

## APGA Weekly Update, May 19, 2016

### EIA Releases Early Version of Annual Energy Outlook 2016

The Energy Information Administration (EIA) released its Annual Energy Outlook (AEO) 2016 Early Release: Annotated Summary of Two Cases, on May 17. The release analyzes a reference case, which assumes the continuation of all existing policies, taxes, programs, and the Clean Power Plan (CPP), and a second scenario, the “No CPP,” which has the same assumptions as the reference case, but without implementation of the CPP. The full 2016 AEO is expected to be released sometime this summer.

The 2016 AEO key takeaways on natural gas from both scenarios are below.

- The Henry Hub spot price for natural gas averaged \$2.62/million Btu in 2015, the lowest annual average price since 1995. Despite the low price in 2015, production gains continued as a result of abundant domestic resources and improved production technologies.
- U.S. natural gas prices are expected to rebound from 2015 levels, rising above \$4.40/million Btu by 2020—and average increase of 11 percent annually.
- Growth in demand for natural gas, notably for liquefied natural gas (LNG) exports from projects that are already under construction, results in upward pressure on prices.
- Over 2020-40, production, end-use consumption in the industrial and electric power sectors, and exports of LNG are projected to increase. However, technology improvements, which result in drilling cost declines and increased recovery rates, allow productive capacity to keep pace with demand, resulting in stable prices throughout much of the projection.
- Average annual U.S. natural gas prices at the Henry Hub over 2022-40 are lower in the no CPP case than in the reference case. The lower prices in the no CPP case reflect less demand for natural gas and higher use of coal to generate electricity.

A few additional noteworthy points are below.

- The natural gas share [of electricity] grows more substantially in the reference case than in the no CPP case, as natural gas is used to replace retiring coal generation as a way to comply with the CPP. Natural gas generation increases by 44 percent in the reference case and by 32 percent in the No CPP case from 2015 to 2040.
- Petroleum-based gasoline use falls 26.3 percent over 2015-40, driven by rising light-duty vehicle fuel economy.
- Use of all other transportation fuels grows over 2015-40, led by diesel fuel and compressed and liquefied natural gas.

- The growth in natural gas production is driven by the continued development of shale gas resources where technology improvements result in higher rates of recovery at lower costs throughout the projection period. Natural gas production increases at an average annual rate of 1.8 percent over 2015-40.
- Production growth holds down natural gas prices, stimulating demand for U.S. natural gas in the United States particularly in the electric power sector and in overseas markets.
- Total U.S. natural gas consumption grows by 0.9 percent per year from 2015-40, but decreases between 2017-21 due to a decline in the electric power sector, where natural gas use drops by 1.4 trillion cubic feet (Tcf). After 2021, U.S. natural gas consumption rises steadily.
- The United States transitions from being a net importer of 1.0 Tcf of natural gas in 2015, or three percent of U.S. total natural gas supply, to a net exporter by 2018. Almost 50% (3.6 Tcf) of the growth in net exports that occurs by 2021 is liquefied natural gas exports. Net U.S. exports of natural gas reach 7.5 Tcf in 2040, or 18 percent of total production.”

For questions on this article, please contact Scott Morrison of APGA staff by phone at 202-464-2742 or by email at [smorrison@apga.org](mailto:smorrison@apga.org).

### **APGA Look Closer Calendars Now Available!**

The 2017 Look Closer calendars are now available for ordering. These calendars were developed by Crabtree Ink and use the themes from the APGA Look Closer marketing campaign. You can order the calendars by going to [www.apgalookcloser.com](http://www.apgalookcloser.com), and click on the link at the top of the page (calendar). No login is required.

The 2017 calendar will feature 12 months devoted to promoting the natural gas industry through marketing messages and professional photography. A custom tab (two inches below the bottom page) allows for your company information, web address and logo. Order today before pre-sales end on August 5, and receive them before Public Natural Gas week in October. Every one of your customers would love to have one!

For questions on the 2017 calendars or on the Look Closer marketing campaign, please contact Audrey Anderson by phone at 202-464-2742 or by email at [aanderson@apga.org](mailto:aanderson@apga.org).

### **Mark Your Calendar for the APGA Operations Conference November 8-10**

Plan now to attend the 2016 APGA Operations Conference November 8-10 in Chattanooga, Tenn. At its May 2 meeting, the APGA Board of Directors voted to hold an operations conference every other year beginning in 2016. The conference will feature speakers and panels of experts on topics such as integrity management, regulatory compliance, research and development, and new technology. The conference will also include an exposition of the latest in products and services for natural gas distribution operations.

The complete program and registration information will be available mid-summer. For questions on this article, please contact John Erickson of APGA staff by phone at 202-464-0834 or by email at [jerickson@apga.org](mailto:jerickson@apga.org).

### **EIA Reports Storage Increase of 73 Bcf to Put Working Gas Storage at 2,754 Bcf**

Here is the weekly EIA Summary Report issued on Thursday, May 19, 2016, which reports the week's storage report highlights for Friday, May 13, 2016. A 73 Bcf increase has been reported.

Working gas in storage was 2,754 Bcf as of Friday, May 13, 2016, according to EIA estimates. This represents a net increase of 73 Bcf from the previous week. Stocks were 791 Bcf higher than last year at this time and 795 Bcf above the five-year average of 1,959 Bcf. At 2,754 Bcf, total working gas is above the five-year historical range.