

News : US EIA sees renewables resources checking gas consumption growth in 2024

By Maya Weber

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- Agency forecasts 3% rise in generation in 2024
- Trims gas production estimates on lower prices

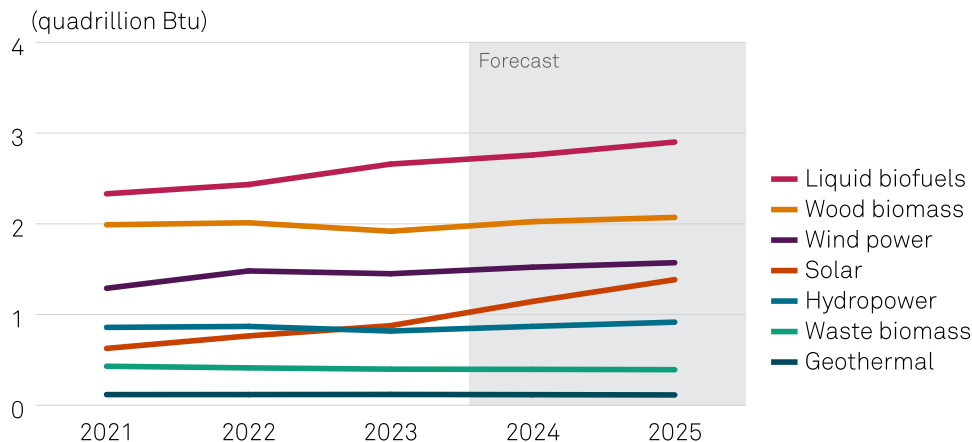
Despite expectations of a 3% rise in US electricity generation in 2024, power-sector natural gas consumption is likely to be kept in check amid a rise in renewable energy sources, the US Energy Information Administration said May 7.

In its May Short-Term Energy Outlook, the EIA predicted that renewable energy sources, particularly solar power, would supply most of the generation growth, which will be driven by cooling demand, manufacturing activity, and data center and computing expansions in 2024.

The agency forecast that a 3%, or 114 billion kWh, rise in total US generation in 2024 would be followed by a 1% rise in 2025. Utility-scale solar power is likely to contribute nearly 60% of the rise in 2024, the agency said, with wind making up 19% and hydropower 13% of the growth this year.

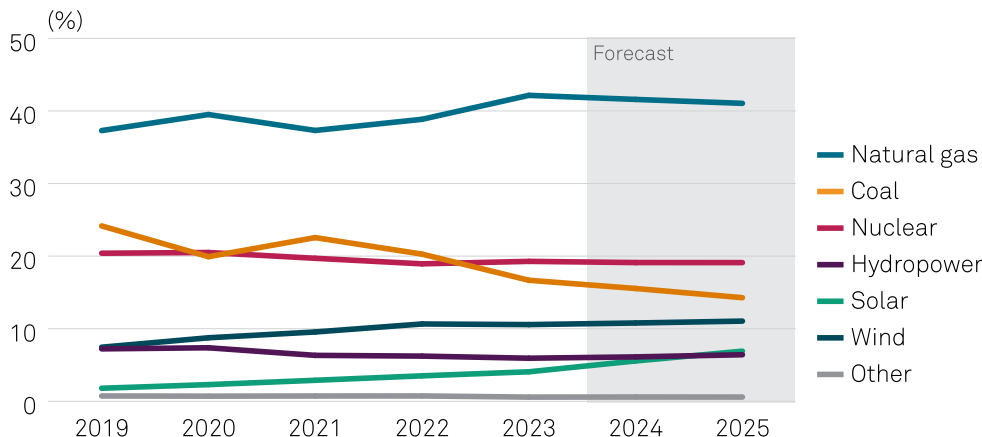
Reflecting the addition of 19 GW of solar capacity last year and 37 GW slated for 2024, utility-scale solar photovoltaic power plants are likely to generate 41% more electricity in 2024, compared with the prior year, the agency said, anticipating a further 25% increase in 2025.

