

What's going on in natural gas markets?

August 13, 2024

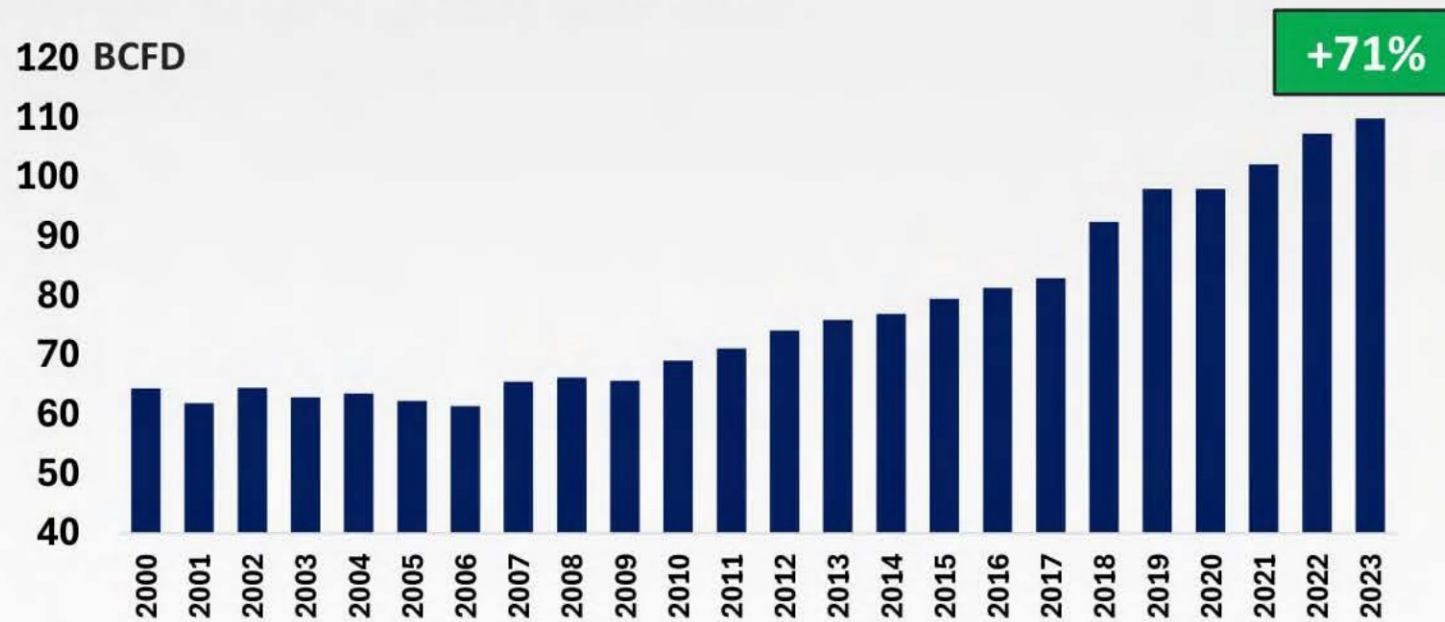


American
Petroleum
Institute

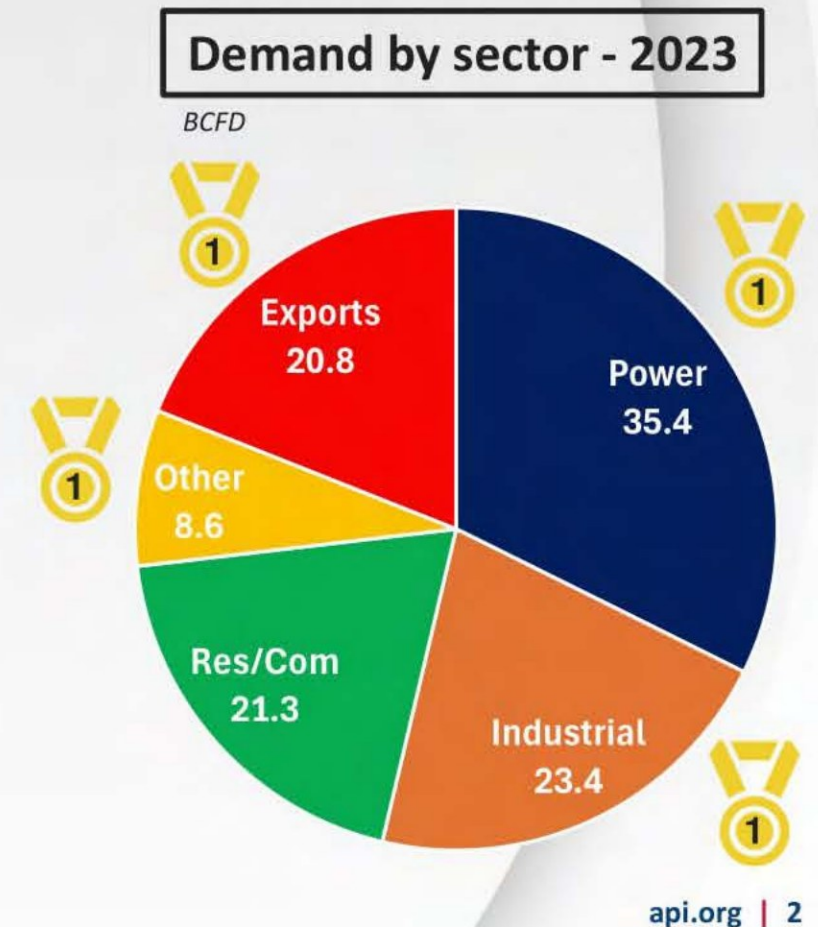
In the U.S., natural gas use is at record highs

