Winter 2025/2026 Natural Gas Market Outlook

Executive Summary

Prepared for Natural Gas Supply Association

September 2025

Authors

Rob DiDona

Kalyani Gopal Kanpillewar

ENERGY VENTURES ANALYSIS

8045 Leesburg Pike, Suite 200

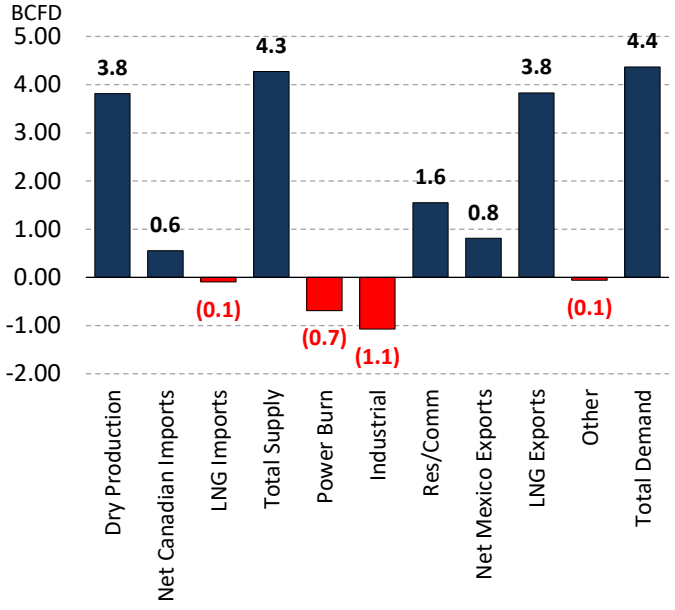
Vienna, VA 22182

(703) 276 8900

www.evainc.com

U.S. natural gas supply set to hit record highs for Winter 25/26, supported by strong domestic production and higher Canadian imports to offset rising export demand

Natural Gas Supply and Demand, 2025-2026 Winter vs 2024-2025 Winter

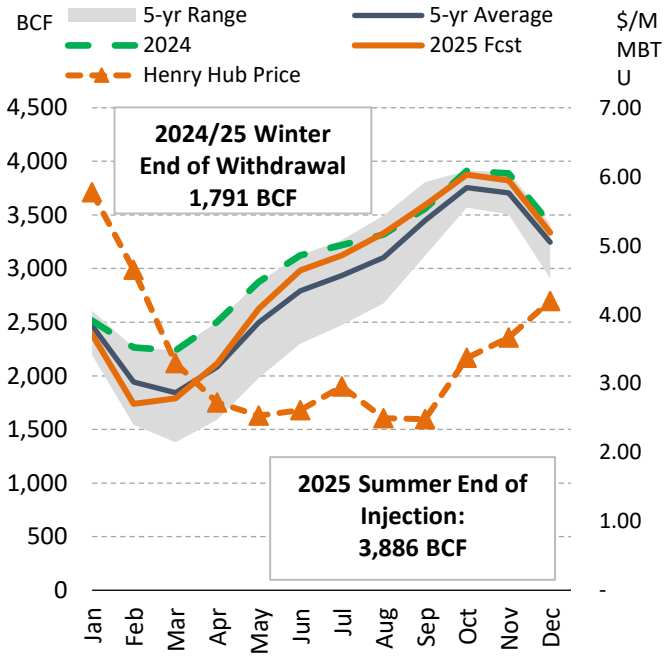


Source: Energy Ventures Analysis

- **Production:** The U.S. dry gas production is expected to average 108.5 BCFD this winter, up ~4 BCFD YoY, supported by continued drilling efficiency and strong supply response to both domestic and export demand needs. While producers remain cautious on capital discipline, current storage and production output levels appear sufficient to balance incremental winter demand alongside record LNG exports.
- **Storage and Imports:** Storage is forecast to enter winter near 3.9 TCF, slightly above the five-year average and well positioned despite summer volatility. Winter walk-out inventories are projected close to 1.8 TCF, within the historical range, assuming normal weather. Net Canadian imports remain strong at 7 BCFD, up ~0.5 BCFD from last year, reflecting the reliance on cross-border inflows.
- **Demand:** Total demand is set to rise by 4.2 BCFD YoY this winter. RESCOMM heating demand is expected to climb by 1.6 BCFD (assuming some new demand and normal weather). LNG exports provide the largest incremental call (+3.8 BCFD) as new capacity ramps, while industrial (–1.0 BCFD) and power burn (–0.9 BCFD) decline modestly amid efficiency improvements and coal/gas switching dynamics. Exports remain the structural growth driver, positioning LNG as a critical balancing factor for U.S. supply.

