

NEWS

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NGSA Winter Natural Gas Outlook: Thriving Exports, Colder Winter and Slowing Production to Place Upward Pressure on Natural Gas

Washington, D.C. –Natural gas exports are projected to reach a new record this winter, while domestic natural gas production and total domestic demand are projected lower than last winter due primarily to the impact of COVID-19 on the recovering U.S. economy and commodity market, the Natural Gas Supply Association (NGSA) said today in its 20th annual *Winter Outlook* forecast of the wholesale winter natural gas market.

“While the COVID-19 pandemic has made economic forecasting as challenging as forecasting the weather, the fundamentals in the Outlook show market resiliency that should provide certainty to consumers this winter,” said Orlando A. Alvarez, Chairman of NGSA and head of BP’s North American gas marketing and trading business.

The NGSA *2020-2021 Winter Outlook for Natural Gas* predicts that a combination of U.S. production, robust storage inventories and Canadian imports will ably satisfy overall winter demand, but the combination of colder weather and decreased production is expected to result in upward pressure on natural gas prices compared to last winter’s extremely low average price of \$2.08 per MMBtu at the Henry Hub.

“NGSA sees increased demand for LNG from our trading partners this winter. LNG offers the promise of a cleaner energy future that is affordable, accessible and can help grow local economies” Alvarez said.

Key Demand Factors 2020-2021: Export Growth, Colder Winter

In total, the NGSA *Outlook* projects customer demand to reach 109.7 Bcf/day this winter, slightly less than last winter’s 110.6 Bcf/d due to the continuing effects of the pandemic.

Export customers: Growth in LNG exports (+10%) and pipeline exports to Mexico (+8%) are expected, pushing them to new records and a combined increase of 9% in U.S. exports compared to last winter.

Domestic customers: The *Outlook* forecasts domestic demand of 88.2 Bcf/day from the electric, industrial and residential/commercial sectors combined this winter. Sector breakdown below:

- **Electric growth.** Slight decrease due to the *Outlook’s* projection for less temporary “economic” switching to natural gas-fired electricity this winter, however continued growth in new “structural” natural gas-fired electricity is expected.
- **Industrial growth.** Expected to grow by just 0.1 Bcf/day due to business uncertainty about the pace of the recovery from COVID-19. However new builds and capacity expansions in the natural gas-intensive petrochemical and fertilizer industries continue to contribute to the industrial demand. NGSA said 37 major gas-intensive projects are planned from 2020 to 2023, consuming an estimated average 1.6 Bcf/day more of natural gas by 2023.
- **Residential/commercial growth.** The National Oceanic and Atmospheric Administration’s (NOAA) forecast for a winter that is 4 percent colder than last winter is expected to cause residential/commercial demand to increase by 0.7 Bcf/day.

[Key Supply Factors 2020-2021 –Production Pause, Ample Storage, Canadian Imports](#)

In total, the NGSAs *Outlook* projects natural gas supply (production, storage and Canadian imports) to average just over 109 Bcf/day this winter. The *Outlook* projects that production of natural gas will be less than last winter because of less natural gas production associated with oil drilling. However non-associated gas production is projected to thrive.

Alvarez said, “With a 33 percent increase in production since 2013, the shale revolution has ushered in a remarkable era, with ongoing improvements and efficiencies keeping supply flowing. It has benefited customers with stable, low prices, and enabled carbon reductions in carbon emissions to 15-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:

Economy –Expected GDP decline of -2.6 percent. *Downward pressure.*

Weather –Anticipated 4 percent colder than last winter but 3 percent warmer than the 30-year average. *Upward pressure.*

Overall Demand – Customer demand projected to average 109.5 Bcf/day. Major growth of 9 percent expected in the **export sector**. **Residential/commercial** demand to reach 36.9 Bcf/d, power burn to reach 26.6 Bcf/d and **industrial** demand to reach 24.7 Bcf/d. *Neutral pressure.*

Supply – Production is expected to decrease by substantial 9 percent, but storage and imports make up the difference. *Upward pressure.*

Storage – Expectation to enter winter 9 percent above the 5-year average with just over 4 Tcf of gas in storage, considerably more than last winter’s 3.7 Bcf levels. *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 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 2020-21 Winter Outlook PowerPoint presentation](#) and the [EVA Executive Summary](#) at www.ngsa.org.

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The Natural Gas Supply Association (NGSA) represents integrated and independent companies that supply natural gas. Founded in 1965, NGSA is the only national trade association that solely focuses on producer-marketer issues related to the downstream natural gas industry. NGSA advocates for well-functioning markets that foster a growing, competitive market for natural gas. NGSA is dedicated to achieving a cleaner future through strong partnerships with renewables and supporting innovative technologies and market solutions that reduce emissions. For more information, please visit www.ngsa.org.

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