- Majority of sectors at record highs
- Facilitated by status as #1 gas producer

U.S. natural gas consumption



Source: U.S. EIA



Prices have fallen sharply since 2022 peak

Henry Hub prices

\$10 /MMBTU



Source: Bloomberg

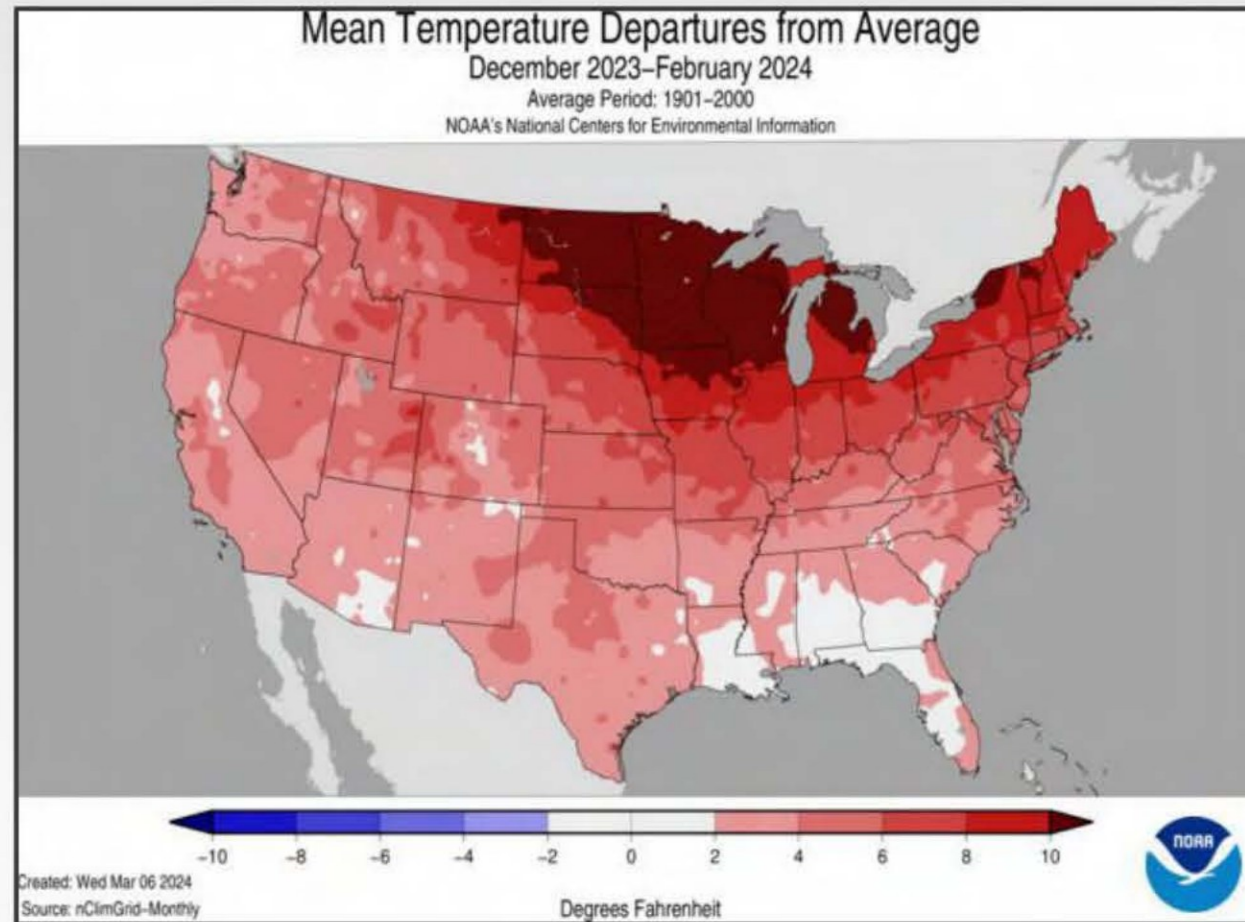
Production hits record, pulls back slightly