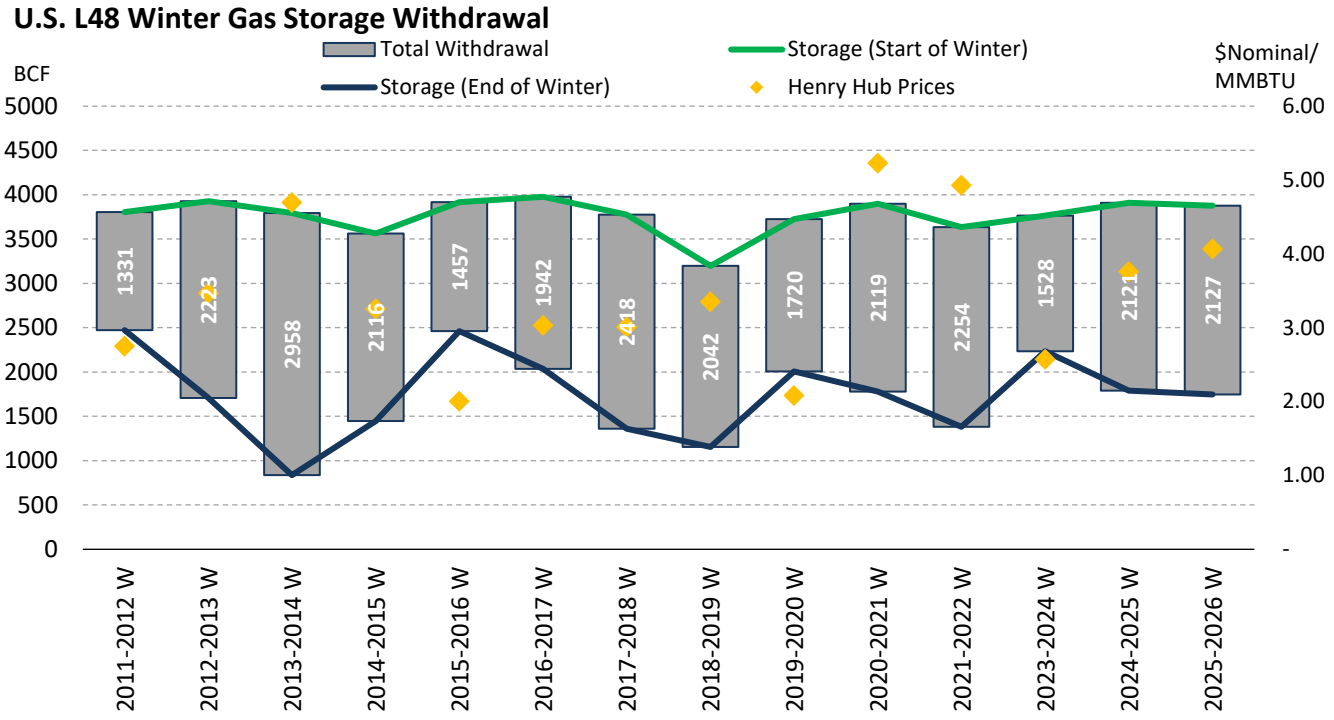
Winter Natural Gas Supply and Demand Summary	2025-2026 Winter	2024-2025 Winter	Difference vs Last Winter	Difference vs Last Three Winters
Supply (BCFD)				
Dry Production	108.5	104.7	3.8	5.5
Net Canadian Imports	6.9	6.5	0.5	1.1
LNG Imports	0.1	0.2	(0.1)	(0.0)
Total Supply	115.5	111.4	4.2	6.6
Demand (BCFD)				
Power Burn	31.6	32.5	(0.9)	(0.3)
Industrial	24.7	25.7	(1.0)	0.1
Res/Comm	38.9	37.3	1.6	2.5
Net Mexico Exports	7.0	6.2	0.8	1.2
LNG Exports	18.3	14.5	3.8	4.9
Other	9.0	9.1	(0.1)	0.4
Total Demand	129.6	125.4	4.2	8.8
Average Withdrawal (BCFD	-14.1	-14.0	(0.0)	(2.2)
Total Withdrawal (BCF)	-2,128	-2,121	(6.5)	(332.6)
HDDs	3,475	3,408	67.0	146.3

