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News : Mild weather slashes US EIA gas consumption, Henry Hub price forecasts for 2023

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- Q1 gas demand forecast cut 1.74 Bcf/d to 99.14 Bcf/d
- Q1 Henry Hub forecast trimmed 43 cents to $2.70/MMBtu

US natural gas consumption in early 2023 dipped below any first quarter since 2018 amid mild temperatures and reduced space-heating use, the US Energy Information Administration said March 7, as it pared back Henry Hub spot gas price forecasts for 2023.

The agency, in its March Short-Term Energy Outlook, lowered its forecast for Q1 Henry Hub natural gas spot prices by 43 cents to $2.70/MMBtu, and cut its Q2 forecast by 51 cents to $2.76/MMBtu.

Henry Hub spot prices will average $3.02/MMBtu for full-year 2023, down 11.2% from the previous month's estimate of $3.40/MMBtu, and about half of the 2022 average, according to the EIA 's outlook.

The agency estimated that prices will average $3.89/MMBtu in 2024, down 3.8% from the EIA 's February estimate of $4.04/MMBtu.

"A lot less natural gas was consumed in the US residential and commercial sectors than we generally expect in January and February," said EIA Administrator Joe DeCarolis in a statement accompanying the report.

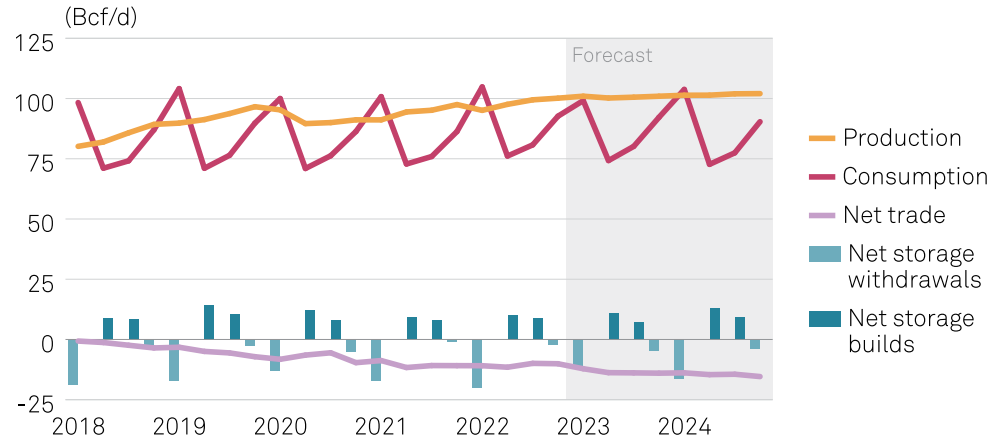
Paring back consumption

The agency slashed its natural gas consumption estimates by 1.74 Bcf/d to 99.14 Bcf/d for Q1 and by 810 MMcf/d to 74.25 Bcf/d for Q2.

January and February may be close to the warmest on record for that period going back to 1895, the EIA said, citing preliminary data from the National Oceanic and Atmospheric Administration . The very mild temperatures were concentrated in the Northeast and Midwest, it noted, adding that California proved an exception to the trend and that prices in the Pacific region are expected to decline after the recent cold snap.

The overall weak consumption in January and February is expected to help replenish storage inventories, the EIA said, predicting inventories will end the first quarter 23% above the five-year average, and 27% above the EIA 's January forecast.

US natural gas supply and demand



Source: US EIA's Short-Term Energy Outlook

As for production, the EIA raised by 860 MMcf/d to 109.46 Bcf/d its natural gas marketed production estimate for the US in the first quarter. The agency lowered its Q2 production forecast by 80 MMcf/d to 108.65 Bcf/d.

Despite scaling back its spot gas price forecasts, the EIA still expects the prices to rise in the coming months, due to the reopening of Freeport LNG , a seasonal rise in power sector demand for gas , and relatively flat production for the rest of 2023, as drillers respond to the weaker prices.

After all three trains at Freeport return to full service, the EIA said LNG exports should exceed 12 Bcf/d for in most months for the rest of 2023 and 2024.

"We forecast that US LNG exports will increase to 14 Bcf/d by December 2024 because new LNG export capacity from three major projects under construction are scheduled to come online," the report said.

Spillover to power sector

The lower gas prices are also seen spilling over to the power sector. Wholesale power prices expected to fall in 2023, according to the EIA , due to the gas prices and increased generation from renewable sources.

The agency said gas will remain the "predominant source" of US generation through 2024, comprising about 38% of total generation.

