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News : US EIA lifts Q4 gas production forecasts, sees lower heating prices for winter

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- Raises Q4 gas marketed production by 1.8 Bcf/d
- Q4 Henry Hub spot forecast up 8 cents to \$3.03/MMBtu

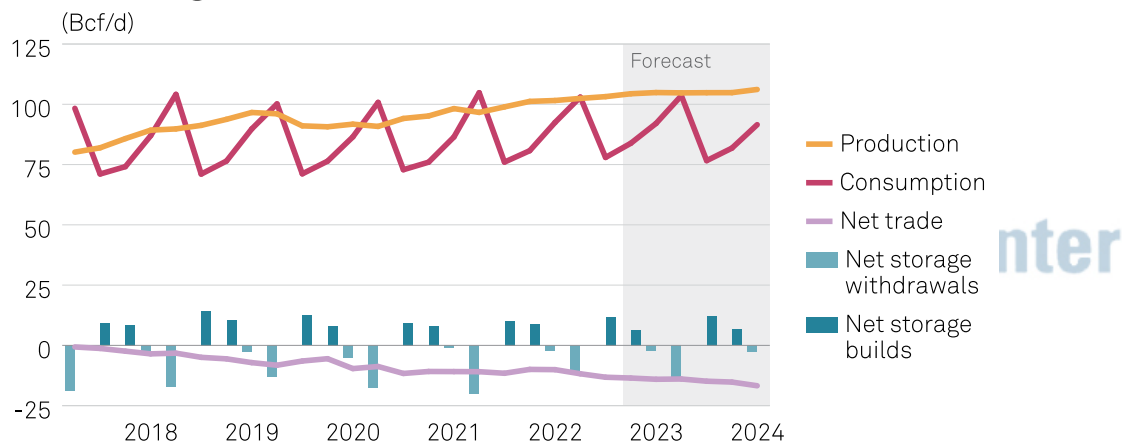
The US Energy Information Administration bumped up its US natural gas supply forecast for the fourth quarter of 2023 and shaved its gas consumption outlook, as it looked ahead to lower gas heating costs this coming winter.

The EIA, in its Short-Term Energy Outlook, Oct. 11 raised by 1.8 Bcf/d to 114.32 Bcf/d its natural gas marketed production estimate for the US in the fourth quarter. The first-quarter 2024 production forecast also rose 430 MMcf/d to 114.18 Bcf/d.

Headed into the heating season, the EIA forecast the most natural gas inventories entering the winter since 2020, despite the lower-than-average injections in July, August and September. Gas in underground storage will total 3.85 Tcf at the end of October, 6% more than the five-year average, the outlook forecast.

The EIA's estimates for Q4 natural gas consumption fell 1.27 Bcf/d to 92.08 Bcf/d, compared with the prior month's estimates.

US natural gas supply and demand



Source: US EIA's Short-Term Energy Outlook

The supply and demand outlook comes as the agency, in its 2023 Winter Fuels Outlook, also released Oct. 11, predicted that most US households would pay less for heating this winter, with lower prices most notable for natural gas.

"Natural gas wholesale spot prices have fallen as natural gas inventories have risen above the five-year average in early 2023 and have stayed above average this year, supported by growth in US natural gas production," the EIA said in the winter outlook.

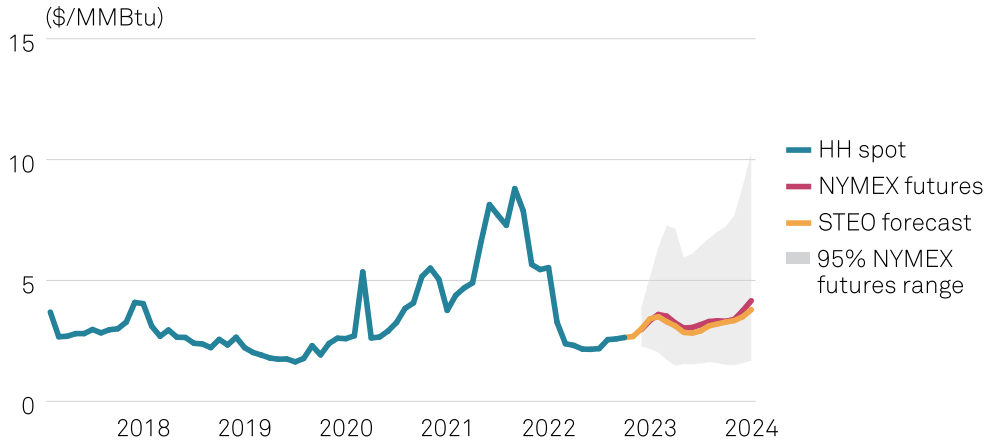
The spot Henry Hub price in September averaged \$2.74/MMBtu, 66% less than September 2022 and "among the lowest on an inflation-adjusted basis in the past 20 years," the EIA said.