U.S. working gas in underground storage



Henry Hub prices are NYMEX settlements as of early September 2025.
Source: EIA, Energy Ventures Analysis

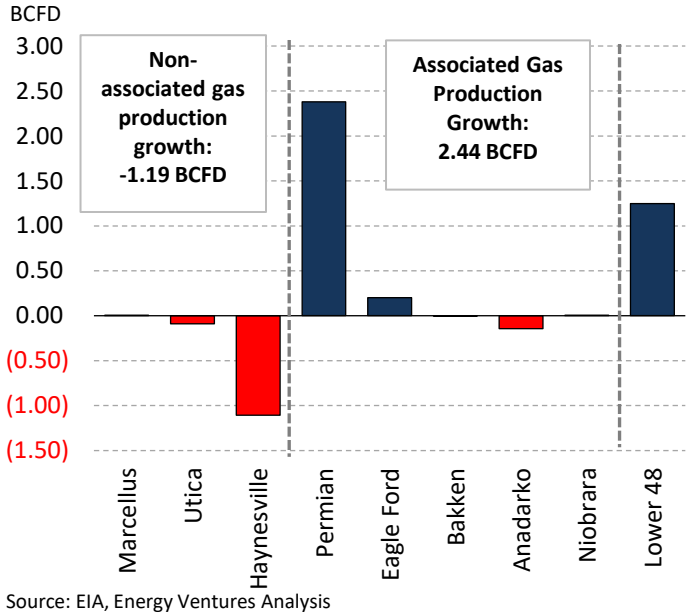
U.S. natural gas storage expected to exit Winter 2025–2026 near historical normal ranges



- U.S. natural gas storage is projected to start the Winter 2025–2026 heating season near 3.9 TCF. This elevated storage level reflects strong production through 2025 and relatively moderate summer injections. Despite strong supply, winter withdrawals are expected to total 2.1 TCF. This would keep stocks near the five-year average and historical norms, underscoring resilient supply. The strong storage base comes as heating demand is set to increase following a colder outlook compared with last winter (assuming normal HDD's). At the same time, LNG exports continue to rise, with new Gulf Coast facilities lifting total export demand towards 18 BCFD. These two drivers (weather and exports) will add to winter withdrawals and tighten balances despite resilient production.
- Henry Hub prices are forecast to average just above $4.00/MMBtu this winter, higher than last year's $3.76/MMBtu. Basis spreads are expected to remain volatile, particularly in constrained Northeast markets, as pipeline limits and cold-weather demand amplify regional price pressures.
- While renewables and coal will offset some natural gas use in the power sector, overall fossil-fired generation remains critical for reliability during peak heating months. As a result, EVA expects tighter supply-demand balances this winter than in 2024–2025, with storage withdrawals driven by stronger residential and commercial heating loads and sustained export growth.

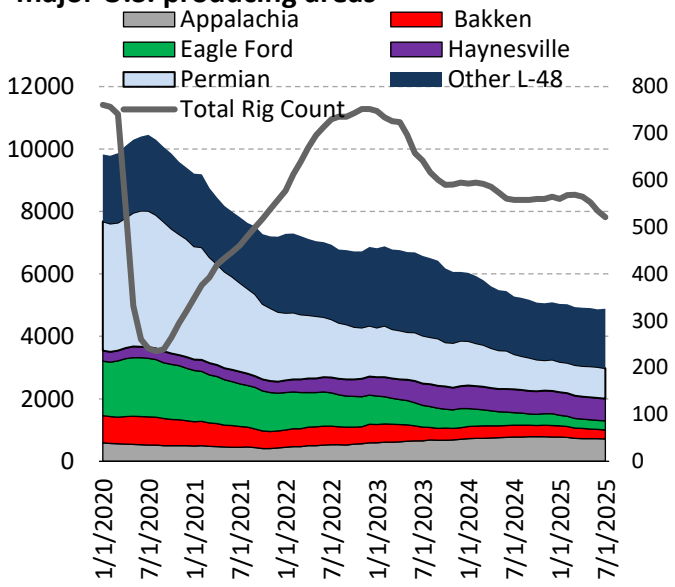
Winter 25/26 production growth supported by associated gas, while non-associated supply lags

