

## Analysis : Low gas prices add more fuel for summer power burn records in 2023

By J. Robinson

Published on - Mon, 27 Mar 2023 17:38:15 EST

- **US** retired 11.6 GW of **coal** capacity in 2022
- **NOAA** sees hotter-than-normal **US** summer

**US gas** -fired power burn could be on track for another record-setting summer this year, propelled in part by low **gas** prices which are already giving the fuel an edge over **coal** generation this spring.

In 2023, domestic power burn demand has averaged a record-high 30.3 Bcf/d, outpacing the previous first-quarter high of 29.6 Bcf/d, set in 2020, data from S&P Global Commodity Insights shows.

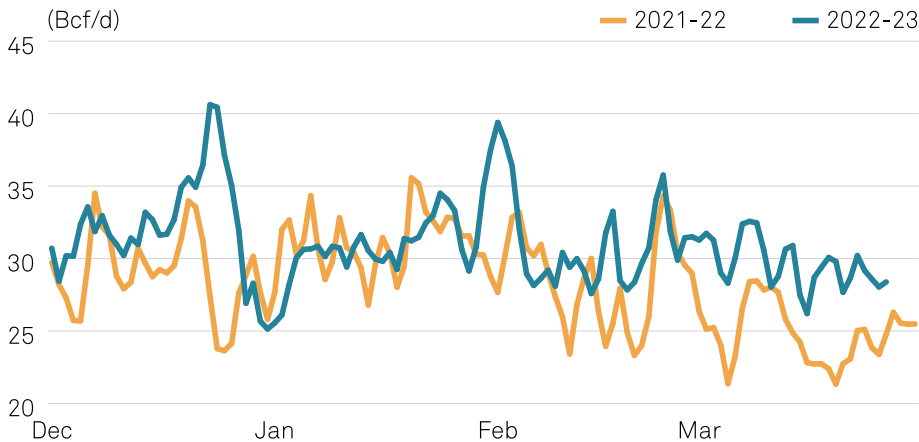
Changes in the **US** generation stack have been the primary driver behind strong power burn demand this year. In 2022, the **US** retired an estimated 11.6 GW of **coal** capacity, with nearly 80% of that total located in **PJM Interconnection** and the **Midcontinent Independent System Operator** . Continued **coal** retirements already gave **gas** an edge last summer – pushing **US** power burn demand to record highs, even as benchmark **Henry Hub gas** prices hit historic highs at nearly \$10.

In 2023, changes to the generation stack in **PJM** and **MISO** have already had a big impact.

In **PJM** , market share for **coal** is down about 8 percentage points year to date, with the fuel accounting for just 15% of total power generation in Q1. Over the same period, market share for **gas** is up about 7 percentage points to account for nearly 43% of total power generation in 2023, S&P Global data shows.

A similar trend has been underway in **MISO** where generation share for **coal** is down about 8 percentage points to just under 28%, while market share for **gas** is up roughly 7 percentage points to about 35%.

### US gas-fired power burn



Source: S&P Global Commodity Insights

### Weather, prices

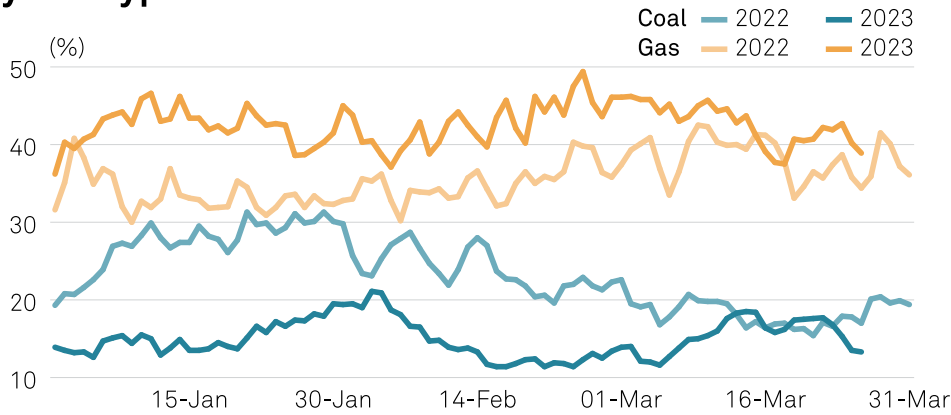
Both nationally and at the system-operator level, weather doesn't appear to explain this year's strong power burn demand. Year-to-date, the **US** population-weighted temperature has averaged a balmy 46.3 Fahrenheit, or about 3 degrees milder than in Q1 2022. In both the Northeast and the Midwest, population-weighted temperatures are about 5 degrees warmer this year than in first-quarter 2022.

