



Winter Natural Gas Outlook Projects Record Demand, Matched by Robust Storage and Production, Says NGSA Forecast

Washington, D.C. – Demand for natural gas is projected to reach an all-time high this winter, the Natural Gas Supply Association (NGSA) said today in its 17th annual *Winter Outlook* forecast of the wholesale winter natural gas market.

The NGSA 2017-2018 *Winter Outlook for Natural Gas* predicted that record demand will exceed even that of the Polar Vortex winter of 2013-2014, but said surging production, Canadian imports and robust storage inventories of natural gas will ably satisfy demand, resulting in flat pressure on prices compared to last winter. Last winter, natural gas prices at the Henry Hub averaged \$3.01 per MMBtu.

NGSA's Winter Outlook relies on published data and independent analyses. NGSA evaluates the combined impact of weather, economic growth, customer demand (including exports), storage inventories, supply activity and recent hurricanes on the direction of natural gas prices for the winter of 2017-2018, compared to last winter.

NGSA based its forecast on the outlook for 13 percent colder weather this winter heating season compared to last winter, which will increase demand from the residential and commercial market, in addition to smaller but still consequential increases in demand from the electric and industrial sectors and further boosted by steady growth in exports of natural gas.

"The picture that emerged for the upcoming winter is of a natural gas market experiencing substantial growth in both demand and supply. Record demand in the residential and commercial sector is primarily driven by colder weather, with a longer-term shift to natural gas in the electric and industrial sectors driven by competitive prices and environmental benefits," said Scott Moore, Chairman of NGSA and Senior Vice President, Anadarko Petroleum Corp.

Moore said, "We'd like consumers to keep in mind that wholesale natural gas prices averaged only about \$3 per MMBtu last winter, thanks to abundant natural gas from shale, even more natural gas on tap from storage and a flexible and responsive pipeline infrastructure system."

Key Demand Factors for Winter 2017-2018 -13% Colder Winter; Growth in Exports

Combining demand from all the major customer sectors – residential and commercial, industrial, electric and exports-- Energy Ventures Analysis (EVA) projects record demand of 92.3 Bcf/day, primarily because the forecasted 13 percent colder winter is predicted to increase winter demand from the residential and commercial sectors by a combined 2.8 Bcf/day on average.

NGSA's Outlook forecasts that electric sector demand for natural gas will increase by 1.6 Bcf/day due to colder weather and new natural gas-fired capacity replacing retiring coal plants. "Fuel switching" is expected to continue for the ninth consecutive winter, although at a 9 percent lower level than last winter. "Fuel switching" occurs when electric utilities temporarily switch to using natural gas-fired power plants because of lower fuel costs.

Expectations for very slight growth in industrial demand of 0.3 Bcf/day this winter contribute to the forecasted increase in total winter demand for natural gas. New builds and capacity expansions in the natural gas-intensive petrochemical and fertilizer industries continue to drive the industrial sector's

demand for natural gas demand. NGSAsaid 70 major projects are planned over the 2016-22 time period, consuming an estimated 3.7 Bcf/day more of natural gas annually by 2022.

Finally, growth in pipeline exports to Mexico as well as exports of LNG contribute to the increased winter-over-winter demand. The *Outlook* projects Mexican exports to grow by 0.4 Bcf/day and LNG exports to more than double, going from an average of 1.2 Bcf/day to 2.8 Bcf/day.

Moore said, "LNG exports and exports to Mexico by pipeline are projected to grow substantially, with LNG exports more than doubling since last winter. This marks the first full year that the United States is a net exporter of LNG, but the amount we are exporting remains small compared to our supply base and the total U.S. market. LNG exports bring economic benefits to the U.S. and the benefits of low carbon emissions to our overseas customers, while providing balance and stability to the market," said Moore.

Key Supply Factor for Winter 2017-18 - Surging Production Rebounds from Previous Winter

Turning to this winter's natural gas supply fundamentals, the *Outlook* projects a winter of tremendous growth in production of nearly 6 Bcf/day, about an 8 percent increase.

Moore said, "The shale revolution has ushered in a remarkable era, as evidenced by dramatic growth in production over the last 10 years. Drilling efficiencies continue to keep production flowing and new pipeline infrastructure can bring it to customers."

According to Moore, "The important takeaway is the strength and responsiveness of natural gas supply. When you take into account the expectation for tremendous production and robust storage, the industry is well-positioned to meet record demand from consumers."

In brief, NGSAs analysis of individual supply and demand factors showed:

Weather - Anticipated 13 percent colder than last winter but still 1 percent warmer than the 30-year average. *Upward pressure.*

Economy - Average growth in GDP similar to last winter is expected. *Neutral pressure.*

Overall Demand - Customer demand projected to average record 92.3 Bcf/day. Major growth of 8 percent expected in the **residential/commercial sector**, due to colder weather. **Electric** demand will increase 8 percent compared to last winter. **Industrial sector** demand is projected to grow only slightly, while still setting a new record. Exports to Mexico combined with LNG exports will increase 38 percent compared to last winter. *Upward pressure.*

Storage - Expectation for strong inventory of gas in storage, similar to last winter. About 16 percent of winter supply comes from storage on average. *Neutral pressure.*

Supply - Production is expected to soar by 8 percent. *Downward pressure.*

NGSA used data from Energy Ventures Analysis and the Energy Information Administration for its demand and supply projections and IHS Economics for its economic projections. **The NGSAs analysis is based on publicly reported data; the association does not project actual price figures for wholesale or retail markets.**

For more information, please see NGSAs 2017-18 Winter Outlook Executive Summary, NGSAs 2017-18 Winter Outlook PowerPoint presentation and the EVA report, 2017-18 Winter Outlook for Natural Gas at www.ngsa.org.

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The Natural Gas Supply Association (NGSA) represents integrated and independent companies that supply natural gas in the U.S. Established in 1965, NGSAs the only national trade association that solely focuses on producer/marketer issues related to the downstream natural gas industry. For more information, please visit www.ngsa.org.

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