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News : Record US production growth to keep lid on 2023-2024 gas prices: EIA

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- **EIA** lowers Q1 **Henry Hub** spot forecast by $1.18/MMBtu
- 2023 production estimate up 2.36 Bcf/d from prior forecast

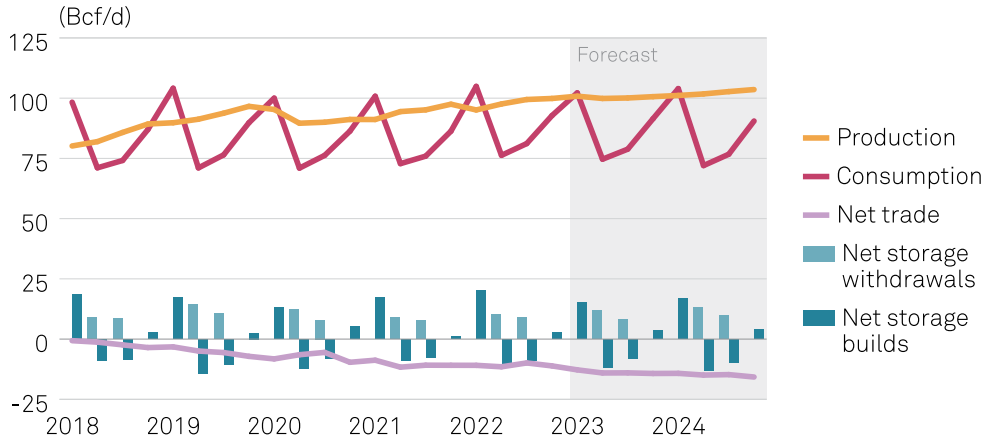
Anticipating growing **US natural gas** production that will top prior highs, the **US Energy Information Administration** scaled back its near-term **natural gas** price forecasts, expecting **Henry Hub** spot prices will average $4.90/MMBtu in 2023, down from $6.42/MMBtu in 2022.

In its January Short-Term Energy Outlook, the **EIA** Jan. 10 lowered its first-quarter 2023 forecast for **Henry Hub** spot prices by $1.18 to $4.99/MMBtu. The Q2 forecast also fell 25 cents from the previous month's estimates to $4.75/MMBtu.

"The **natural gas** market is particularly uncertain, but **we** expect that **US natural gas** production will establish new record highs in both 2023 and 2024, leading to lower domestic prices," said **EIA** Administrator Joe DeCarolis, in a statement released alongside the report.

The **EIA** boosted its total **natural gas** marketed production forecast for 2023 by 2.36 Bcf/d to 109.11 Bcf/d on average and estimated production will grow further to average 111.24 Bcf/d in 2024.

US natural gas supply and demand



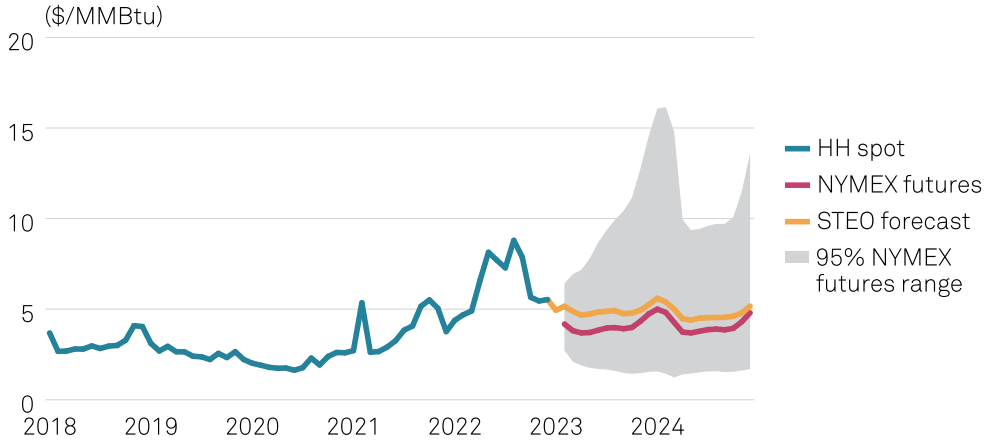
Source: US EIA's December Short-Term Energy Outlook

For the first half of 2023, the agency lifted the Q1 production estimate by 980 MMcf/d to 109.58 Bcf/d, and the Q2 forecast by 340 MMcf/d to 108.6 MMcf/d.

"Increases in **US natural gas** production, relatively flat **LNG** exports, and declining domestic consumption in the **electric power** and industrial sectors will limit upward pressure on prices in 2023," according to the report.

Henry Hub natural gas prices were forecast to average $4.90/MMBtu for full-year 2023 and $4.80/MMBtu in 2024, down from the previous month's estimates of $5.43/MMBtu in 2023.

Henry Hub natural gas price and NYMEX confidence interval



Sources: EIA's Short-Term Energy Outlook, CME Group, Refinitive an LSEG Business

Winter swings

Looking ahead this winter, the **EIA** expected prices will once again top $5.00/MMBtu in late-January, continuing into February, amid colder temperatures and the potential return to service of Freeport **LNG** . The agency saw the potential for regional price spikes and volatility in areas like **New England** if

extreme weather returns, while further delays at Freeport also could add downward pressure in the near term.

