

NEWS

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Natural Gas 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 2015, the Natural Gas Supply Association (NGSA) said today in its 16th annual *Summer Outlook* assessment of the natural gas market. NGSA said production is expected to be ample 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 2016 compared to last summer, when Henry Hub prices averaged \$2.68 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 President Dena Wiggins. “Even with record-setting demand expected, production is projected to be abundant. With more than enough supply to meet demand, we anticipate downward pressure on prices compared to last summer.”

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

Key Demand Factor for Summer 2016 – Record Electric Demand

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

Most notably, the electric sector is forecasted to increase its summer demand by 11 percent compared to last summer. About 70 percent of the increased demand can be attributed to a permanent shift to natural gas-fired power generation caused by the retirement of many coal-fired power plants due to both anticipated and new environmental regulations. 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 lower fuel costs.

“We anticipate electric demand for natural gas to reach record levels this summer, topping last year’s previous record,” said Wiggins.

Demand from the industrial sector is expected to increase only slightly compared to last summer. Wiggins said 67 major natural gas-intensive industrial projects have been or will be completed between 2015 and 2020, representing \$111 billion, in addition to 39 projects representing another \$17 billion that were completed between 2010 and 2014.

The residential and commercial sectors are expected to experience the same level of demand as last summer. Wiggins said LNG exports are growing but still represent a small slice of overall demand. Meanwhile, Wiggins noted that U.S. exports to Mexico are projected to increase to 4 Bcf/day 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," Wiggins said.

Key Supply Factor for Summer 2016 - Strong 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, as evidenced by dramatic growth in production over the last eight years," Wiggins said. "Despite fewer drilling rigs, this summer's supply is expected to match last summer's because of drilling efficiencies, new infrastructure coming online to move natural gas out of producing shale areas and the completion of many onshore and offshore wells."

"The important takeaway is the strength and responsiveness of natural gas supply," Wiggins 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 slightly cooler than last summer and 8 percent warmer than the 30-year average. *Neutral pressure.*

Economy -Sluggish growth in GDP expected. *Downward pressure.*

Overall Demand - Customer demand projected to be record-setting 69 Bcf/day. Major growth of 11 percent expected in the **electric sector**, due to a combination of the permanent retirement of coal-fired plants and short-term coal-to-gas switching. **Industrial sector** demand is projected to increase slightly compared to last summer, due to numerous industrial capacity expansions.

Residential and commercial demand will remain similar to last summer. **Exports to Mexico** will increase to 4 Bcf/day. *Upward pressure.*

Storage - More gas in storage at start of injection season than last summer. *Downward pressure.*

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

For more information, please see www.ngsa.org for NGSAs 2016 *Summer Outlook Executive Summary*, NGSAs 2016 *Summer Outlook PowerPoint* presentation and the Energy Ventures Analysis report "2015 Summer Outlook for Natural Gas."

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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, 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