Year-over-year Production Change by Basin (Winter 24/25 vs Winter 23/24)



Source: EIA, Energy Ventures Analysis

Drilling but uncompleted wells inventory in major U.S. producing areas



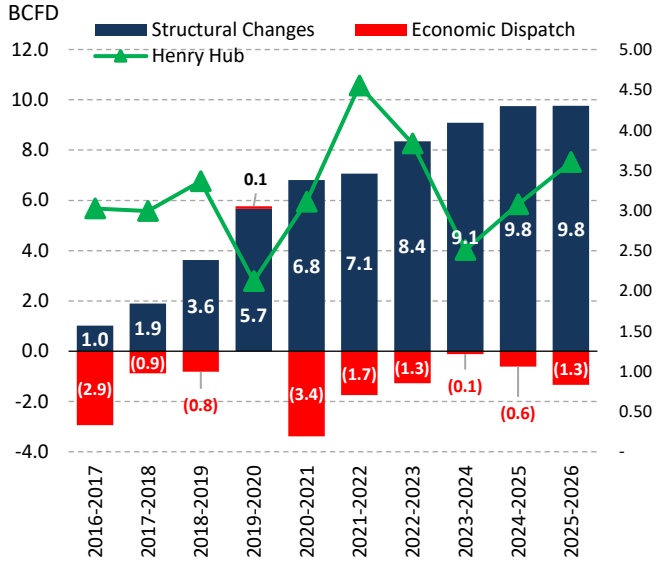
Source: Energy Ventures Analysis

- Production gains in Winter 2025–2026 are expected to be led by associated gas, which adds 2.44 BCFD YoY. The Permian is the primary driver of growth, supported by Eagle Ford and Niobrara, while dry gas basins show declines.
- Non-associated output fell by 1.19 BCFD YoY, led by Haynesville, where lower rig counts and weaker well economics weigh on drilling activity. Utica and Anadarko also post modest declines.
- EVA modeling projects U.S. dry gas production to average 108.5 BCFD this winter, up 3.8 BCFD YoY. Growth is concentrated in associated plays, leaving overall production increases more dependent on oil-linked supply.

- Drilled-but-uncompleted well (DUC) inventories continue trending lower into 2025, reflecting sustained capital discipline and fewer rigs. This limits the ability of producers to bring new supply online quickly.
- Pipeline expansions are helping ease constraints. The Mountain Valley Pipeline is fully operational, boosting Appalachian takeaway. In the Permian, new takeaway capacity also helped to relieve some of the bottleneck, but constraints still exist.

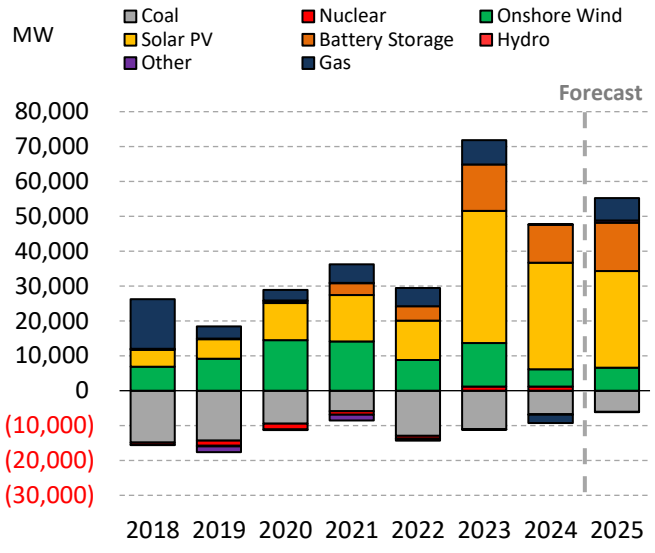
Coal and Gas generation competition remains limited this winter, but structural power demand keeps gas burn elevated into Winter 25/26

Power Burn Increase from 2014/15 Winter: Structural Growth vs. Economic Switching



Source: EVA, All data shown for winter seasons (Nov-May) in the year listed.

