



NEWS

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Natural Gas Supply and Demand to Be Record-Setting This Summer, Says NGSA Forecast

Washington, D.C. – Despite expectations for record-setting summer demand, pressure on this summer’s natural gas prices is likely to be downward compared to the summer of 2014, the Natural Gas Supply Association (NGSA) today said in its 15th annual *Summer Outlook* assessment of the natural gas market. NGSA said that production is also expected to be record-setting and more than enough to meet demand.

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 summer of 2015 compared to last summer, when Henry Hub prices averaged \$4.19 per MMBtu.

“When NGSA weighed all the different factors, the picture that emerged for the upcoming summer is one of remarkable growth, both in supply and in demand,” said Bill Green, Chairman of NGSA and Vice President, Downstream Marketing, for Devon Energy Corp. “Even with record-setting demand expected, production is also projected to set summer records. With more than enough supply to meet demand, we anticipate downward pressure on prices compared to last summer.”

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

Key Demand Factor for Summer 2015 – Record Customer Demand

Combining demand from all the major customer sectors – electric, industrial, residential and commercial -- Energy Ventures Analysis (EVA) projects record high demand this summer, mainly coming from the electric and industrial sectors.

Most notably, the electric sector is forecasted to increase its summer demand by 8 percent compared to last summer. Much of the increase can be attributed to “fuel switching,” when utilities temporarily switch to using gas-fired power plants due to lower fuel costs. Some of the increase is attributable to a more permanent shift to natural gas-fired generation caused by the retirement of many coal-fired power plants with the implementation of the Mercury and Air Toxics Standards (MATS) rule in April 2015.

“We anticipate electric demand for natural gas to reach near-record levels this summer,” said Green. The record was set in the summer of 2012, which was a significantly hotter summer than is forecast for summer 2015.

Finally, demand from the industrial sector is expected to increase 4.5 percent compared to last summer. Green said 94 major natural gas –intensive industrial projects have been or will be completed between 2012 and 2020, representing between \$110 and \$120 billion dollars to build.

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The residential and commercial sectors are expected to experience the same level of demand as last summer. While exports of LNG will not be a factor this summer, Green noted that 2015 will mark the first export shipments from Sabine Pass, “LNG exports will grow, but they will remain a small slice of overall demand in the next years,” Green said.

Key Supply Factor for Summer 2015 – Record Production

Turning to this summer’s natural gas supply fundamentals, the *Outlook* projects a summer 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 summer’s supply is expected to be even more robust than last year 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 slightly warmer than last summer and 4 percent warmer than the 30-year average. *Slight upward pressure.*

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

Storage – Larger inventory of gas in storage than last summer. *Downward pressure.*

Overall Demand – Customer demand projected to be record-setting 65 Bcf/day. Major growth of 8 percent expected in the **electric sector**, due to a combination of short-term coal-to-gas switching and the long-term retirement of 126 coal-fired plants. **Industrial sector** demand is projected to increase a strong 4.5 percent compared to last summer, due to numerous industrial capacity expansions. **Residential and commercial** demand will remain similar to last summer. *Upward pressure.*

Supply – Estimated record-setting summer production of 75 Bcf/day, due to drilling efficiencies and new infrastructure, projected to provide more than enough supply. *Downward pressure.*

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

For more information, please see NGSAs 2015 Summer Outlook [Executive Summary](#), NGSAs 2015 [Summer Outlook PowerPoint](#) presentation and the [Energy Ventures Analysis report “2015 Summer Outlook for Natural Gas”](#) at 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 and www.naturalgas.org.

Markets Matter: Representing America’s Major Producers and Suppliers of Natural Gas Since 1965