Stratas Advisors Examines North American and Global Gas Prices

HOUSTON, April 11, 2019 /PRNewswire/ -- U.S. field production of natural gas in 2019 will grow, but at a slower pace than expected because of upstream cash-conservation measures. This dynamic comes as numerous power plants and LNG liquefaction plants seek to start up in the very near future. However, production should stay within the realm of growing demand growth, according to a new report with the latest natural gas prices and fundamental forecasts from Stratas Advisors.

In a first-quarter 2019 forecast, Stratas Advisors weighs the effects of U.S.-Canada pipeline regulations, enduring West Texas pipeline constraints, a subnormal North American winter-heating demand, expectations for lower U.S. field gas-production growth crimped by cash flow constraints, and petrochemical and LNG start-ups that should come online this year and next.

"As a result of Western market dynamics related to the British Colombia pipeline outage and a relatively weak Eastern market winter-demand season, we took our Alberta price forecasts up and our Ontario prices down in this quarter's short-term outlook forecast relative to our last (4Q18) forecast," said Greg Haas, Stratas Advisors' director of integrated energy. "The same demand-side dynamic across North American Eastern gas markets led us to lower our current U.S. short-term outlook forecasts of East-of-the-Rockies market prices, including New York, Algonquin, Marcellus, and Chicago."

Stratas Advisors sees Alberta prices averaging in the $1.80/MMBtu to $1.90/MMBtu range for 2019 and 2020, while Ontario prices should average $3.00/MMBtu or higher for 2019 and 2020 despite a dip in the first quarter of 2019.

Henry Hub, Katy, Houston and Southeast Texas expectations are down due to the influence of Appalachian prices on Gulf Coast operations. Stratas Advisors thinks prices will likely grow as LNG plants start up this year and draw gas volumes from the two supply regions.

Stratas Advisors' first-quarter 2019 forecast expects Henry Hub gas prices to settle in at 2.96/MMBtu and 3.05/MMBtu in 2019 and 2020, respectively. "With a gap of gas pipeline takeaway capacity from West Texas, where associated gas production is growing with burgeoning oil production, we cut our forecasts for Waha and Permian Basin gas price points. Only winter demand season consumption peaks in fourth quarters allow any Eastern or Central Texas gas quarterly prices to top the $3 level," Haas said.

Supply disruptions in the West are expected to affect 2019 Opal and West Coast price forecasts for Northern and Southern California. Stratas Advisors' 2019 Opal forecast is now at $3.31/MMBtu, but as the disruptions are resolved prices will fall back to $2.76/MMBtu in 2020.

Driven down by downwardly revised Henry Hub prices and expectations for abundant operating and pending LNG liquefaction facilities around the globe, Stratas Advisors has downwardly revised its current short-term forecast for LNG import prices in Germany, Japan and the U.K. Japan's LNG price averaged $10.13/MMBtu in 2018, but it is expected to fall to $7.90/MMBtu and $7.93/MMBtu in 2019 and 2020, respectively. German and U.K. LNG prices averaged about $8/MMBtu in 2018, but Stratas Advisors now sees those averages within the $6.38/MMbtu to $6.82/MMBtu range this year and next.

Haas offers additional comments in an accompanying video.

Every quarter, Stratas Advisors updates monthly price forecasts for nearly 600 energy commodities around the globe. The price forecasts for the natural gas commodity chain over the next 24 months can be accessed under subscription to the North American Natural Gas Service, which is managed Haas.

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