Net change in U.S. generating capacity



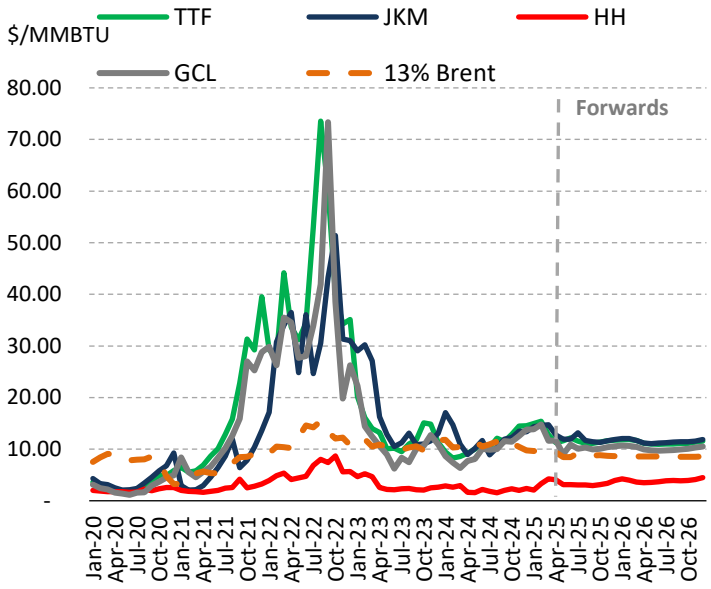
Source: Energy Ventures Analysis, U.S. EIA

- Coal-fired generation earned back market share during Summer 2025 heat waves, as spot gas prices were strong relative to coal unit costs across the L48. Despite competitive coal pricing relative to gas, switching remained modest due to coal retirements.
- Natural gas burn stayed strong, mainly due to structural growth and heat wave driven electric demand. Elevated cooling loads from record data center expansion and housing demand supported year-over-year gains, even as power prices remained muted compared with forward expectations.
- EVA projects that, compared with a 2015 baseline, Winter 25/26 gas burn will include a structural gain of nearly 10 BCFD from new generation capacity while a loss of 1.5 BCFD from economic switching is expected.

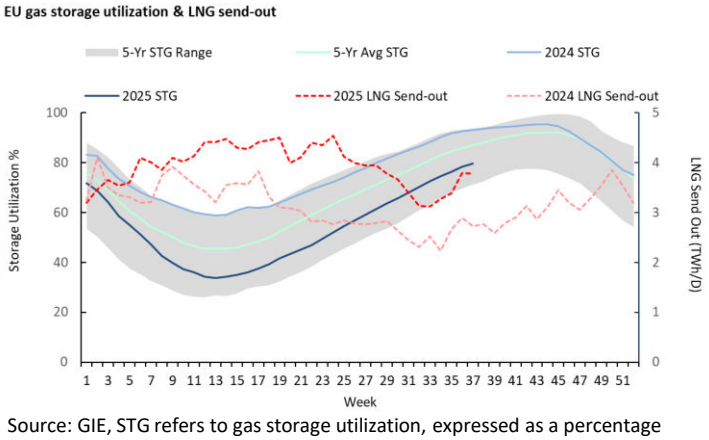
- Coal retirements are expected to increase by ~6 GW in 2025. By year-end 2025, total coal retirements since 2018 will surpass 75 GW, resulting in coal's share in structural decline.
- For 2025, EVA projects ~28 GW of solar, 6.5 GW of wind, and another 13 GW of storage to be installed.
- Net gas capacity grew by ~6 GW in 2024, largely from combined-cycle projects, with another ~5 GW expected in 2025.
- The One Big Beautiful Bill Act (OBBBA) of 2025 is set to reshape clean energy incentives from the IRA by adjusting tax credit timelines for solar and wind. Developers are expected to accelerate their projects to capture ITC and PTC benefits. At the same time, surging load from data centers, electrification, and industrial growth ensure natural gas remains essential to the U.S. power mix.

