

## News : Lower gas prices help pare back coal-fired generation this spring: US EIA

By Maya Weber

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- **EIA** lowers Q2 **Henry Hub** spot **gas** forecast 11 cents
- **Coal** -fired power seen 17% lower on retirements, prices

**US** generation from **coal** -fired plants is likely to be 17% lower this spring compared with last, the **US** Energy Information Administration said April 11, pointing to **coal** plant retirements and weaker utilization of **coal** units amid lower **natural gas** prices.

The **EIA** , in its April Short-Term Energy Outlook, said about 5% of **coal** -fired generating capacity retired over the past year, and lower **gas** costs also will make **coal** less economical for generation.

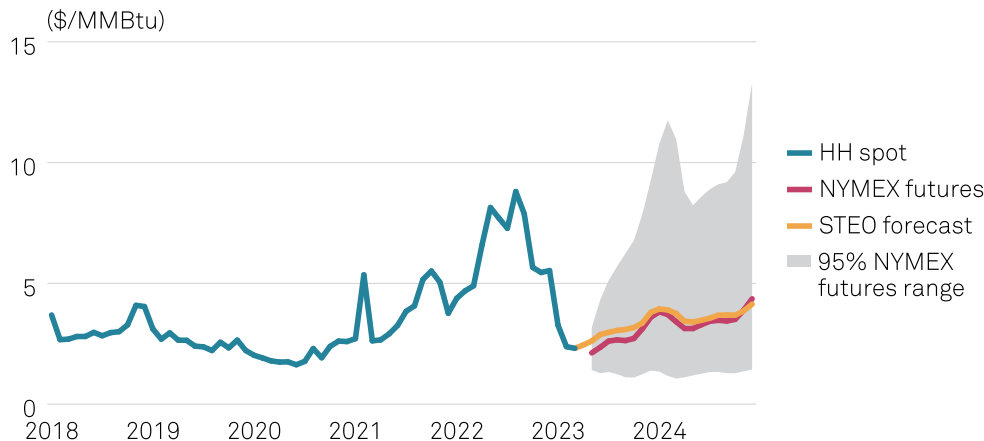
"Lower **natural gas** prices and growing generation from **renewable** sources should reduce costs for generating **electricity** this summer compared with last summer," **EIA** Administrator Joe DeCarolis said, in the statement released alongside the report.

The **EIA** lowered its forecast for **Henry Hub natural gas** spot prices in the second quarter of 2023 by 11 cents to \$2.65/MMBtu. The agency's Q3 spot **gas** forecast also fell 10 cents to \$3.03/MMBtu.

The estimated spot **gas** prices for this time of year are well below the over \$7/MMBtu seen in the second and third quarters of 2022.

The agency estimated **Henry Hub natural gas** prices will average \$2.94/MMBtu for full-year 2023 and \$3.71/MMBtu in 2024, down from the previous month's estimates of \$3.02/MMBtu in 2023 and \$3.89/MMBtu in 2024.

### Henry Hub natural gas price and NYMEX confidence interval



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

According to the **EIA** , the lower **gas** prices are a key driver of the lower wholesale **power prices** the agency forecasts for 2023.

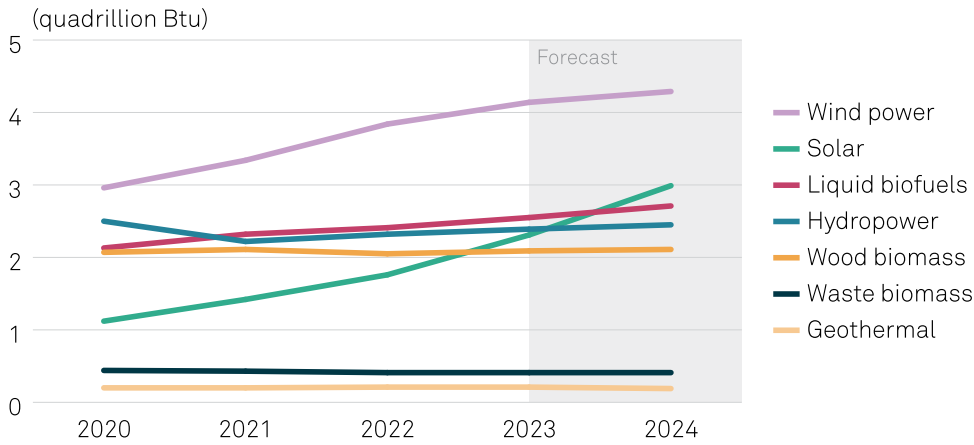
"[W]e expect the on-peak wholesale price at the North hub in **Texas** 's **ERCOT** power market will average about \$35/MWh this year compared with an average of nearly \$80/MWh last year," the outlook said.

**Coal** is expected to make up an average of 17% of **US** generation in 2023, down from 20% the prior year, while the share of **gas** -fired generation will stay level at 39%, according to the **EIA** forecast.

**Nuclear** generation is seen growing its share of the generating mix from 19% to 20% in 2023, with a new reactor at the Vogtle station in **Georgia** marking the first addition to the fleet since 2016, even as the **Palisades nuclear** plant in Michigan retired last summer.