U.S. dry natural gas production



Source: Bloomberg

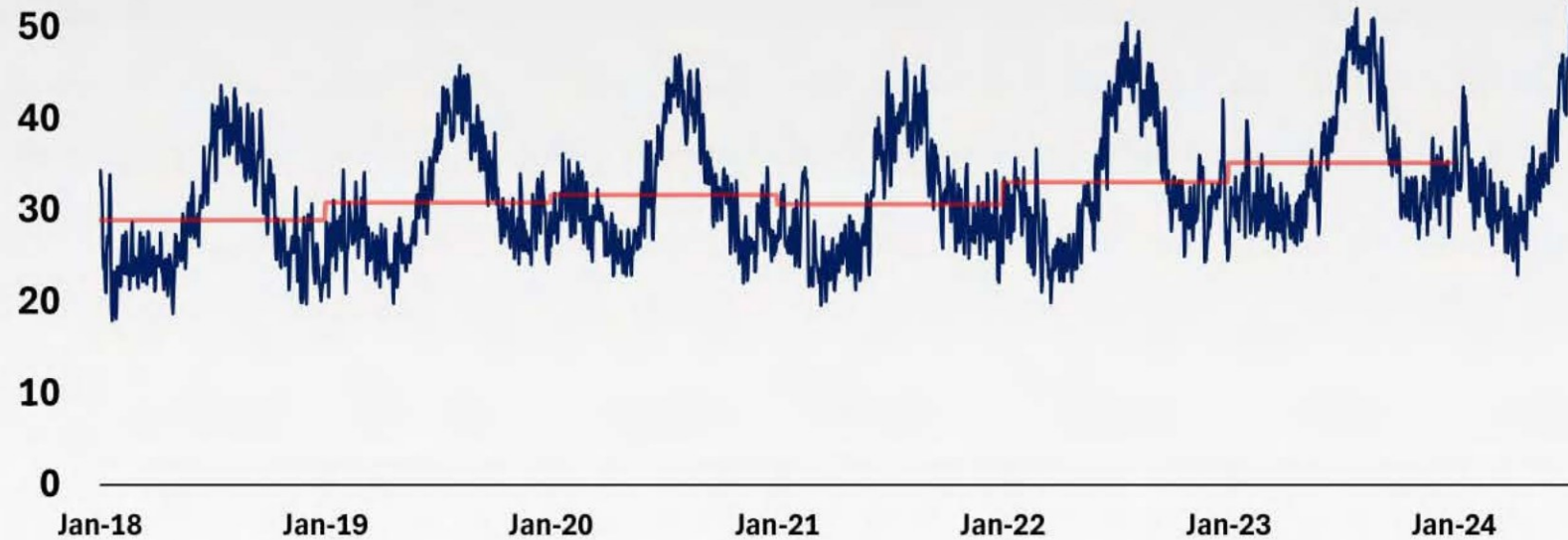
El Niño contributes to very warm winter



Power burn continues to set records

Power sector natural gas consumption

60 BCFD

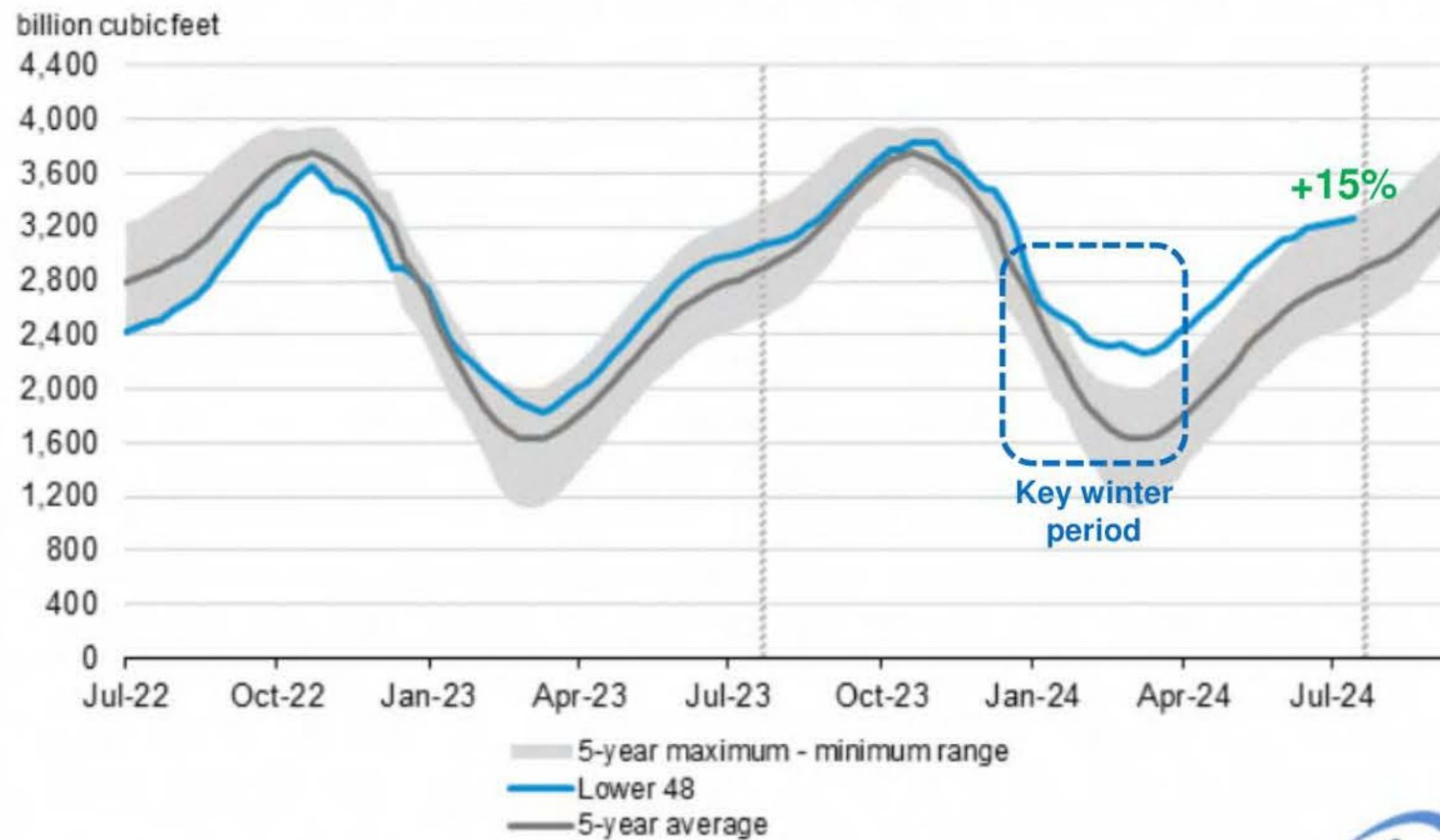


Power burn
is up 22%
since 2018

Source: Bloomberg

