NATURAL GAS MARKETS IN AN EVOLVING ENERGY LANDSCAPE
The American Gas Association (AGA) represents companies delivering natural gas safely, reliably, and in an environmentally responsible way to help improve the quality of life for their customers every day. AGA’s mission is to provide clear value to its membership and serve as the indispensable, leading voice and facilitator on its behalf in promoting the safe, reliable, and efficient delivery of natural gas to homes and businesses across the nation.

Committed to utilizing America’s abundant, domestic, affordable and clean natural gas to help meet the nation’s energy and environmental needs.
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US natural gas prices are relatively stable and present sharp contrast with Europe and Asia
Declines in EU natural production has meant growing reliance on Russian imports

European's reliance on Russian Natural Gas
percent of Russian gas in the European Union (EU-27)

Source: Eurostat, Imports of natural gas by partner country [NRG_TI_GAS], Supply, transformation and consumption of gas [NRG_CB_GAS].

Chart: Nikos Tsafos CSIS
Russia is largest source of Europe’s natural gas. If flows were cut, despite significant response, Europe still left short.
US playing an outsized role in serving European gas demand

**European LNG imports by source**

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Source: Kpler LNG Service (data downloaded on February 1, 2022).

Chart: Nikos Tsafos CSIS
European natural gas storage is rebuilding
LNG imports will help balance the European gas market this summer

Northwest Europe Gas Balances (Change From Summer ’21 to Summer ’22)

- Lower Russia: -50 mcm/d
- Higher exports: +34 mcm/d
- Higher injections: -85 mcm/d
- Lower demand: -50 mcm/d
- Higher NWE prod.: +15 mcm/d
- Higher Norway: +17 mcm/d
- Higher LNG: +89 mcm/d
More LNG export capacity online in 2022. Next major project not due until 2024.

U.S. quarterly liquefied natural gas peak export capacity (2016–2022)

- **Calcasieu Pass 1-18**: new export facility, includes 18 liquefaction units with a combined capacity of 1.6 Bcf/d
- **Sabine Pass 6**: sixth liquefaction unit being added, with 0.8 Bcf/d capacity

Source: U.S. Energy Information Administration, database of U.S. LNG export facilities
At home, natural gas futures are trading above recent history.

Natural Gas Prices Prompt-Month Futures at Henry Hub

$/MMBtu

Source: Energy Information Administration
Within a larger span of history, prices remain low and stable.

Daily Prompt-Month Futures at Henry Hub ($/MMBtu)

Daily Price Range
2006-2010

Source: Energy Information Administration
Natural gas production is elevated relative to 2021.
During the past year, as natural gas prices recovered, the resumption of gas drilling activity was muted, but has picked up.

Source: Baker Hughes, Energy Information Administration
Chart: American Gas Association
Production expected to grow

Total US Lower-48 Production (Bcf per day)

US Production
95 Bcf/d average in 2022
+4.4 Bcf/d Jan to Dec

S&P Global Commodity Insights Forecast (4/15/2022)
Higher coal prices means natural gas prices need support to induce gas-to-coal switching.
LNG Exports and domestic end uses contribute to higher demand

US Lower-48 Demand (Bcf per day)

Five-Year Range  Five-Year Average  2021  2022
US storage inventories ended March at 1.4 Tcf. EIA forecasts storage at 3.5 Tcf by October, below 2021 levels.
Storage inventories, which began the winter below average, remain at the bottom range of the five-year average.
US natural gas demand continues to grow in 2021, driven by exports

U.S. natural gas demand by end use

Source: BCSE Factbook, EIA, DOE
Futures supply growth is unlikely to be limited by geology. *Potential future* supply of natural gas is at a record high.

Source: Potential Gas Agency (2021)
Natural gas interstate pipeline capacity additions decrease in 2021

Interstate and international interconnection pipeline capacity additions by region (2015–2021)
billion cubic feet per day

Source: U.S. Energy Information Administration, Natural Gas Pipeline Projects Tracker
Note: We consider only pipeline projects under Federal Energy Regulatory Commission jurisdiction as interstate capacity.
More than two-thirds of new interstate pipeline capacity was within Texas or Gulf Coast markets during 2021

Source: U.S. Energy Information Administration, Natural Gas Pipeline Projects Tracker
Mountain Valley Pipeline Project

- 94% complete but remains stalled
- Permits vacated by 4th Circuit
- No longer has in-service date
- Production increases may be limited due to downstream constrains
Certification of New Interstate Natural Gas Facilities
  • Updated factors in assessing the public convenience and necessity

Interim Policy Statement to Consider GHG Emissions Related to Natural Gas Infrastructure Projects
  • Quantifying GHG Emissions and Determining Significance
  • Specifies 100,000 metric tons per year CO2 as having a “significant impact on the environment”

Result: It will be more difficult to receive FERC approval for pipeline projects
Questions?