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Exports and New Industrial Projects to Underpin Record-Setting Summer Demand for Natural Gas, Says NGSА 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 2019 *Summer Outlook* assessment of the natural gas market. NGSA said natural gas production is expected to set an all-time production record, making 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 2019 compared to last summer, when Henry Hub prices averaged \$2.92 per MMBtu.

“The picture that has emerged for the upcoming summer is one of remarkable growth in demand that is matched by record-setting production,” said NGSA Senior Vice President Jenny Fordham. “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 2019 –Storage Injections, Exports and Industrial Projects

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 of 82.1 Bcf/day this summer, mainly stemming from growing exports of liquefied natural gas (LNG) and healthy demand from the industrial sector.

Fordham said the greatest increase in demand comes from LNG exports to more than 30 countries and pipeline exports to Mexico. LNG exports nearly doubled summer-over-summer but remain only a small part of the overall market for U.S. natural gas. LNG exports grew as 1.4 Bcf/day of capacity was added at export terminals since last summer. Additional trains at Corpus Christi, Freeport, Elba Island and Cameron LNG are scheduled to add an additional 2.3 Bcf/day of new capacity by the end of the summer. “LNG exports provide stability for production, allow the U.S. to help our trading partners improve their air quality and create jobs and household purchasing power here at home,” said Fordham.

Fordham pointed out that U.S. pipeline exports to Mexico are expected to reach 5.5 Bcf/day in exports this summer as Mexico needs natural gas to serve its electric and manufacturing sectors. New pipeline projects along the border are helping to meet that demand.

“We anticipate industrial demand for natural gas to reach record levels this summer, almost 3 percent higher than last summer,” said Fordham. The increased industrial demand can be attributed to higher capacity utilization in the sector as well as demand from new industrial projects that use natural gas as a feedstock, such as fertilizer and methanol plants. Fordham said 80 major natural gas-intensive industrial projects have been or will be completed between 2015 and 2023, representing 3.7 Bcf/day of added demand for that time period.

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The electric sector load is expected to slightly decrease compared to the summer of 2018, which was the 4th hottest on record. Since the summer of 2019 is projected to be 14 percent cooler than last summer, the expectation is that less natural gas will be needed to generate electricity. Fordham said the cooler temperatures will mask significant underlying growth in structural demand for natural gas as another 6 Gigawatts of natural gas-fired generation is online compared to last summer.

The residential and commercial sectors are expected to show slightly decreased demand compared to last summer because of the forecast for cooler temperatures.

Fordham said storage will place upward pressure on prices. “Our outlook projects hearty storage injections averaging about 85 Bcf per week this summer. These are sizeable injections, but not unprecedented, since industry refilled storage at an average rate of 89 Bcf per week in 2014.”

Key Supply Factor for Summer 2019 – Record Production

Turning to this summer’s natural gas supply fundamentals, the *Outlook* projects a summer of continued record production. Fordham said. “Production is thriving from numerous plays, deepwater projects in the Gulf of Mexico and new takeaway capacity in the Permian to soon bring long-awaited relief to the region.”

Fordham said, “The takeaway is the strength and responsiveness of natural gas supply.” She added, “Since the onset of shale production, we’ve had year after year of stability for consumers.”

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

Weather – Anticipated 14 percent cooler than last summer and 3 percent warmer than the 30-year average. *Downward pressure.*

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

Overall Demand – Customer demand projected to reach 82 Bcf/day. Major growth of 44 percent expected in the **export sector**, with LNG exports reaching 6 Bcf/day and pipeline exports to Mexico reaching 5.5 Bcf/day. **Electric, residential and commercial sector** demand are expected to decrease slightly compared to last summer due to a cooler summer. **Industrial sector** demand is projected to increase due to higher capacity utilization and new projects. *Neutral pressure.*

Storage – High weekly gas injections of 85 Bcf/week predicted compared to last summer. *Upward pressure.*

Supply – Estimated summer production of 89 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 Markit Macroeconomic Advisers 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 2019 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.