European natural gas storage is set to close the 2025 injection season near the 5-year average

Global LNG price



Source: ICE. Future curves are based on Sep 2025 settlements

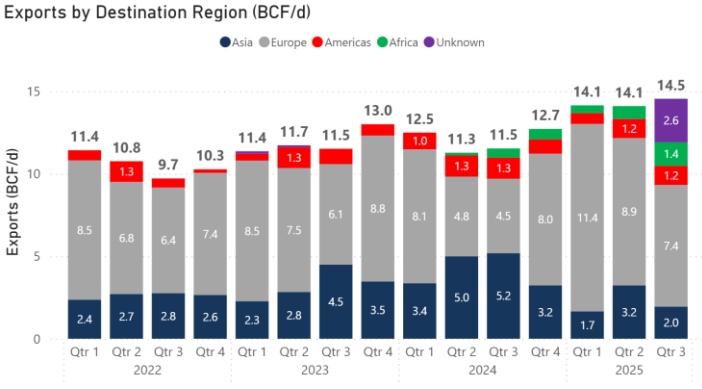


Source: GIE, STG refers to gas storage utilization, expressed as a percentage

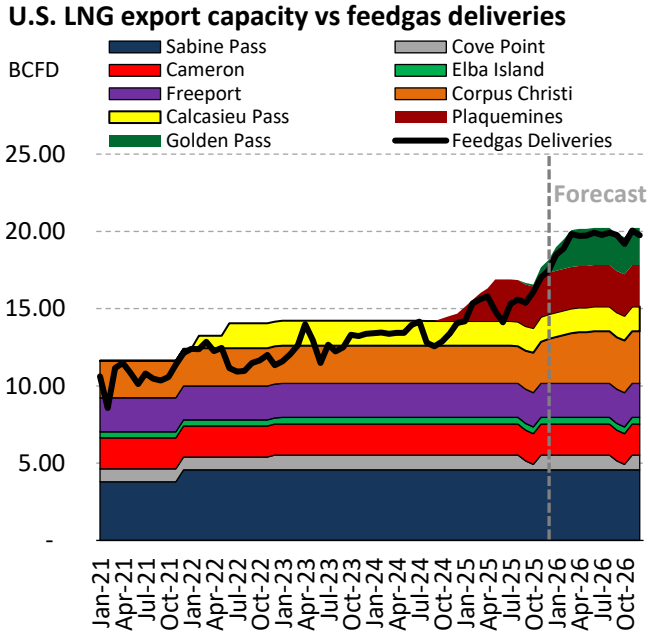
- Following the extreme volatility of 2021–2022, global LNG benchmarks (TTF, JKM) have settled into a narrower band, with forward prices holding around $10–$12/MMBTU through 2026.
- The U.S. Henry Hub benchmark continues to trade well below international markers, at $3–$5/MMBtu, preserving the U.S. cost advantage and supporting export competitiveness.
- Brent-linked contract structures remain a stabilizing force, ensuring continued LNG flows into European and Asian markets despite broader commodity market uncertainty.

- European gas storage is tracking above seasonal averages, with levels near 80–90% heading into Winter 2025/26, providing a strong buffer against cold-weather risk.
- LNG send-out has been consistently high, averaging 3–4 TWh/day in 2025, underscoring the structural shift toward LNG imports as the primary replacement for Russian pipeline gas.
- Geopolitical risks remain given military activity and the potential for sanctions.

North American LNG Expansion Strengthens Global Supply Flexibility Ahead of Winter 2025/26