Accordingly, storage levels are robust

Working gas in underground storage compared with the 5-year maximum and minimum



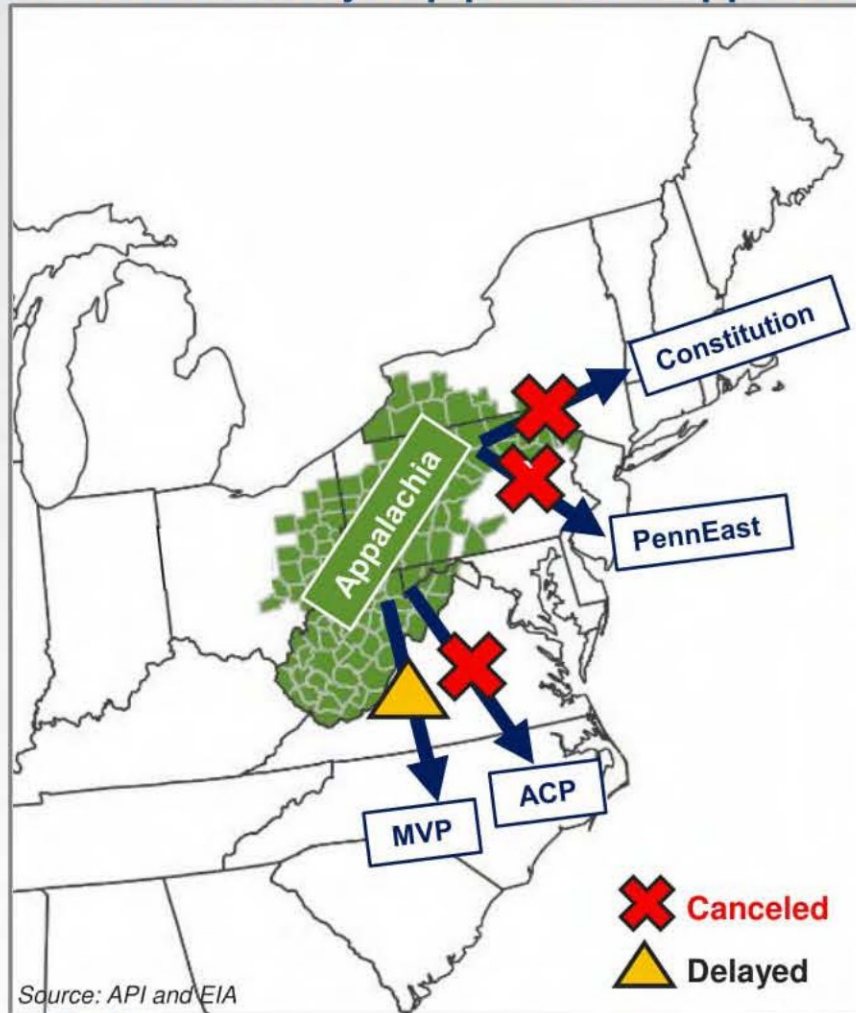
Data source: U.S. Energy Information Administration



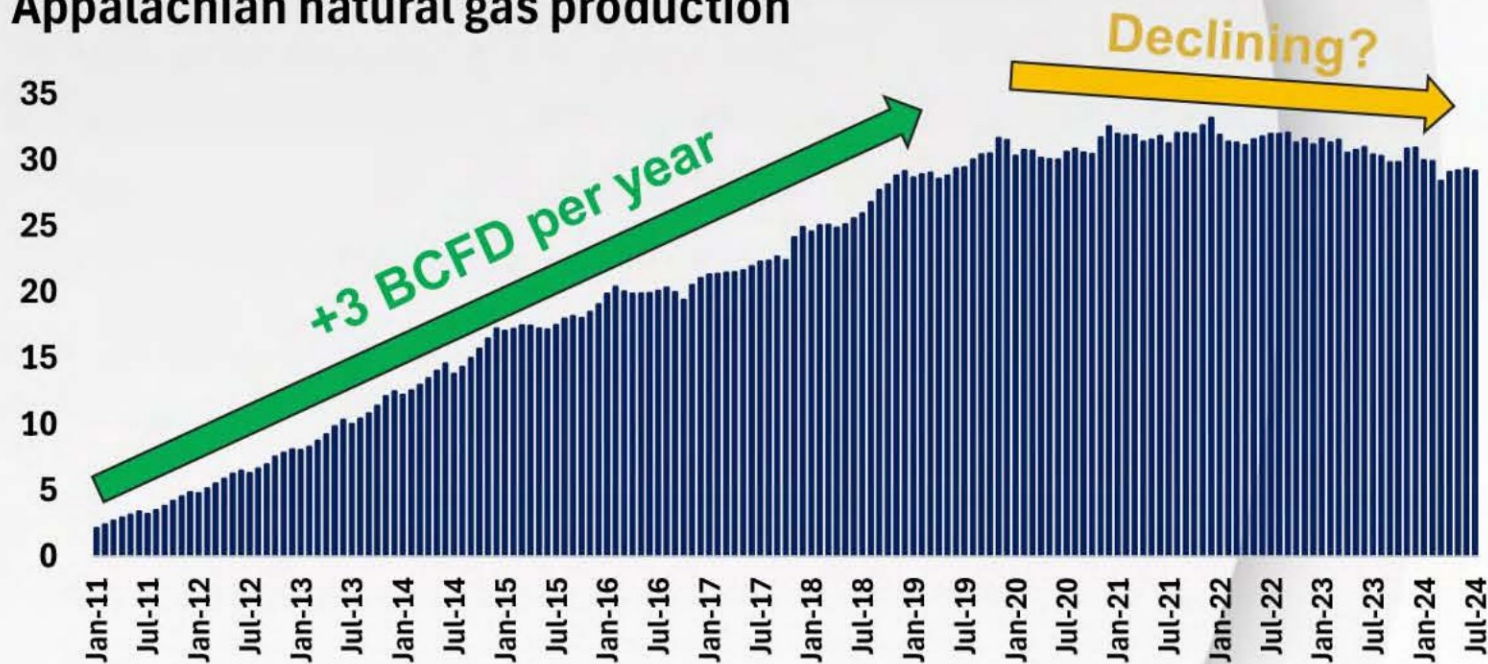
American
Petroleum
Institute

Significant infrastructure challenges exist

Canceled & delayed pipelines in Appalachia



Appalachian natural gas production



Source: U.S. Energy Information Administration

Load growth has dominated the news cycle



US electricity load growth forecast jumps 81% led by data centers, industry: Grid Strategies



