

NEWS

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NGSA Winter Natural Gas Outlook Forecasts Record Production and Record Demand, Offset by Warmer Winter

Washington, D.C. – Natural gas supply and demand are projected to reach historic highs this winter, the Natural Gas Supply Association (NGSA) said today in its 19th annual *Winter Outlook* forecast of the wholesale winter natural gas market.

The NGSA 2019-2020 *Winter Outlook for Natural Gas* predicted that record demand will be driven by liquefied natural gas (LNG) exports, pipeline exports to Mexico and domestic demand growth in the electric sector. **NGSA predicted that record production will ably satisfy demand, and said the combination of abundant supplies, warmer weather and healthy storage is expected to result in downward pressure on natural gas prices compared to last winter.** Last winter, natural gas prices at the Henry Hub averaged \$3.33 per MMBtu.

NGSA's *Winter Outlook* relies on published data and independent analyses. NGSA evaluates the combined impact of weather, economic growth, demand from domestic and export customers, storage inventories, supply activity and 'wild card' factors on the direction of natural gas prices for the winter of 2019-2020, compared to last winter.

"All signs point to good news for natural gas consumers this winter," said Orlando A. Alvarez, Chairman of NGSA and head of BP's North American gas marketing and trading business. "The forecast for warmer weather and abundant supply in NGSA's *Outlook* should enable U.S. natural gas to stay even more affordable and reliable this winter while satisfying growing demand for cleaner-burning electricity, manufacturing and heating here and around the world."

According to NGSA, wholesale natural gas prices averaged only \$3.33 per MMBtu last winter.

Key Demand Factors 2019-2020: Export Growth, New Gas-Fired Generation, Warmer Winter

In total, the NGSA *Outlook* projects customer demand to reach a record 109.3 Bcf/day this winter.

Export customers: Record growth in LNG exports and pipeline exports to Mexico are expected. The NGSA *Outlook* projects 8.3 Bcf/day in LNG exports and 5.8 Bcf/day in pipeline exports to Mexico this winter, for a record 14.1 Bcf/d in U.S. natural gas exports – an overall increase of 52 percent in U.S. exports compared to last winter.

Alvarez said, "LNG exports are bringing the environmental benefits of our lower emissions to overseas customers, while providing jobs, economic benefits and stability to the U.S. market."

Domestic customers: Looking at demand from the various sectors, the *Outlook* forecasts domestic demand of 87.9 Bcf/day from the electric, industrial and residential/commercial sectors combined this winter.

- **Electric growth.** The *Outlook* projects that natural gas-fired power generation will represent the greatest contributor to domestic demand growth this winter. About 7,000 megawatts of new natural gas-fired generation are estimated to have come online during 2019, contributing to electric demand of 27 Bcf/day, about a 5 percent increase in electric sector demand for natural gas compared to last winter.
- **Industrial growth.** Expected to grow minimally this winter, by about 0.1 Bcf/day. This slight growth is the result of a slowing global economy and business uncertainty about the impact of

tariffs. However new builds and capacity expansions in the natural gas-intensive petrochemical and fertilizer industries continue to contribute to the industrial sector's demand for natural gas. NGSAsaid 47 major gas-intensive projects are planned over the 2018-23 time period, consuming an estimated 2 Bcf/day more of natural gas annually by 2023.

- **Residential/commercial growth.** The National Oceanic and Atmospheric Administration's (NOAA) forecast for a winter that is 4 percent warmer than last winter is expected to cause residential/commercial demand to decrease by 2 Bcf/day.

Key Supply Factors 2019-2020 – Record Production and Ample Storage

In total, the NGSAs Outlook projects natural gas supply (production, Canadian imports and storage) to average a record 109 Bcf/day this winter.

The Outlook projects a winter of tremendous growth in production of about 4 Bcf/day, which is a substantial 4 percent increase. However, it pales in comparison to the remarkable increase of more than 10 Bcf/day that occurred last winter. While the growth rate is currently slowing, production continues to grow and reach record milestones.

Alvarez said, "We've witnessed amazing growth of nearly 40 percent in production in the six years since 2013. The shale revolution has ushered in a remarkable era, with ongoing improvements and efficiencies in production keeping supply flowing. The shale revolution has benefited customers with stable, low prices, and enabled reductions in carbon emissions to 25-year lows. Natural gas producers are working to do even more to support a clean energy future that is affordable for all."

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

Weather –Anticipated 4 percent warmer than last winter and 2 percent warmer than the 30-year average. *Downward pressure.*

Economy –Expected GDP growth of 2.1 percent is similar to last winter's 2.6 percent. *Neutral pressure.*

Overall Demand – Customer demand projected to average record 109.3 Bcf/day. Major growth of 52 percent expected in the **export sector. Electric and industrial** demand are each expected to set new records, with electric demand increasing by 5 percent. Industrial growth projected to be minimal but nevertheless a winter record. **Residential/commercial** demand expected to decrease due to warmer winter. *Neutral pressure.*

Storage – Expectation to enter winter near the 5-year average with about 3.7 Tcf of gas in storage, considerably more than last winter's 3.2 Bcf levels. *Downward pressure.*

Supply – Production is expected to increase by substantial 4 percent, substantial but not as much as last winter's soaring increase of 14 percent. *Neutral 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 NGSAs 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 NGSAs [2019-20 Winter Outlook PowerPoint presentation](#) and the [EVA report, 2019-20 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.

Markets Matter: Representing America's Major Producers and Suppliers of Natural Gas Since 1965