Source: Energy Ventures Analysis, KPLER

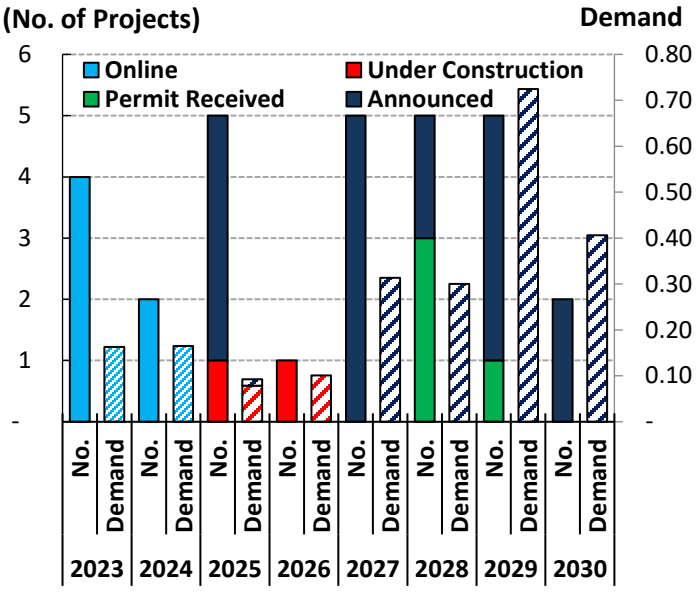


Source: Energy Ventures Analysis, EIA

- U.S. LNG exports are projected to rise from ~11 BCFD in early 2022 to 14.5 BCFD by Q3 2025, reflecting both growing global demand and new liquefaction capacity online.
- European and Asian buyers are expected to remain the primary drivers of U.S. LNG demand through Winter 2025/26, supported by wide price spreads and healthy netbacks that ensure high utilization of liquefaction terminals. If heating demand aligns with or exceeds 10-year norms, overseas pull will be even stronger.
- EVA projects U.S. LNG feedgas demand to average roughly 18.3 BCFD during Winter 2025/26, nearly 3.8 BCFD higher year-over-year.
- The addition of Plaquemines LNG keeps the U.S. on track to maintain its position as the world's top LNG exporter, with export capacity projected to exceed 31 BCF by 2030.
- Upcoming LNG projects across North America—including Golden Pass in the U.S., along with new facilities in Mexico and Canada—are set to expand export infrastructure and improve regional supply flexibility.
- With these capacity gains, U.S. LNG is positioned to remain a cornerstone of global supply into Winter 2025/26, as international buyers seek dependable volumes amid weather volatility and ongoing energy security concerns.

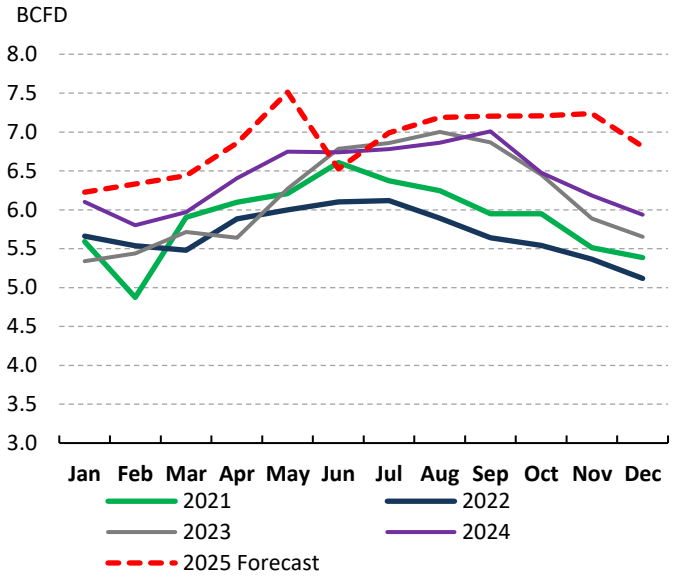
U.S. Natural Gas Exports to Mexico Poised for Record Highs as Infrastructure Growth Outpaces Tariff Pressures

