

# NEWS

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## **2014 Summer Outlook Indicates Slight Upward Pressure on Natural Gas Prices Compared to Summer 2013** *Storage Injections Most Influential Factor in Summer 2014*

(Washington, D.C.) – Pressure on natural gas prices is likely to be slightly upward this summer compared to summer 2013, the Natural Gas Supply Association (NGSA) today said in its annual *Summer Outlook* assessment of the natural gas market. Using published data and independent analyses, NGSA's *2014 Summer Outlook for Natural Gas* evaluated the combined impact of the weather, economy, customer demand, production activity and storage inventories on the direction of natural gas prices for the coming summer, compared to the same data for the summer of 2013 when Henry Hub prices averaged \$3.77 per MMBtu.

NGSA emphasized that the upward pressure on prices is summer over summer and does not include data on winter prices.

“When NGSA weighed all the different factors, the picture that emerged for this summer is one of slightly increased pressure on natural gas prices, chiefly because of the need to inject a greater than average amount of natural gas into storage in the wake of an extreme winter,” said Greg Vesey, Chairman of NGSA and Vice President of Gas Supply and Trading for Chevron. “Looking at all key factors combined, NGSA expects soft upward pressure on prices compared with last summer.”

### Key Supply Factor for Summer 2014 - PRODUCTION

NGSA's *2014 Summer Outlook* predicts that a record-setting amount of natural gas will be produced this summer compared to summer 2013, placing *downward pressure* on prices. In contrast, imports and exports are expected to remain at similar levels to last summer. [Slide 14]

Vesey said, “Our analyst expects production to be record-setting in part because of shale gas and in part due to a considerable amount of natural gas currently being produced in association with oil- and liquids-directed drilling. Finally, production is robust because of the numerous new pipelines and processing plants in service that are carrying previously-stranded natural gas away from the Marcellus and other production areas.”

### Key Demand Factor for Summer 2014 - STORAGE

Turning to summer demand for natural gas, NGSA projected that pressure to bring storage to adequate levels before the winter heating season will place upward pressure on prices this summer compared to summer 2013. NGSA estimated an average of 83 Bcf/week in storage injections. Vesey said, “We have confidence in the market's resilience and ability to achieve those record weekly injections, thanks to the industry's responsiveness and the abundance of shale gas. It's a testament to the flexibility of our industry that we were able to average storage injections of 79 Bcf/week even back in 2003, long before shale gas had increased production to our current record-setting levels.” [Slide 12]

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### Key Trend to Watch – CUSTOMER DEMAND

NGSA predicted that the industrial sector will increase its summer gas demand by 5 percent compared to summer 2013, primarily because of numerous new natural gas-intensive industrial projects. [Slides 7, 10] However, this summer's industrial demand increase is predicted to be offset by a drop in electric demand compared to summer 2013. NGSA explained that summer electric demand is projected to decline because less coal-to-gas fuel switching is forecasted than occurred in the summer of 2013. Coal-to-gas switching is a short-term, purely price-driven phenomenon that occurs when natural gas-fired power plants are dispatched instead of coal-fired plants. [Slide 8]

Vesey said, "Fuel switching is a temporary response. In contrast, the installation of new gas-fired electric capacity indicates that the long-term electric demand for natural gas is growing and will continue to increase over the next few years." [Slide 9]

### **In brief, NGSA's analysis of individual supply and demand factors showed:**

**Weather** –Temperatures similar to the summer of 2013 are expected to place *neutral* pressure on natural gas prices compared to last summer. Energy Ventures Analysis predicts summer 2014 weather that is 1 percent warmer than last summer. [Slide 5]

**Economy** –Improved unemployment numbers, the highest Consumer Sentiment Index numbers since 2007 and summer 2014 GDP growth expected to exceed last summer's are encouraging, but the incremental improvement is not quite large enough to influence prices. NGSA expects the economy to place *neutral* pressure on natural gas prices this summer. [Slide 6]

**Demand** – Customer demand is expected to exert *neutral* pressure on prices summer-over-summer. The expectation for improved demand from industrial sector of 5 percent is offset by a projection for 3 percent electric sector decline due to less coal-to-gas switching by price-sensitive generators. Residential/commercial demand is predicted the same as summer 2013. [Slide 7]

**Storage** –Record weekly storage injections averaging around [83] Bcf/week are expected to bring storage to 3,400 Bcf by the end of the injection season. The estimated size of storage injections is projected to place *upward* pressure on prices compared to the summer of 2013. [Slides 11, 12]

**Production** – Record-setting summer production estimated at 68.5 Bcf/day is expected to exert *downward* pressure on prices. [Slide 14]

NGSA used data from: Energy Ventures Analysis (EVA) for its demand projections; Energy Information Administration for production projections; IHS Global Insight for economic projections; and NOAA for weather. **The association does not project actual figures for wholesale or retail market prices.**

For more information, please see NGSA's 2014 Summer Outlook for Natural Gas Executive Summary and NGSA's 2014 Summer Outlook PowerPoint presentation at [www.ngsa.org](http://www.ngsa.org).

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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 to ensure reliable and efficient transportation and delivery of natural gas and to increase the supply of natural gas to U.S. customers. Visit [www.ngsa.org](http://www.ngsa.org) and [www.naturalgas.org](http://www.naturalgas.org) for more information.