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New Natural Gas Generation and Exports Contribute to Record-Setting Summer Demand for Natural Gas, 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 neutral compared to last summer, the Natural Gas Supply Association (NGSA) said today in its 2018 *Summer Outlook* assessment of the natural gas market. NGSA said natural gas production is expected to experience huge summer-over-summer growth, resulting in an all-time production record and ample supplies of natural gas available to meet the record 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 2018 compared to last summer, when Henry Hub prices averaged \$2.97 per MMBtu.

“When NGSA weighed the various factors, the picture that emerged for the upcoming summer is one of remarkable growth in demand,” said NGSA Senior Vice President Jenny Fordham. “Even with record-setting demand expected, production is projected to be abundant. With more than enough supply to meet demand, we anticipate flat pressure on prices compared to last summer.”

Fordham said, “The abundant supply of natural gas is great news for consumers, with diverse market outlets that support and sustain production.”

Key Demand Factors for Summer 2018 – Near-record Electric Demand and Exports

Combining demand from all the major customer sectors – electric, industrial, residential/commercial and exports -- Energy Ventures Analysis (EVA), an energy consulting firm, projects record-high demand this summer, mainly stemming from new gas-fired generation and growing exports of liquefied natural gas (LNG).

The electric sector is forecasted to increase its summer demand by 10 percent compared to last summer. Most of the increased power burn can be attributed to new natural gas-fired power generation and warmer temperatures for the peak summer months June-August. The remainder of the increase from the electric sector is due to short-term coal-to-gas “fuel switching,” when utilities temporarily switch to using gas-fired power plants due to attractive, competitive prices for natural gas.

“We anticipate electric demand for natural gas to reach near-record levels this summer,” said Fordham.

Fordham said LNG exports continue to grow, with four operational trains at Cheniere’s Sabine Pass and one at Dominion’s Cove Point expected to total an average of 3.7 Bcf/day this summer. “LNG exports allow the U.S. to help our allies to improve their air quality while creating jobs and economic benefits here at home,” said Fordham. Fordham pointed out that U.S. pipeline exports to Mexico are expected to represent an additional 4.7 Bcf/day in exports this summer. “U.S. exports to Mexico are growing because of numerous pipeline projects on

both sides of the border and growing demand for gas-fired electricity and manufacturing in Mexico,” she said.

The residential and commercial sectors also are expected to show increased demand compared to last summer. Much of that increased demand is attributable to heating load during this year’s unseasonably cool April. Demand from the industrial sector is expected to increase only slightly compared to last summer. Fordham said 76 major natural gas-intensive industrial projects have been or will be completed between 2015 and 2021, in addition to 39 major projects that were completed between 2010 and 2014.

Key Supply Factor for Summer 2018 – Record Production

Turning to this summer’s natural gas supply fundamentals, the *Outlook* projects a summer of continued record production. “The shale revolution has ushered in a remarkable era,” Fordham said. “Production is booming, particularly in the shale crescent and the Permian, and new takeaway capacity in the Northeast is helping to bring that production to eager customers.”

“The important takeaway is the strength and responsiveness of natural gas supply,” Fordham added. “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 5 percent cooler than last summer and 2 percent warmer than the 30-year average. *Downward pressure.*

Economy – Steady growth in GDP expected. *Neutral/flat pressure.*

Overall Demand – Customer demand projected to near 76 Bcf/day. Major growth of 10 percent expected in the **electric sector**, due to new gas-fired generation coming online. LNG exports will increase to 3.7 Bcf/day and pipeline **exports to Mexico** will increase to 4.7 Bcf/day. **Residential and commercial** demand will increase compared to last summer. **Industrial sector** demand is projected to increase slightly compared to last summer, due to numerous industrial capacity expansions and new projects. *Upward pressure.*

Storage – Higher weekly gas injections predicted compared to last summer. *Upward pressure.*

Supply – Estimated summer production of 80 Bcf/day due to heightened production activity and new infrastructure, projected to provide more than enough supply. *Downward pressure.*

NGSA used data from Energy Ventures Analysis 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 cost figures for wholesale or retail markets.**

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For more information, please see www.ngsa.org for NGSAs 2018 Summer Outlook Executive Summary, PowerPoint presentation and the full Energy Ventures Analysis report.

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, efficient delivery of natural gas to U.S. customers. For more information, please visit www.ngsa.org.

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