

News : US EIA bumps up US gas consumption forecasts, lowers Q2 price forecast

By Maya Weber

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- Expects high summer generation demand for gas
- New methodology adds to cooling degree days
- Q2 gas marketed production seen up 1.45 Bcf/d

US natural gas consumption for electricity generation will reach the second-highest level on record this summer, the US Energy Information Administration said May 9, as it raised gas demand estimates for the second and third quarters of 2023.

"High natural gas-fired electric power generation this summer is driven by a decline in coal-fired electricity generation, relatively low natural gas prices, and more overall electricity generation due to warmer-than-normal temperatures in our forecast," the EIA said in its May Short-Term Energy Outlook.

The agency estimated that gas consumption for electricity will average about 38 Bcf/d for the May-to-September period, just behind last summer's level of 39 Bcf/d.

The EIA revised its methodology for considering the weather in the outlook, combining a 30-year trendline and the National Oceanic and Atmospheric Administration's forecast; the result is a warmer forecast in the winter and summer, increasing cooling degree days by 8% in 2023 and 12% in 2024, the EIA said, while the heating degree day forecast declines by 1% in 2023 and 4% in 2024.

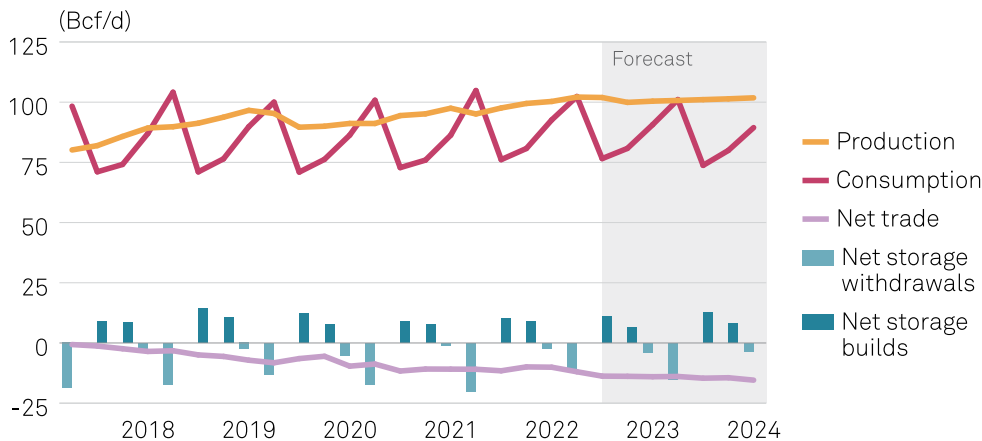
The EIA raised its overall US natural gas consumption estimates by 1.42 Bcf/d to 76.56 Bcf/d for Q2, and by 590 MMcf/d to 80.8 Bcf/d for Q3.

It bumped up the forecast for gas consumption for electricity generation by about 2% for 2023 and 3% for 2024, compared to last month's forecast, because of the weather methodology change.

Still, rising generation from renewable sources in 2023 is a key reason the agency does not expect gas consumption to reach a new record in 2023, EIA said.

"The increasing share of renewables in the US generation mix is a major feature of our electricity forecast this summer and through 2024," said EIA Administrator Joe DeCarolis, in a statement accompanying the report. He added that less generation is expected from coal this year in the US than any year this century.

US natural gas supply and demand



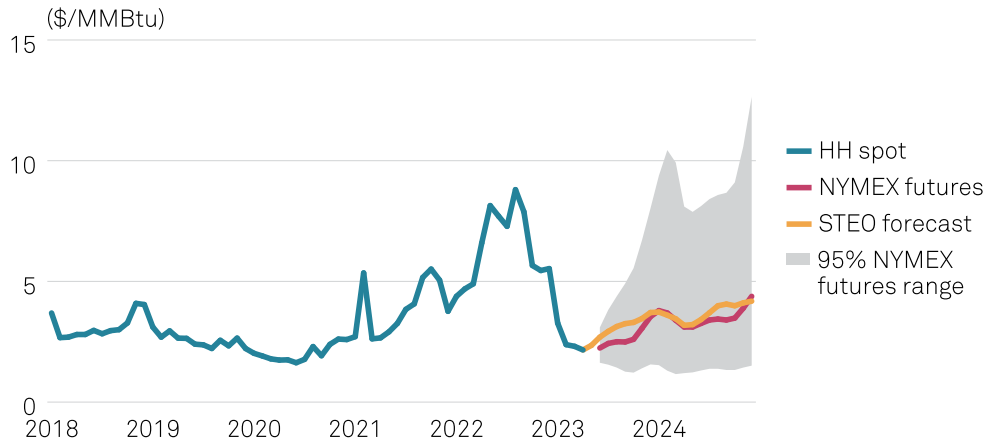
Source: US EIA's Short-Term Energy Outlook

Gas supply

On the supply side, the EIA raised by 1.45 Bcf/d to 110.51 Bcf/d its natural gas marketed production estimate for Q2, but lowered its Q3 production forecast by 680 MMcf/d to 108.31 Bcf/d.

