and independent analyses, NGSA evaluated the combined impact of weather, economic growth, customer demand, storage inventories and production activity on the direction of natural gas prices for the winter of 2015-2016 compared to last winter, when Henry Hub prices averaged \$3.21 per MMBtu.

“When NGSA weighed all the different factors, the picture that emerged for the upcoming winter is one of a flexible natural gas market that is able to respond to changes in weather and customer demand with abundant production and storage. We anticipate neutral pressure on prices compared to last winter,” said Bill Green, Chairman of NGSA and Vice President, Downstream Marketing, for Devon Energy Corp.

Green said, “The continued stability and abundant supply of natural gas is great news for consumers.”

### **Key Demand Factor for Winter 2015-2016 – Electric Sector Demand Projected Up 5%**

Combining demand from all the major customer sectors – electric, industrial, residential and commercial -- Energy Ventures Analysis (EVA) projects a slight decrease in overall demand compared to last winter, mainly because the forecasted 7 percent warmer winter is predicted to decrease winter demand from the residential and commercial sectors by 2.5 Bcf/day on average.

However substantial winter-over-winter demand growth of 1.1 Bcf/day (5 percent) in the electric sector is expected to help offset the residential/commercial decline. Much of the electric sector increase can be attributed to “fuel switching,” when electric utilities temporarily switch to using gas-fired power plants due to lower fuel costs. EVA forecasts winter fuel switching of 5.6 Bcf/day.

“We anticipate temporary fuel-switching to natural gas to reach near-record levels this winter,” said Green. The winter record of 6 Bcf/day of coal-to-gas switching was set in winter 2011-2012. In fact, in 2012 natural gas generation displaced so much coal-fired generation that carbon dioxide emissions reached a 20-year low.

Another component of the electric sector increase is attributable to a more permanent shift to natural gas-fired generation caused by the retirement of many coal-fired power plants as companies anticipate compliance with EPA’s Mercury and Air Toxics Standards (MATS) rule.

Finally, EVA projects a slight increase of 0.2 Bcf/day (less than 1 percent) from the industrial sector. The smaller-than-usual increase in industrial sector demand can be attributed to slower winter-over-winter growth of just 0.7 percent across the entire manufacturing sector due to a lack of global economic growth and the relatively strong dollar somewhat dampening overseas consumption of U.S. products. Despite the slowing manufacturing sector, the natural gas-intensive petrochemical, fertilizer and steel industries continue to drive natural gas demand with 66 capacity expansions and new builds planned for the 2015-2020 time period, consuming an estimated 3.9 Bcf/day more of natural gas annually by 2020.

While exports of LNG will not be a factor this winter, Green noted that the first export shipments from Sabine Pass will take place in late 2015, "LNG exports will grow, but they will remain a small slice of overall demand in the next years," Green said. Exports to Mexico are expected to increase to 3.2 Bcf/day this winter with the construction of new Mexican pipelines.

### **Key Supply Factor for Winter 2015-2016 – Record Production**

Turning to this winter's natural gas supply fundamentals, the *Outlook* projects a winter of record production. Green said, "The shale revolution has ushered in a remarkable era, as evidenced by dramatic growth in production over the last eight years. This winter's supply is expected to be robust because of drilling efficiencies and new infrastructure coming online to move natural gas out of producing shale areas."

According to Green, "The important takeaway is the strength and responsiveness of natural gas supply. Since the onset of shale production on a large scale, we've had year after year of stability for consumers."

### **In brief, NGSAs analysis of individual supply and demand factors showed:**

**Weather** – Anticipated 7 percent warmer than last winter and 3 percent warmer than the 30-year average. *Downward pressure.*

**Economy** – Average growth in GDP similar to last winter is expected. *Neutral pressure.*

**Storage** – Potential for record inventory of gas in storage this winter. *Downward pressure.*

**Overall Demand** – Customer demand projected to average 90 Bcf/day. Major growth of 5 percent expected in the **electric sector**, due to a combination of short-term coal-to-gas switching and the long-term retirement of numerous coal-fired plants. **Industrial sector** demand is projected to increase only slightly compared to last winter, but still characterized by 66 major gas-intensive capacity expansions and new builds in the next five years. **Residential and commercial** demand will decrease compared to last winter due to weather. *Neutral pressure.*

**Supply** – Another winter of record-setting production of 74 Bcf/day, due to drilling efficiencies and new infrastructure, projected to provide more than enough supply. *Neutral pressure.*

NGSA used data from Energy Ventures Analysis (EVA) and the Energy Information Administration for its demand and supply projections and IHS Economics for its economic projections. **The NGSAs analysis is based on publicly reported data; the association does not project actual price figures for wholesale or retail markets.**

For more information, please see NGSAs 2015-2016 Winter Outlook Executive Summary, NGSAs 2015-2016 Winter Outlook PowerPoint presentation and the Energy Ventures Analysis report, 2015-2016 Winter Outlook for Natural Gas at [www.ngsa.org](http://www.ngsa.org).

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The Natural Gas Supply Association (NGSA) represents integrated and independent companies that supply natural gas. Established in 1965, NGSA encourages the use of natural gas within a balanced national energy policy, and promotes the benefits of competitive markets, thus encouraging increased supply and the reliable and efficient delivery of natural gas to U.S. customers. For more information, please visit [www.ngsa.org](http://www.ngsa.org) and [www.naturalgas.org](http://www.naturalgas.org).

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