Examining residential winter expenditures, EIA expects that lower gas prices will drive a more than 20% cut in expenditures for homes that use the fuel, given lower wholesale gas prices, because consumption is likely to be about the same level as last year.

"Natural gas prices and spending decrease in all three cases and in every region in this year's [Winter Fuels Outlook] compared with last winter, the agency said.

In its short-term outlook, the EIA raised its forecast for Q4 Henry Hub natural gas spot prices by 8 cents to \$3.03/MMBtu. The Q1 2024 forecast fell 1 cent from the previous month's estimates to \$3.31/MMBtu. But that remains well below the 2022 annual average of \$6.42.

Henry Hub natural gas price and NYMEX confidence interval



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

For homes that mostly heat with electricity, the EIA expected spending would be mostly in line with last winter, though households in the West are likely to spend less on heating this winter due to warmer weather.

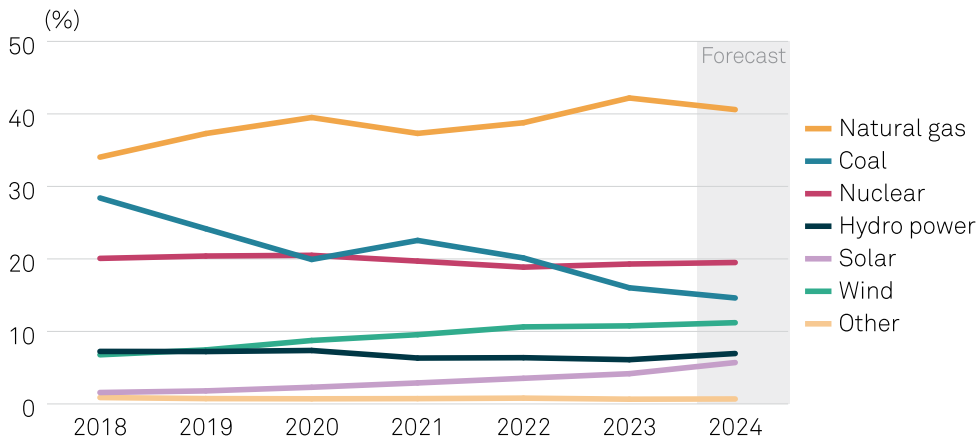
Homes that heat with gas and those in the West comprise 56% of US households, the EIA noted.

Overall, the EIA expects heating degree days this winter will be 4% fewer than the 10-year average, with the West experiencing 18% fewer HDDs, the South seeing 11% more, Northeast 7% more, and Midwest 3% more.

Evolving generation mix

In 2024, the EIA is forecasting that the share of US generation powered by natural gas will decline to 41%, from 42% in 2023, as renewables' share rises to 25% from 22%.

US electricity generation by fuel source



Source: US EIA's Short-Term Energy Outlook

"In the forecast, natural gas-fired generation is more likely to be affected by the increasing availability of renewable generation than by fuel costs because growing renewable capacity, which generally has lower operating costs than thermal generation, will lead to less need to generate from natural gas and coal," the short-term outlook said.

Solar capacity is expected to rise by 25 GW in 2023, EIA said while 8 GW of wind capacity comes on board. The additions should reduce the share of gas- and coal-fired used in the spring of 2024, the EIA said.

Turning to gas exports, the EIA expected net exports to increase 20% to average 12.8 Bcf/d in 2023, driven by LNG exports and pipeline exports to Mexico. After a decline in Q3, the EIA forecast LNG exports will grow in Q4, then average 12.7 Bcf/d in the first nine months in 2024, rising to 15.0 Bcf/d in Q4-24.

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