

## News : US EIA boosts 2022 natural gas price forecasts on low inventories, high demand

By Maya Weber

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- Q4 **Henry Hub** spot **gas** forecast raised \$1.44 to \$9.03/MMBtu
- Q4 **US gas** demand forecast up by 1.66 Bcf/d to 88.59 Bcf/d

The **US Energy Information Administration** Sept. 7 lifted its forecasts for **US Henry Hub natural gas** spot prices for the third and fourth quarters of 2022, citing below-average storage inventories and the continued high global and domestic demand for **gas** that is expected for the winter season.

**Henry Hub** prices will continue to climb this winter, reaching a monthly average of \$9.10/MMBtu in January, **EIA** said in its September 2022 Short-Term Energy Outlook.

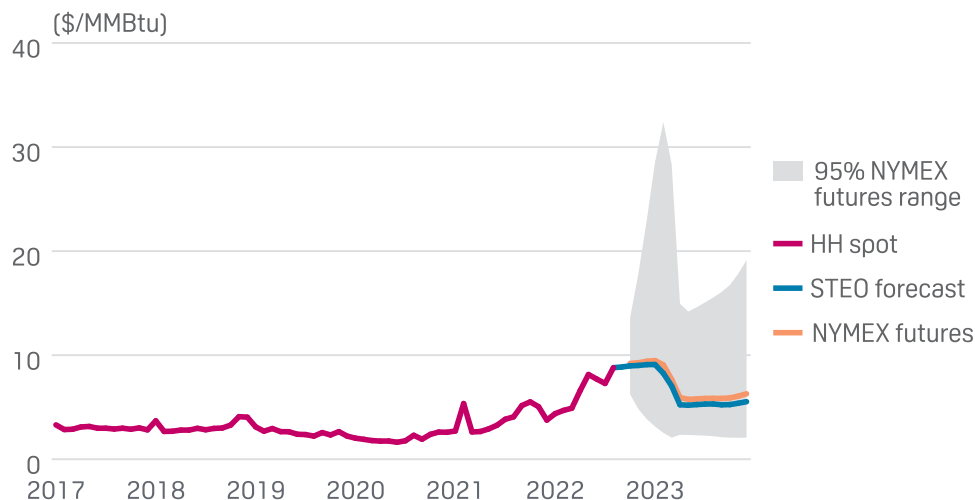
"That price will be the highest inflation-adjusted monthly average price since 2008," the agency said in a press release issued alongside the report. It highlighted **gas** futures prices in **Europe** and **Asia** that set records in August amid low pipeline shipments from **Russia** to **Europe**, along with the limits on **US LNG** exports due to an outage at the Freeport **LNG** facility in **Texas**.

The outlook raised the forecast for Q3 **Henry Hub natural gas** spot prices by 83 cents to \$8.31/MMBtu, while the Q4 forecast jumped \$1.44 from the previous month's estimates to \$9.03/MMBtu.

"We expect the **Henry Hub** price to average about \$9/MMBtu in 4Q22 and then fall to an average of about \$6/MMBtu in 2023 as **US natural gas** production rises," the report said.

**Henry Hub** prices are forecast to average \$7.37/MMBtu for full-year 2022 and \$6.01 /MMBtu in 2023, up from the previous month's estimates of \$6.80/MMBtu in 2022, and \$5.10/MMBtu in 2023.

### HENRY HUB GAS PRICE AND NYMEX CONFIDENCE INTERVALS



Note: Confidence interval derived from options market information for the five trading days ending Sep 1, 2022. Intervals not calculated for months with sparse trading in near-the-money options contracts.

Source: U.S. Energy Information Administration, Short-Term Energy Outlook, September 2022, CME Group, and Refinitiv an LSEG Business

Higher **gas** prices were not seen denting robust demand, however.

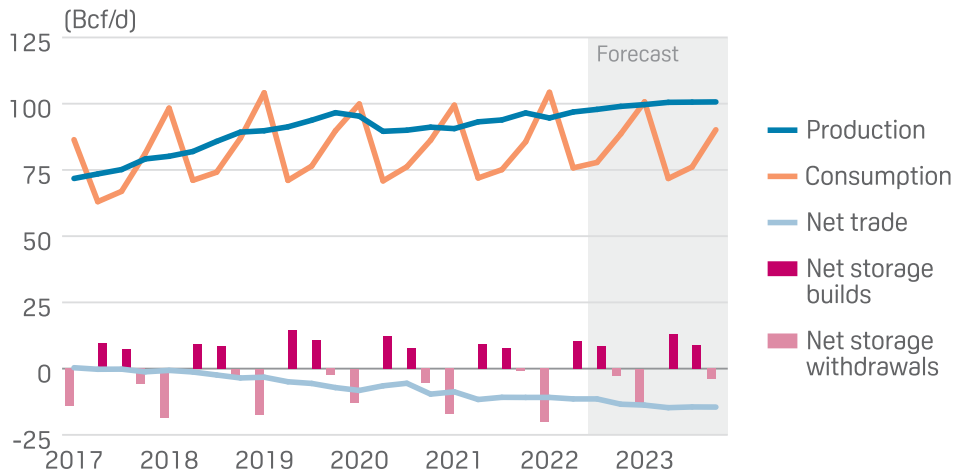
"There are limited options for replacing **natural gas** in the short term, especially for **electricity** generation," **EIA** Administrator Joe DeCarolis said in the press release. "We expect **electricity** producers — particularly in **Europe** — will have to generate some **electricity** from oil-based fuels this winter."