Grid Planners Predict Sharp Increase in Load Growth



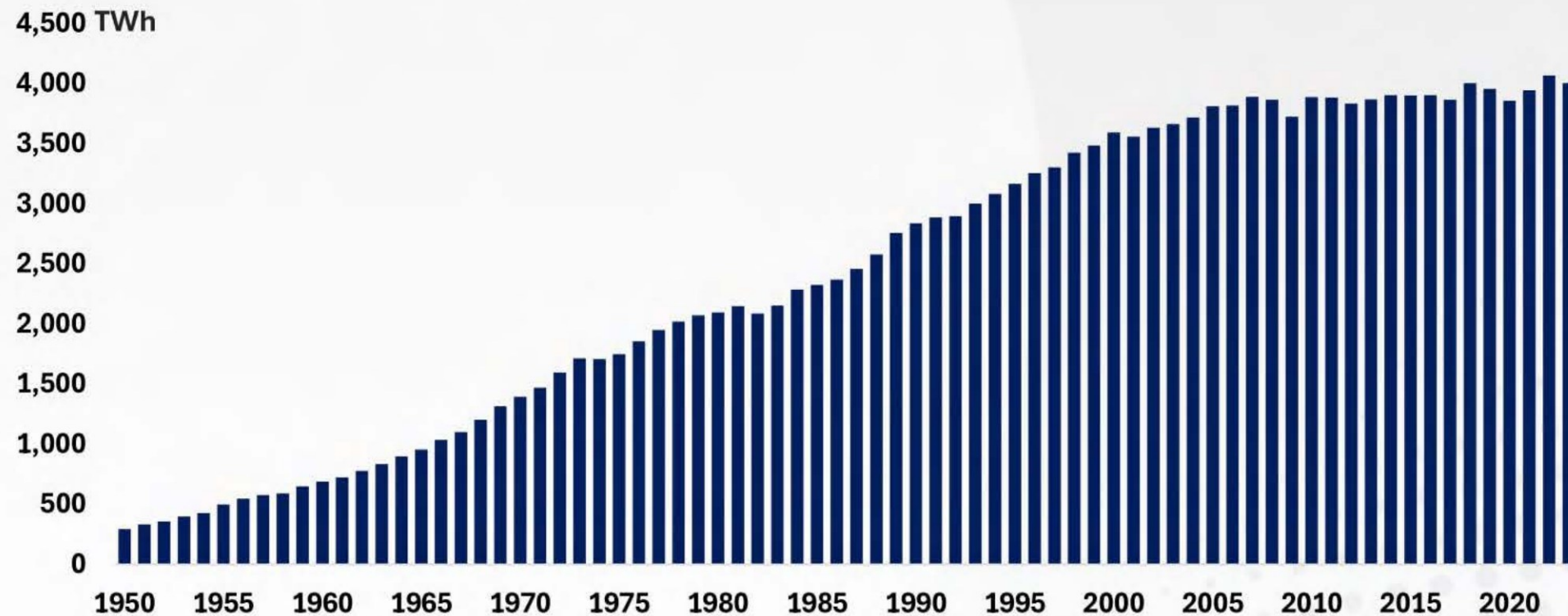
POWER

AWS Acquiring Data Center Campus Powered by Nuclear Energy



Load growth has slowed in recent decades...