Industrial Projects and Gas Demand



Source: EVA

U.S. Exports to Mexico

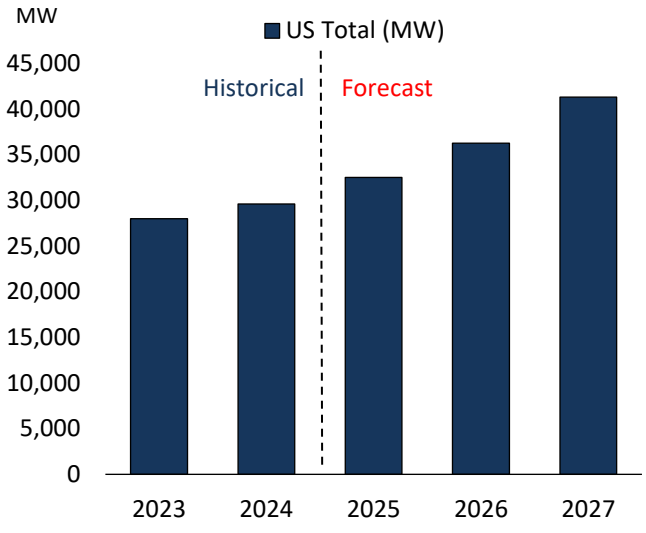


Source: EVA

- According to the U.S. Federal Reserve, industrial capacity utilization is averaging 78% over the first six months of 2025, down nearly 1.5% year-over-year. This softer baseline reflects pressure from tariffs and weaker global demand, but stabilization during 2H of 2025 suggests a potential rebound in energy-intensive sectors. If momentum holds, rising utilization will translate into stronger natural gas demand across the steel, petrochemical, and fertilizer industries.
- Between 2025 and 2030, more than 23 new or expanded industrial projects are scheduled, led by fertilizers and petrochemicals. Collectively, these facilities could add 0.7–0.8 BCFD of incremental gas demand.
- The Gulf Coast remains the anchor, with favorable access to low-cost supply and proximity to export markets. Current tariff measures on steel, chemicals, and imported fuels are further encouraging domestic buildouts, creating additional pull-on U.S. gas.
- Piped natural gas imports from the U.S. will continue to anchor Mexico's growing energy demand. In 2024, exports averaged above 6.3 BCFD. Gains are expected to persist as new cross-border pipelines, gas-fired power plants, and industrial projects expand Mexico's gas infrastructure.
- For Winter 2025, U.S. exports to Mexico are forecast to average around 6.6 BCFD, up from the 5.75 BCFD average last winter. While the Trump administration imposed natural gas tariffs, these measures have not yet materially disrupted U.S. export flows. Long-term contracts, cross-border infrastructure integration, and USMCA provisions are cushioning the immediate impact, though tariff risk introduces added uncertainty for future expansion.

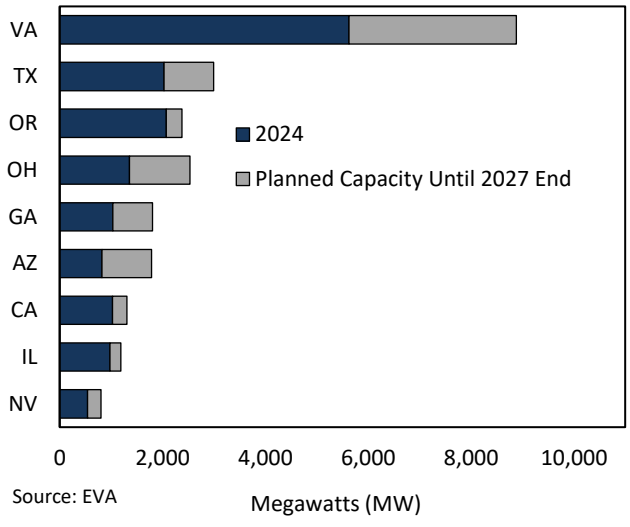
Data center expansion adds structural upside for U.S. natural gas demand

Cummulative Projected Data Center Demand



Source: EVA

Top data center markets by operating and planned capacity



Source: EVA

- U.S. data center capacity is projected to grow from ~30 GW in 2024 to over 41 GW by 2027, an increase of nearly 40% in just three years.
- PJM dominates the expansion, climbing from ~12 GW in 2024 to 17.4 GW in 2027, accounting for over 40% of the national total. Virginia is the primary driver within PJM.
- ERCOT follows as the second-largest region, reaching 3.8 GW by 2027, supported by competitive energy pricing and robust transmission growth.
- The Southeast is another major growth market, jumping by almost 65% from 3.3 GW in 2024 to 5.5 GW in 2027, with North Carolina and Georgia attracting hyperscaler investment.
- Regions like MISO, WECC, and CAISO will see steady incremental growth, together accounting for more than 3 GW of added capacity by 2027. Smaller ISOs such as ISONE, NYISO, and SPP contribute modest growth but are increasingly attractive for edge computing and diversification.
- By 2027, PJM and ERCOT combined will account for nearly half of U.S. data center capacity. EVA projects that this demand growth could add ~35–40 TWh of annual electricity consumption by 2027.
- Recent announcements show a growing reliance on natural gas to support hyperscale data center expansion. Entergy will build 2.25 GW to supply Meta's $10B Louisiana campus, while Meta is also backing a 200 MW plant in Ohio. In Pennsylvania, developers are planning a 944 MW behind-the-meter plant and a 4.5 GW conversion of the Homer City site to serve data centers. Utilities are responding as well, with PPL's LG&E and KU securing approval for a 640 MW plant in Kentucky to meet rising data center and industrial load.
- Broader initiatives are also underway. A Chevron, Engine No. 1, and GE Vernova venture is targeting up to 4 GW of gas generation across multiple U.S. regions by 2027. Together, these projects underscore how natural gas remains the most scalable near-term option for meeting the power demands of AI and cloud computing, even as renewables and nuclear expand.