

NEWS

Contact: Daphne.Magnuson@ngsa.org (202) 631-0625
Hinson.Peters@ngsa.org (703) 964-6990



NGSA Summer Natural Gas Outlook: Summer of Strong Production to Help Moderate Strains from Storage and Customer Demand

Washington, D.C. – The Natural Gas Supply Association’s (NGSA) *2022 Summer Outlook* projects upward pressure on the natural gas market compared to last summer because of robust industrial demand, lower storage inventories, and the ripple effect on energy commodities caused by Europe’s energy crisis as it struggles for independence from Russian oil and gas.

NGSA’s *Outlook* said natural gas market conditions are likely to remain in a tight balance this summer, resulting in upward pressure on natural gas prices compared to last summer’s average of \$3.85 per MMBtu at the benchmark Henry Hub. Production is clearly rising to meet this challenge, NGSA said.

“The fundamentals in NGSA’s Outlook show strong demand for natural gas at home and globally,” said David Attwood, Chairman of NGSA and Vice President of the Americas, Global Gas Optimization & Trading at ExxonMobil. “They also underscore the critical role of natural gas in keeping the lights on, maintaining energy security, fueling industrial growth and achieving the world’s ambitious decarbonization goals. It’s clearer than ever that we need more natural gas, and regulations that acknowledge this reality.”

Key Supply Factor—Production Rebound

NGSA projected a steady rise in drilling and production activity resulting in a summer-over-summer **increase of 3.6 billion cubic feet per day (Bcf/d) in average daily production**. In fact, summer-over-summer, the estimated increased production of 4% is even greater than the projected increase in demand, reflecting a growing rig count and completion rate of wells, with both associated and non-associated gas contributing significantly to production.

“NGSA forecasts production to exceed increased demand for natural gas and LNG this summer,” Attwood said. He said, “With an increase in production of more than 40 percent in the last 10 years, the shale revolution has ushered in remarkable benefits, resulting in lower prices for consumers, reductions in carbon emissions and the opportunity to provide energy security and emissions reductions to the world.”

Key Demand Factors: Export, Industrial Growth, Storage

The 2022 Summer Outlook projected a total summer-over-summer **increase of 3% or 2.7 Bcf/d in average daily demand**, mainly from industrial and export growth. Industrial facilities are expected to run more frequently than last summer.

Storage: During the summer, when utilities and others are injecting natural gas into storage for later use, storage contributes to the demand for natural gas. The Outlook forecasts that daily injections into storage will average 9.8 Bcf/d this summer, a 14% increase from last summer’s 8.6 Bcf/d averages.

Exports: Projected to average 19.4 Bcf/d this summer, an increase of 2.5 Bcf/d compared to last summer due to growth in LNG exports to help Europe and other trading partners, along with pipeline exports to Mexico.

Domestic: The *Outlook* forecasts domestic demand of 65.6 Bcf/day from the electric, industrial and residential/commercial sectors combined this summer, with strong growth in industrial demand somewhat offset by a slight decrease in electricity demand, leading to a combined increase of 0.1 Bcf/day compared to last

summer. Sector breakdown below:

- Electric growth. Slight decrease of 0.6 Bcf/day due to the *Outlook's* projection for a cooler summer and less temporary "economic" switching to natural gas-fired electricity this summer. However continued growth in new "structural" natural gas-fired electricity is expected, with the addition of 5.1 Gigawatts of new natural gas-fired capacity in 2022 due to emissions reductions goals.
- Industrial growth. Expected to grow 0.7 Bcf/day, a 3% increase, primarily due to strengthening industrial activity and higher rates of use of facilities this summer. New builds, capacity expansions, and facility restarts in the natural gas-intensive petrochemical and fertilizer industries continue to contribute to industrial demand. NGSA said 22 major gas-intensive projects are planned from 2021 to 2024, consuming an estimated average 1 Bcf/day more of natural gas by 2024. Long term investments in natural gas continue to be made in the industrial space, providing industrial users a competitive advantage compared to their global peers.
- Residential/commercial growth. Expected to remain flat.

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

Economy—Expected GDP growth of 3.4 percent. *Neutral pressure*.

Storage— Expectation to enter summer 17 percent below the 5-year average with 1.38 Tcf of gas in storage, considerably less than last summer's 1.77 Tcf levels. *Upward pressure*.

Weather—Anticipated 5 percent cooler than last summer. *Slight downward pressure*.

Overall Demand— Customer demand projected to average 91.7 Bcf/day, a 3 percent increase summer-over-summer, primarily in the **export sector and industrial sector**. *Upward pressure*.

Supply— Production is expected to increase by 4 percent. *Downward pressure*.

NGSA used data from Energy Ventures Analysis and the Energy Information Administration for its demand and supply projections and the Federal Reserve, Moody's Analytics, Bureau of Labor Statistics, the University of Michigan, and Energy Ventures Analysis for its economic projections. **The NGSA analysis is based on publicly reported data; the association does not project actual price figures for wholesale or retail markets.**

NGSA said that utilities, independent generators and industrial customers can use tools and strategies to help build a diverse and stable natural gas supply portfolio that balances daily spot market, short-term and longer-term contracts to help mitigate exposure to daily spot market price changes. Spot market prices represent a small percentage of the overall volumes of natural gas being bought and/or sold, NGSA said.

For more information, please see [NGSA's 2022 Summer Outlook PowerPoint presentation](#) and the [EVA Executive Summary](#) at <http://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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