In 2024, even as new **LNG** export facilities are slated to come online, the agency is expecting robust production will keep **gas** prices "relatively flat—with the possibility of lower prices." Permian and Haynesville production is forecast to rise as more pipeline expansions are completed in 2023 and 2024, the **EIA** said.

After **US** domestic consumption of **gas** averaged 88.72 Bcf/d in 2022, it is likely to decline to an average of 86.74 in 2023, and slip further to 85.79 Bcf/d in 2024, the **EIA** said.

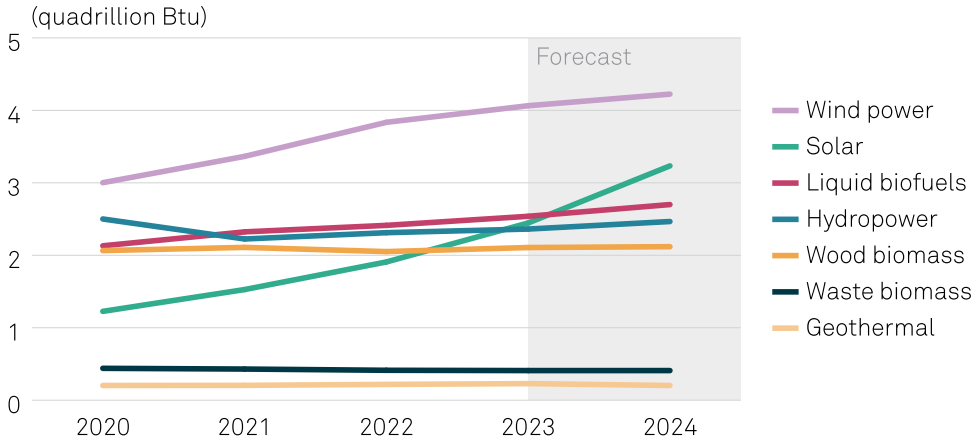
For the first half of 2023, agency lowered its **gas** consumption estimates by 260 MMcf/d to 102.2 Bcf/d for Q1, while raising its estimate for Q2 by 1.78 Bcf/d to 74.66 Bcf/d for Q2.

In February, the **EIA** forecast that residential and commercial **gas** consumption would average 43 Bcf/d, below the five-year average.

Adding to the demand pull, however, gross **LNG** exports are forecast to average 12.06 Bcf/d in 2023 and 12.59 Bcf/d in 2024, up from 10.65 Bcf/d in 2022.

Transitioning fuels

US renewable energy supply



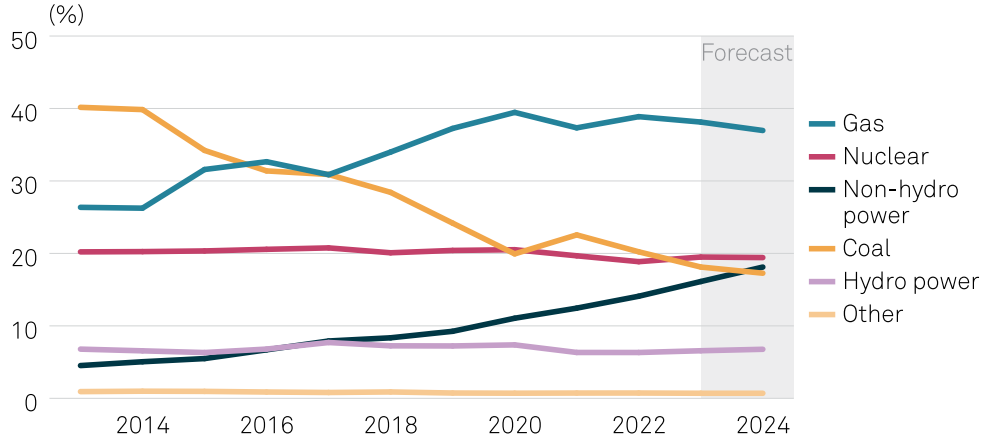
Source: EIA's Short-Term Energy Outlook

As for the power sector, the **EIA** said that after a 3% rise in total **US electricity** consumption in 2022, **US** power use will fall 1% in 2023, and grow by just over 1% in 2024. Softer demand reflects expectations of a milder summer in 2023, and trends in housing starts are seen resuming growth in 2024.

Coal -fired generation is expected to continue its slump, falling from 20% of the **US** generating mix in 2022 to 18% in 2023 and 17% in 2024. **Renewables** , by contrast, will continue their ascent, according to the outlook, reaching 24% of the mix in 2023 and 26% in 2024, while **gas** declines to 38% in 2023 and 37% in 2024.

"About two-thirds of the forecast increase in **renewables** generation comes from new utility-scale **solar photovoltaic** capacity, and most of the rest is from new **wind** projects," **EIA** said in its statement.

US electricity generation by fuel source



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