News : US EIA cuts gas, power consumption estimates amid impact of pandemic

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- **EIA** lowers expected Q2 **gas** marketed production by 2.09 Bcf/d
- Q2 **Henry Hub** forecast raised 13 cents to $1.85/MMBtu
- **EIA** lowers Q2 **gas** demand forecast by 3.19 Bcf/d

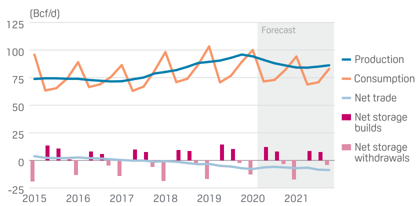
The **US Energy Information Administration** lifted its **Henry Hub natural gas** price forecast for the second and third quarters of 2020 on Tuesday, even as the agency substantially trimmed its estimates for production and consumption over the same period, citing coronavirus pandemic-related impacts.

The agency, in its May Short-Term Energy Outlook, lowered its **US gas** consumption estimate by 3.19 Bcf/d to 71.6 Bcf/d for Q2, and by 1.84 Bcf/d to 72.92 Bcf/d for Q3.

"**EIA** forecasts that **US natural gas** consumption in 2020 will be 3.9% lower compared with 2019, primarily as a result of less consumption by the industrial sector," said **EIA** Administrator Linda Capuano.

The agency forecast that industrial demand for **gas** will decline 7% in 2020, reflecting lower economic activity.

US NATURAL GAS SUPPLY AND DEMAND



Source: EIA's Short-Term Energy Outlook

Production to decline

On the supply side, **EIA** lowered by 2.09 Bcf/d to 98.38 Bcf/d its **gas** marketed production estimate for Q2, and paired back its Q3 production forecast by 2.64 Bcf/d to 95.14 Bcf/d.

The forecast includes a model-based drop that kicks in when **West Texas Intermediate crude** falls below $45/b, or when **Henry Hub** is lower than $2/MMBtu. But **EIA** also assumed another 30% drop in Q2 on average and 6% drop in Q3 due to travel restrictions related to the pandemic.

The storage build for the March-October injection season is expected to be slightly higher than normal, as consumption was forecast to decline more quickly than production, and a slower economy trims **gas** use for **electricity** generation.

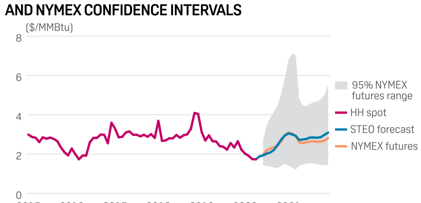
But **gas** prices were seen rising at the end of May as **US** production declines and use of **gas** for power generation increases.

EIA raised its forecast for Q2 spot **Henry Hub gas** prices by 13 cents to $1.85/MMBtu. The Q3 forecast also rose 2 cents compared with the previous month's estimate to $2.11/MMBtu.

"**EIA** expects **natural gas** prices to remain low in the near term as reduced business activity and higher-than-average storage levels keep downward pressure on prices," Capuano said.

The agency projected **Henry Hub gas** prices would average $2.14/MMBtu for full-year 2020 and $2.89/MMBtu in 2021, up 3 cents from the previous month's estimate of $2.11/MMBtu for 2020, but down 9 cents from the $2.98/MMBtu estimated last month for 2021.

HENRY HUB NATURAL GAS PRICE
AND NYMEX CONFIDENCE INTERVALS



Source: EIA's Short-Term Energy Outlook, CME Group

Coal plummets, gas stable

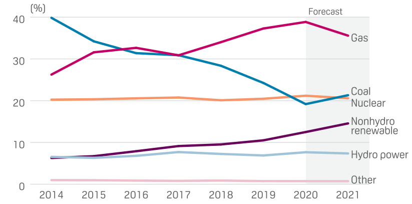
Stay-at-home orders over the next few months were expected to continue to restrain **electricity** demand, and wholesale power prices were forecast to be lower in 2020 throughout the **US** , amid an economic slowdown and low **gas** costs.

Total **US** generation was forecast to decline 5% in 2020, with less fossil fuel-fired generation accounting for most of the drop, according to Capuano.

Coal -fired generation was seen falling by 25% year on year in 2020, while **renewable** generation was seen growing by 11% as a result of new capacity, she added.

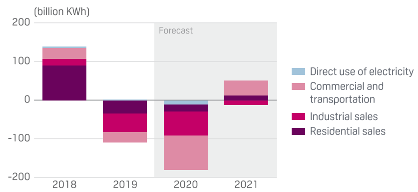
Gas -fired generation was expected to be relatively flat, inching 0.5% lower in 2020, compared with 2019, in the forecast. This marks the first decline since 2017 when **gas** -fired generation fell 6.5% from the 2016 total.

US ELECTRICITY GENERATION BY FUEL SOURCE



Source: EIA's Short-Term Energy Outlook

US ELECTRICITY CONSUMPTION, ANNUAL CHANGE



Source: EIA's Short-Term Energy Outlook

The forecast assumed delays in the start of service for some planned generating units, mostly **wind** and **solar** .

Retail **electricity** sales in commercial and industrial sectors were forecast to fall 6.5% in 2020 because of business closures and cutbacks in industrial output, Capuano said. But residential sector power use was expected to increase in the near term, with greater use of electronics, along with increased cooking, water heating and air conditioning in the summer months.

Energy-related **carbon dioxide emissions** were seen decreasing by 11% year on year in 2020, pulled down by the slowing economy and restrictions on business and travel. “Reduced use of **coal** and **petroleum** account for 89% of the overall reduction in **emissions** ,” Capuano said.