In the **US**, **EIA** noted that the share of **gas** for power generation this summer was similar to prior summers, despite high **gas** prices. Switching to **coal**-fired generation has been limited by low **coal** inventories, fuel delivery constraints and **coal** capacity retirements, according to **EIA**, while providers continued to turn to **gas**-fired generation to meet fluctuations in demand, despite the growth in **renewables**.

The agency's Q3 **US gas** consumption estimates rose by 3.02 Bcf/d to 77.83 Bcf/d, and the Q4 estimate was up 1.66 Bcf/d to 88.59 Bcf/d.

Increased consumption in 2022, compared with 2021, was "driven by increases across all consuming sectors," **EIA** said, though it expected a decline by 1.9 Bcf/d in 2023 due to easing **gas** use in the industrial and **electric power** sectors.

## US NATURAL GAS SUPPLY AND DEMAND



Source: EIA's Short-Term Energy Outlook

### Tight supply factors

On the supply side, heading into winter, the agency said **gas** inventories will be 7% below their previous five-year average at the end of October.

But **US gas** production forecasts were adjusted upwards.

The agency raised its Q3 **natural gas** marketed production forecast by 860 MMcf/d to 106.52 Bcf/d, and increased by 930 MMcf/d to 107.76 Bcf/d its estimate for Q4.

More production growth is expected in 2023. After a forecast average of 105.65 Bcf/d in 2022, total marketed production is expected to climb to 109.18 Bcf/d in 2023, according to the outlook.

**US LNG** exports also drew attention in the monthly outlook, given their increased role in tight global markets, and the agency said it updated **LNG** forecasts to reflect recent trends.

**EIA** forecast that **US LNG** exports would rise, averaging 11.7 billion Bcf/d in Q4, up 1.7 Bcf/d from Q3, before rising to average 12.3 Bcf/d in 2023.

"Factors that will affect the volume of **LNG** exports in the coming months include the planned outage at **Cove Point [LNG]** in October and Freeport **LNG** resuming partial operations by mid- to late-November," the report said.

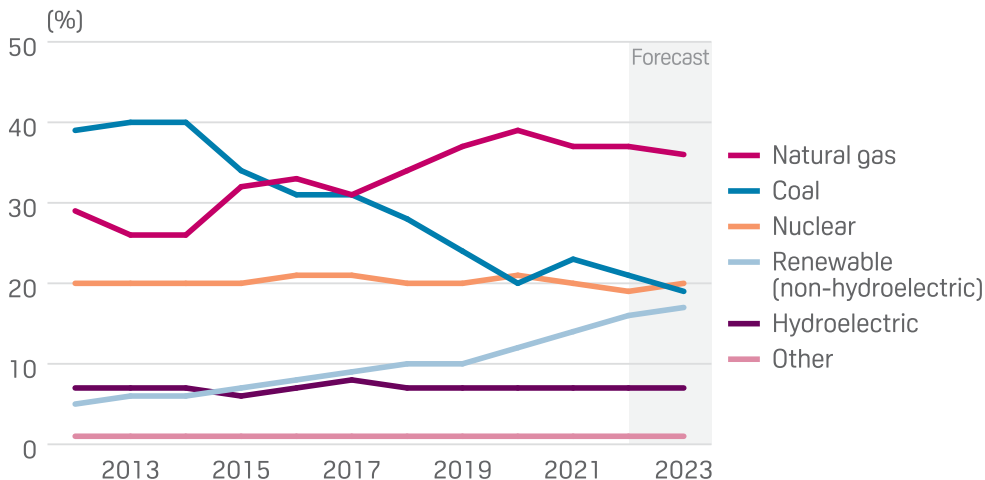
### Power sector prices

Turning to the power sector, **EIA** said that **natural gas** prices are driving higher wholesale **power prices**, with the greatest increases expected in **New England** and **New York**.

**New England** Independent System Operator internal hub wholesale prices in Q4 were forecast to average \$107.14/MWh, compared with \$96.90/MWh estimated in the August report, before climbing to \$168.62 in Q1 2022.

The **New York Independent System Operator Hudson Valley** zone wholesale price was estimated to average \$115.66/MWh in Q4 before reaching \$158.10 in Q1. **NYISO** is more dependent on **gas**-fired generation after the retirement of **Indian Point nuclear** facility in April 2021.

## US ELECTRICITY GENERATION BY FUEL SOURCE



Source: US EIA's June Short-Term Energy Outlook

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