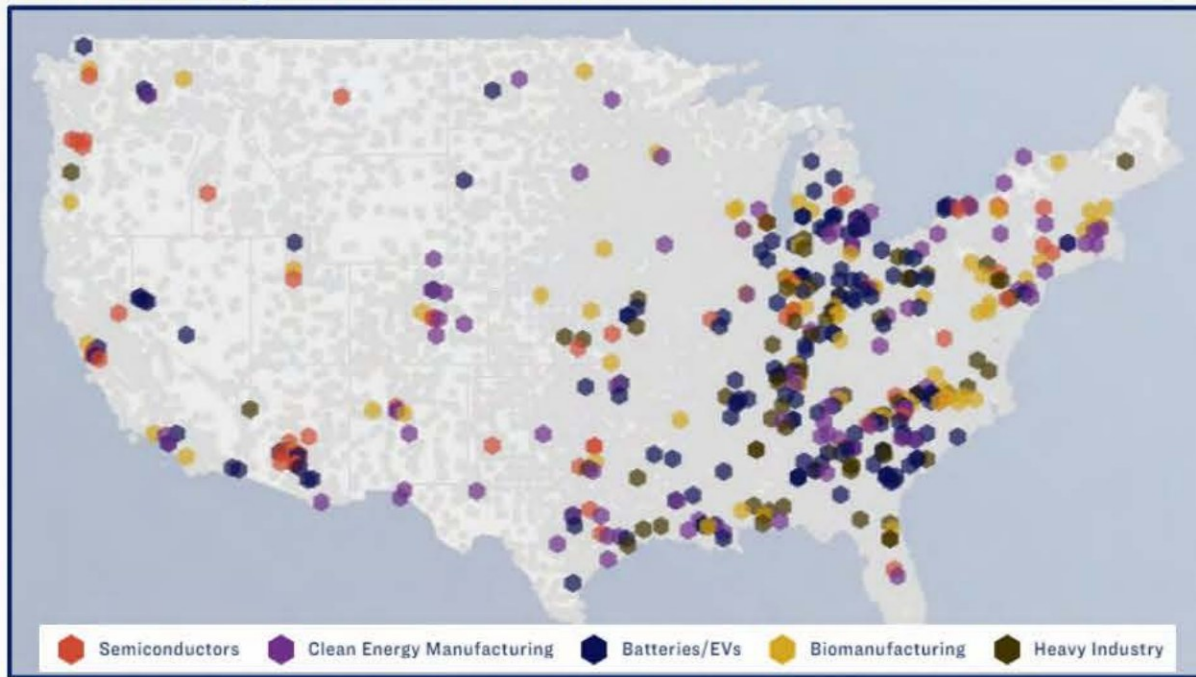
U.S. electricity consumption



Source: API using EIA data

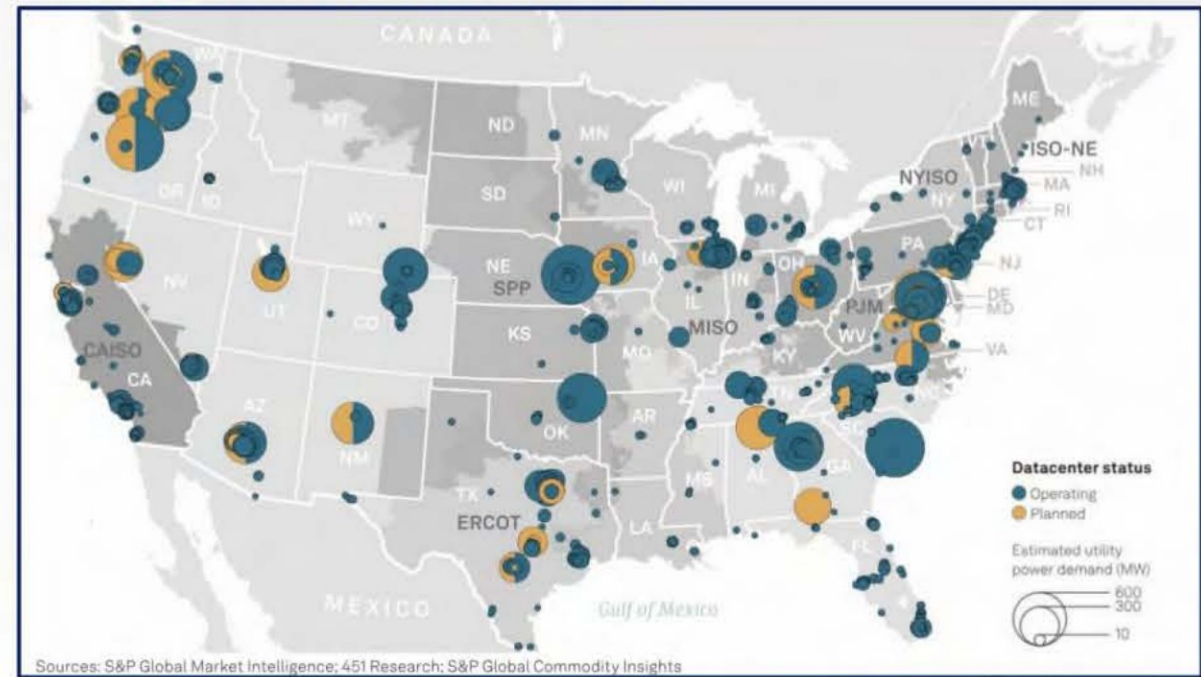
...but amid fast-growing AI and re-shoring...