Following the stunningly rapid selloff in **gas** prices late last year, it already appears that generators have begun dispatching more **gas** -fired power, especially in **MISO** . From November through January, market share for **coal** in **MISO** averaged just over 32%, compared to about 31% for **gas** .

By early February, though, just as **NYMEX gas** futures prices sank below \$3/MMBtu, market share for **gas** began climbing sharply at the expense of **coal** . From Feb. 1 to date, generation share for **gas** in **MISO** has climbed to an average 36%, while **coal** 's share has dropped to about 24.5%, S&P Global data shows.

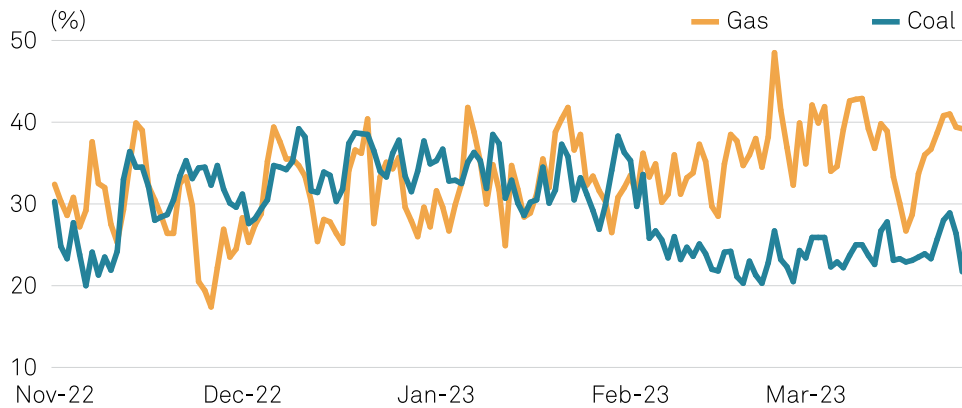
At the **US** level, a year-on-year comparison for power burn also shows demand outperforming this winter compared to last. Since February, though, the typically large seasonal drop in demand hasn't occurred this year, with lower **gas** prices in 2023 potentially a key factor behind the continued strength in power burns into early spring.

## PJM Interconnection: power generation market-share by fuel type



Source: S&P Global Commodity Insights

## Midcontinent Independent System Operator: power generation market-share by fuel type



Source: S&P Global Commodity Insights

## Summer outlook

Hotter-than-normal weather this summer could multiply the impact of low **gas** prices, potentially fueling another record-setting season for **US gas**-fired power burn. According to an updated seasonal outlook published by the National Weather Service, most of the Lower-48 is at risk for above-average temperatures in June, July and August – typically summer’s hottest months.

Assuming current forward pricing roughly reflects the outcome for spot prices this summer, **Henry Hub gas** should remain comfortably below \$3/MMBtu through the summer months – making **gas**-fired cooling sufficiently cheap to boost power demand above last season's record highs.

For internal use only. Not for reproduction or further distribution. Platts' standard terms and conditions apply to all use of this article/excerpt. Read Platts' Terms & Conditions at <https://pmc.platts.com/Public/TermsConditions.aspx>.

© 2022 by S&P Global Inc. All rights reserved.

Please contact us to learn more about Platts products and services at +1-800-PLATTS-8 / 1-800-752-8878 (Toll-free in U.S. and Canada) or by email at [support@platts.com](mailto:support@platts.com)