

NEWS

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NGSA Winter Natural Gas Outlook Projects Record Demand Matched by Record Production; Below Average Storage

Washington, D.C. – Demand for natural gas is projected to reach an all-time high this winter, the Natural Gas Supply Association (NGSA) said today in its 18th annual *Winter Outlook* forecast of the wholesale winter natural gas market.

The NGSA *2018-2019 Winter Outlook for Natural Gas* predicted that record demand will exceed even that of the Polar Vortex winter of 2013-2014, but said soaring production will ably satisfy demand, resulting in flat pressure on prices compared to last winter. Last winter, natural gas prices at the Henry Hub averaged \$2.99 per MMBtu.

NGSA's Winter Outlook relies on published data and independent analyses. NGSA evaluates the combined impact of weather, economic growth, customer demand (including exports), storage inventories, supply activity and 'wild card' factors on the direction of natural gas prices for the winter of 2018-2019, compared to last winter.

NGSA based its forecast on the outlook for all-time production that will meet record demand in the electric, industrial and export sectors prompted by new natural gas-fired generation and robust industrial activity. NGSA expects below-average storage inventories but forecasts production and flexibility in the market will allow the market to ably satisfy demand.

"The picture that emerged for the upcoming winter is of a natural gas market experiencing substantial growth in both demand and supply. Record demand will be driven by the longer-term shift to natural gas in the electric and industrial sectors resulting from natural gas' competitive prices and environmental benefits," said Donald 'Blue' Jenkins, Vice Chairman of NGSA and Chief Commercial Officer of EQT.

Jenkins said, "We'd like consumers to keep in mind that wholesale natural gas prices averaged only about \$3 per MMBtu last winter, thanks to abundant natural gas from shale and a flexible and responsive pipeline infrastructure system."

Key Demand Factors for Winter 2018-2019 –New Gas-Fired Generation; Growth in Exports

Combining demand from all the major customer sectors – residential and commercial, industrial, electric and exports-- Energy Ventures Analysis (EVA) projects record demand of 102.7 Bcf/day, primarily due to the combination of increases in electric, industrial and exports amounting to 3.4 Bcf/day on average.

Growth in LNG exports and pipeline exports to Mexico contribute more than any other sector to the increased winter-over-winter demand. The Outlook projects Mexican exports to grow by 0.8 Bcf/day and LNG exports to go from a winter average of 3 Bcf/day to 4.7 Bcf/day.

Jenkins said, "LNG exports and exports to Mexico by pipeline are projected to grow substantially, with LNG exports bringing the environmental benefits of our low carbon emissions to overseas customers, while providing jobs, economic benefits and stability to the U.S. market." He said, "This marks the second year that the United States is a net exporter of LNG, but the amount we are

exporting remains small compared to our supply base and the total U.S. market.”

NGSA’s Outlook forecasts that electric sector demand for natural gas will increase by 0.7 Bcf/day due to new natural gas-fired capacity replacing retiring coal plants.

Expectations for slight growth in industrial demand of 0.4 Bcf/day this winter contribute to the forecasted increase in total winter demand for natural gas. New builds and capacity expansions in the natural gas-intensive petrochemical and fertilizer industries continue to drive the industrial sector’s demand for natural gas. NGSA said 46 major projects are planned over the 2018-23 time period, consuming an estimated 2.1 Bcf/day more of natural gas annually by 2023.

Key Supply Factor for Winter 2017-18 – Surging Production Rebounds from Previous Winter

Turning to this winter’s natural gas supply fundamentals, the Outlook projects a winter of tremendous growth in production of over 7 Bcf/day, which is about a 10 percent increase.

Jenkins said, “The shale revolution has ushered in a remarkable era, as evidenced by dramatic growth in production over the last 10 years. Drilling efficiencies continue to keep production flowing and new pipeline infrastructure can bring it to customers.”

According to Jenkins, “The important takeaway is the strength and responsiveness of natural gas supply. When you take into account the expectation for tremendous production, the industry is well-positioned to meet record demand from consumers.”

In brief, NGSA’s analysis of individual supply and demand factors showed:

Weather – Anticipated 1 percent warmer than last winter and 2 percent warmer than the 30-year average. *Neutral pressure.*

Economy – Healthy growth in GDP – but not quite enough difference over last winter to make impact. *Neutral pressure.*

Overall Demand – Customer demand projected to average record 102.7 Bcf/day. Major growth of 57 percent expected in the **export sector**. **Electric** and **industrial** demand are each expected to set new records, although increasing only about 2 percent compared to last winter. **Residential/commercial** demand will slightly decrease due to warmer winter weather. *Upward pressure.*

Storage – Expectation to enter winter 14 percent below 5-year average with about 3.3 Tcf of gas in storage. Historically about 16 percent of winter supply comes from storage on average. *Upward pressure.*

Supply – Production is expected to soar by 10 percent. *Downward pressure.*

NGSA used data from Energy Ventures Analysis and the Energy Information Administration for its demand and supply projections and IHS Markit for its economic projections. **The NGSA 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 NGSA’s *2018-19 Winter Outlook Executive Summary*, NGSA’s *2018-19 Winter Outlook PowerPoint* presentation and the EVA report, *2018-19 Winter 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 in the U.S. Established in 1965, NGSA is the only national trade association that solely focuses on producer/marketer issues related to the downstream natural gas industry. For more information, please visit www.ngsa.org.

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