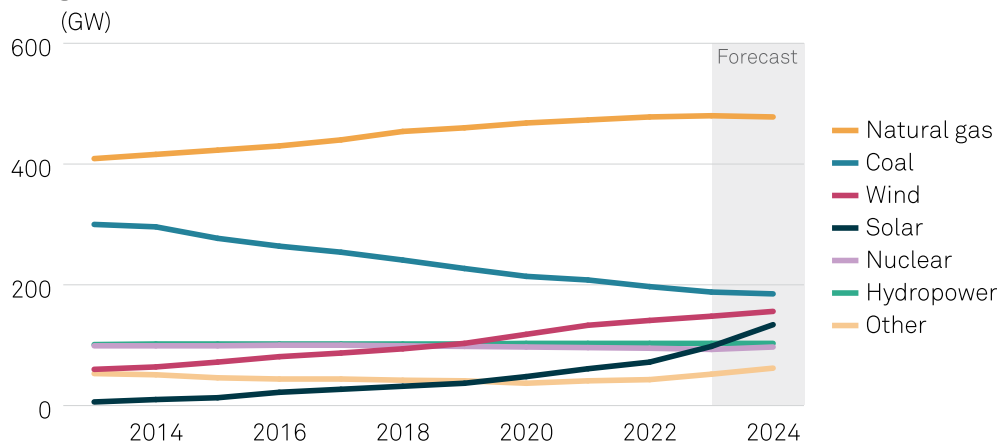
Growing **renewable** generation is also contributing to **coal** generation declines, according to the **EIA** . The agency estimated 77 GW of new **wind** and **solar** capacity would be added from the end of 2022 to the end of 2024, with **renewables** growing their share from 22% of the generating mix last year to 24% in 2023.

## US renewable energy supply



Source: EIA's Short-Term Energy Outlook

## US generation capacity fuel mix



Source: US EIA's Short-Term Energy Outlook

Overall power demand is likely to be 1% lower in Q2 than during the same period last year, amid milder temperatures, the **EIA** said, predicting significantly lower **power prices** for Q2 and Q3, compared with the prior year period.

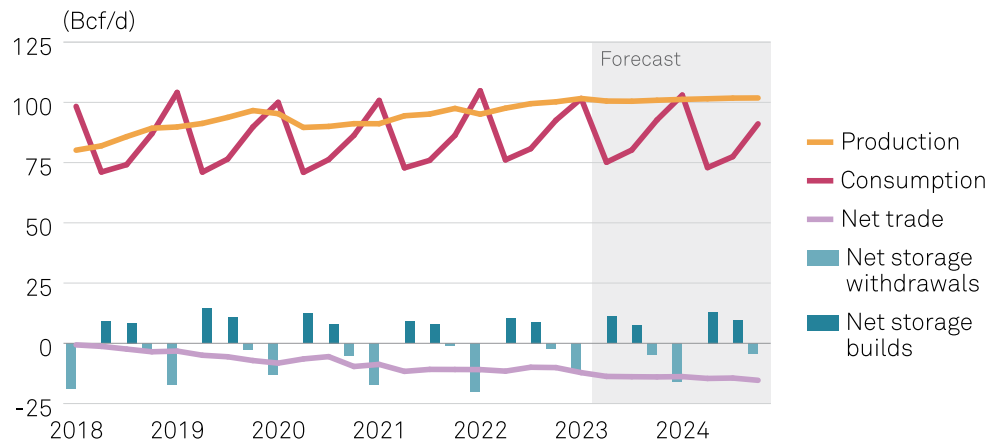
"Lower **natural gas** prices and growing generation from **renewable** sources should reduce costs for generating **electricity** this summer compared with last summer," DeCarolis said in the statement that accompanied the report.

## Gas supply, demand

Turning to **natural gas** supply and demand, the **EIA** raised by 410 MMcf/d to 109.06 Bcf/d its **natural gas** marketed production estimate for the **US** in Q2. The agency also raised the 2023 production forecast by 270 MMcf/d to 109.42 Bcf/d, compared with the prior month's outlook. The yearly average tops the 2022 average of 106.7 Bcf/d.

Digging into production data, the agency said associated production in the Permian and Haynesville regions set new records in the first quarter, but the **EIA** forecast slight declines in production April and May due to pipeline maintenance in West **Texas** and the Northeast.

## US natural gas supply and demand



Source: US EIA's Short-Term Energy Outlook

**US natural gas** consumption forecasts also rose by 890 MMcf/d to 75.14 Bcf/d for Q2, compared with the March estimates. For the full year, the **EIA** estimated consumption would average 87.37 Bcf/d, up 970 MMcf/d from the prior month's estimate, preceding a decline to 86.12 Bcf/d on average in 2024.

Helping drive the lower prices this spring, **gas** storages levels reached 1.86 Tcf at the end of March, the **EIA** estimated, a level 19% above the five-year average.

**"We** expect **US natural gas** inventories to increase by 1,985 Bcf during this year's injection season (April–October), similar to the five-year average for summer injections, which would result in 8% higher inventories than last year's end-of-October stocks," the **EIA** said, forecasting inventories will reach 3.8 Tcf at the end of October.

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