Manufacturing Facilities Announced Since 2021



Source: The White House

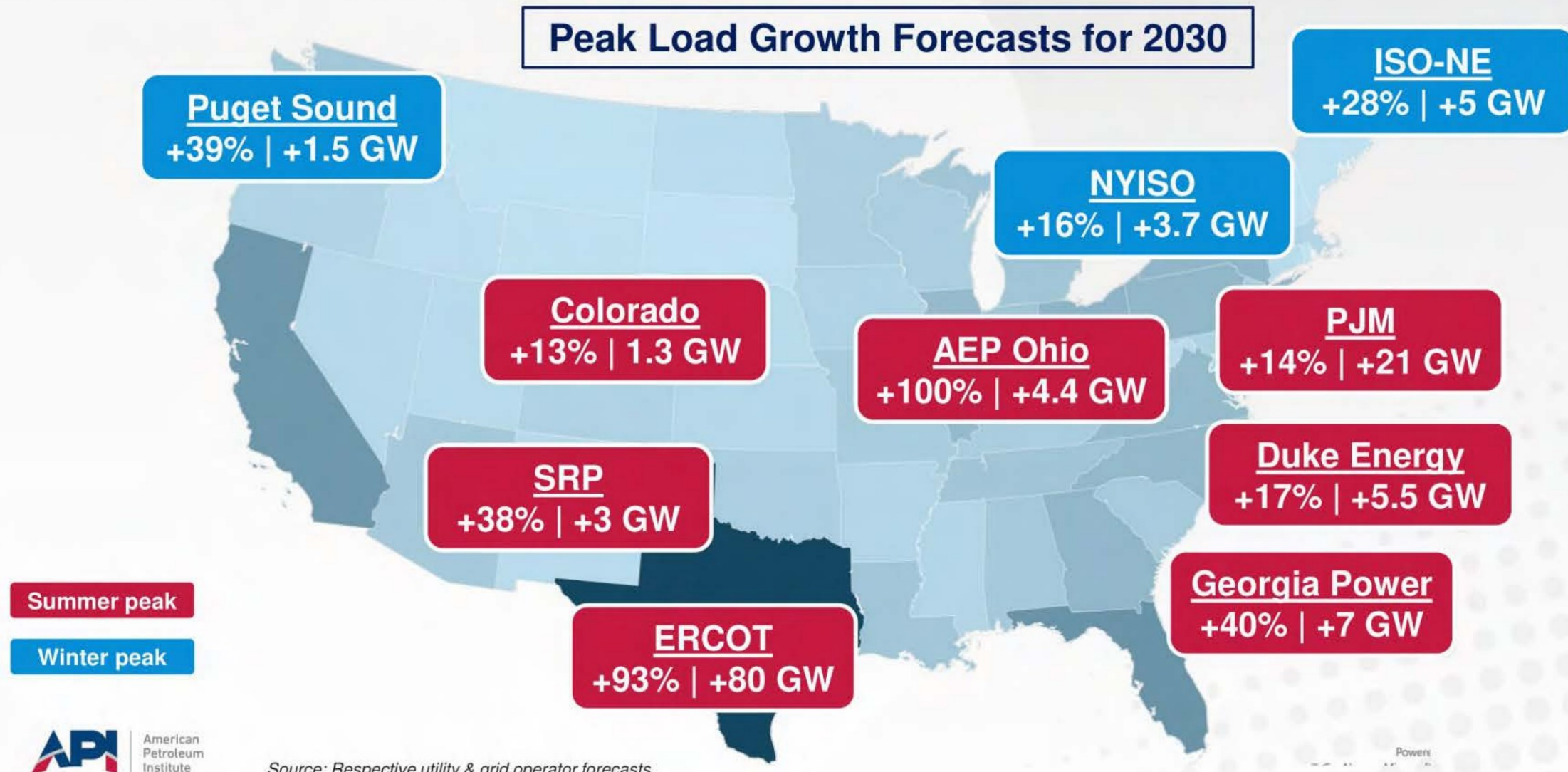
Existing & Announced Data Centers



Source: S&P Global

Electrification & hydrogen production also driving growth.

...load growth forecasts are surging



Key takeaways



Load growth is under-appreciated and could represent the biggest paradigm shift since fracking.



Gas-fired power plants are likely the most realistic option to meet strong load growth, especially from data centers.



Rapidly rising electricity demand may make climate goals more difficult to achieve.