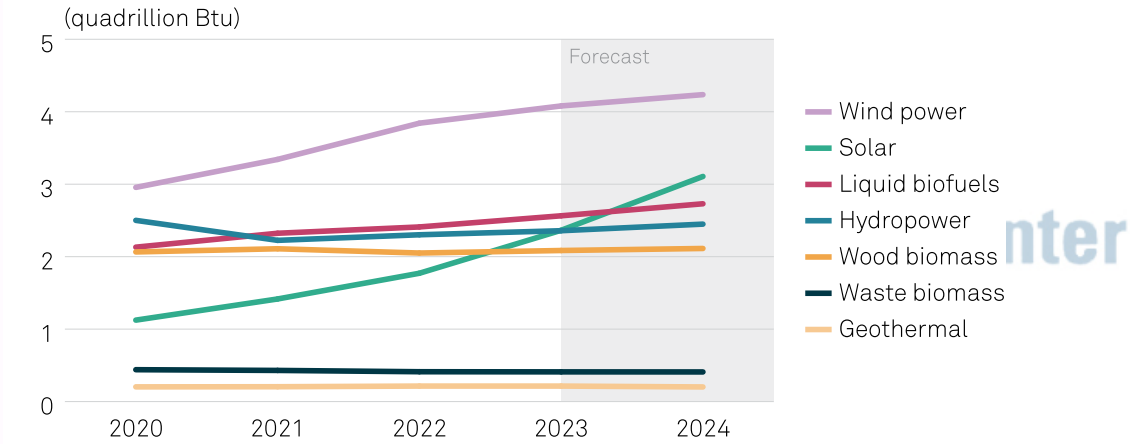
"Although wholesale power prices can be extremely volatile in the short-term, we expect that average wholesale prices this year will be lower than in 2022 as a result of lower natural gas costs," the EIA said.

But, the EIA expected that in the Western US , growth in overall electricity demand will keep wholesale power prices "relatively high" compared with other regions,

"We forecast wholesale prices will decrease by an average of around 20% between 2022 and 2023 at California 's SP-15 hub and by slightly less at the Mid-Columbia hub in the Pacific Northwest," the EIA said.

Prices in California are expected to average $69/MWh in 2023, down from $88/MWh in 2022, according to the EIA , while New England , New York and PJM power markets should see prices averaging between $50/MWh and $60/MWh.

US renewable energy supply



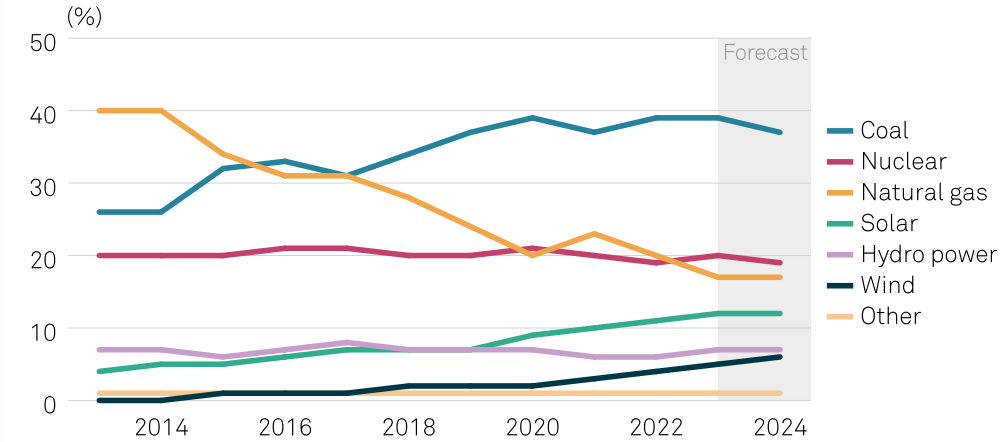
Source: EIA's Short-Term Energy Outlook

The agency's March STEO added new forecasts for generating capacity for gas , coal , oil, nuclear and some electricity storage technologies in 2023 and 2024.

The EIA expected that 9 GW of coal -fired capacity would retire in 2023 and 2 GW in 2024, representing a 6% decline in coal -fired capacity over the two years. Gas capacity is seen down slightly in 2024, less than 1%, reflecting retirement of several large plants.

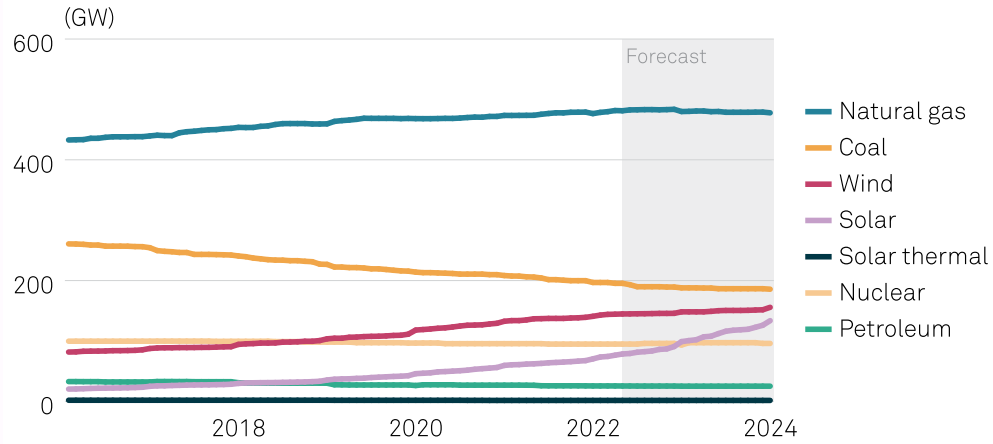
By contrast, solar capacity is forecast to increase by 29 GW, or 40% in 2023 and by 35 GW or 35% in 2024, according to the EIA .

US electricity generation by fuel source



Source: US EIA's Short-Term Energy Outlook

US electric power generating capacity



Source: EIA's Short-Term Energy Outlook