Gas storage inventories also are expected to reach 3.76 Tcf by the end of October, 4% above the five-year average, with injections in the East, Midwest, and South Central regions exceeding the average through the end of the injection season, the EIA said.

Henry Hub natural gas price and NYMEX confidence interval



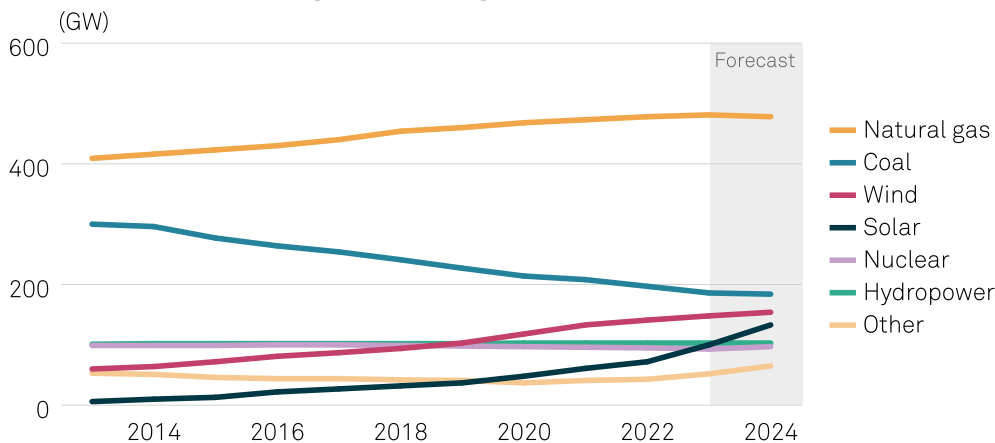
Sources: EIA's Short-Term Energy Outlook, CME Group, Refinitiv an LSEG Business

Amid the higher production, the EIA lowered its forecast for Q2 Henry Hub natural gas spot prices by 25 cents to \$2.40/MMBtu. But the Q3 forecast rose 7 cents from the previous month's estimates to \$3.10/MMBtu.

"We expect the US benchmark Henry Hub natural gas spot price to average \$2.35/MMBtu in May and rise to around \$3.00/MMBtu in July and August, when power demand peaks," the report said.

Henry Hub natural gas prices will average \$2.91/MMBtu for full-year 2023 and \$3.72/MMBtu in 2024, according to the forecast, compared with the previous month's estimates of \$2.94/MMBtu in 2023 and \$3.71/MMBtu in 2024.

US electric power generating capacity



Source: US EIA's Short-Term Energy Outlook

Turning to the power sector, the agency forecast that renewables will make up 23% of the US generation mix in 2023 before rising to 26% in 2024.

Amid lower natural gas prices in 2023, the share from natural gas generation is seen rising to 40% in 2023 before dropping to 38% in 2024 when gas prices are forecast to rise.

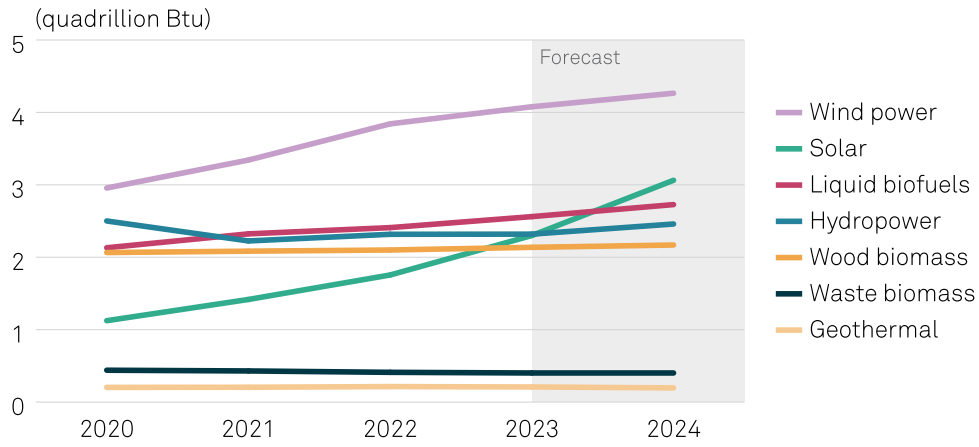
Coal is seen declining to 17% of the mix in 2023 and 16% in 2024, compared with 20% in 2022.

In a closer look at hydropower, the EIA said improved water supply conditions in California and the Southwest bolster the regional hydropower outlook in 2023. It forecast 72% more hydropower generation in California in 2023 than in 2022, with 9% less gas-fired generation there compared with last year.

The Southwest was expected to see 12% more hydropower generation in 2023 than in 2022, although the generation mix was expected to resemble the prior year's makeup.

Overall, EIA said typical household electricity monthly bills are likely to be about 2% higher this summer, compared with last.

US renewable energy supply



Source: EIA's Short-Term Energy Outlook

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