US renewable energy supply



Source: EIA's Short-Term Energy Outlook

US electricity generation by fuel source



Source: US EIA's Short-Term Energy Outlook

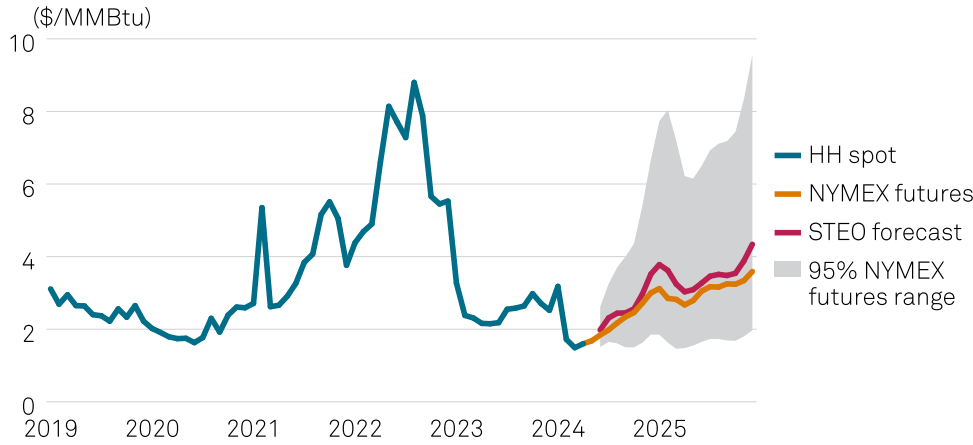
"In 2025, we expect generation from solar to exceed the contribution from hydroelectricity for the first year in history," said EIA Administrator Joe DeCarolis in a statement accompanying the report.

The constraint on growth of gas-fired generation is likely even amid relatively low natural gas prices in the outlook period, according to the EIA.

The agency forecast that Henry Hub spot prices would average \$2.18/MMBtu for full-year 2024 and \$3.09/MMBtu in 2025, compared with the previous month's estimates of \$2.15/MMBtu in 2024 and \$2.89/MMBtu in 2025.

The EIA raised its forecast for Q2 spot gas prices by 8 cents to \$1.71/MMBtu. The Q3 forecast also rose by 1 cent from the previous month's estimates to \$2.16/MMBtu.

Henry Hub natural gas price and NYMEX confidence interval



Sources: EIA's Short-Term Energy Outlook, CME Group, Refinitiv an LSEG Business

Gas-fired generation is likely to be relatively flat in 2024, the EIA said, while coal-fired generation is forecast to decline 4% in 2024 and 7% in 2025, the EIA said.

"Despite our expectation that 3% more electricity will be generated in the United States this summer (May-September) compared with last summer, we forecast that natural gas consumption in the electric power sector will be about the same as last summer, which saw the most power sector consumption on record," the outlook said.

After a year-over-year drop in US gas consumption in May of 3% due to milder weather, the agency is expecting relatively flat overall consumption of natural gas through the end of 2025, averaging 88 Bcf/d in the second half of the year, up about 1% from the prior year. The consumption level is supported by expectations of a colder fourth quarter, compared to the prior year's milder period, the agency said.

The agency lowered its natural gas consumption estimates by 1.81 Bcf/d to 76.66 Bcf/d for the second quarter and by 30 MMcf/d to 84.08 Bcf/d for Q3.

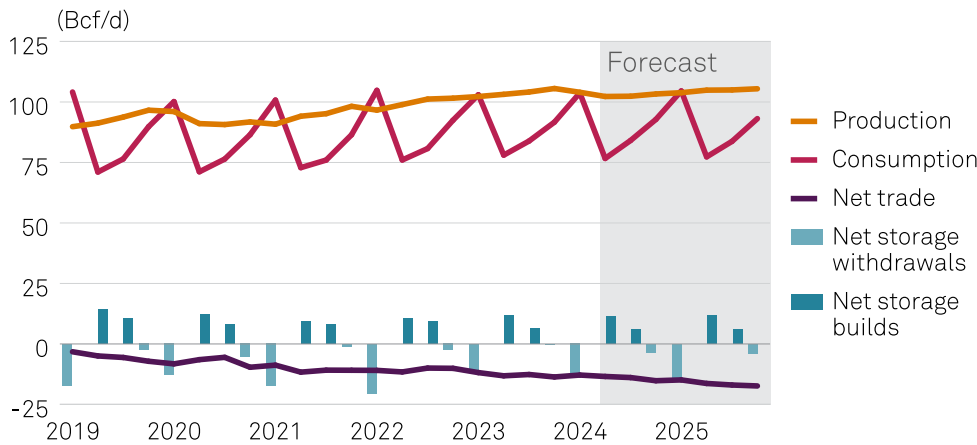
The forecast for US gas consumption in 2024 dropped 610 MMcf/d to 89.31 Bcf/d on average, but rose 520 MMcf/d to 89.64 Bcf/d for 2025.

According to the outlook, lower gas prices are reining in US production.

The agency lowered by 500 MMcf/d to 111.9 Bcf/d its gas marketed production estimate for the US in Q3. It also lowered its Q2 production forecast by 110 MMcf/d to 111.78 Bcf/d.

"We expect US dry natural gas production to fall by 2% from 1Q24 to 2Q24, with natural gas production in June averaging 102 Bcf/d, down 4% from the monthly record set in December 2023," the EIA said. The agency noted low prices have prompted some producers to announce curtailments. It also said the gap between gas and petroleum products prices is driving producers to extract hydrocarbon gas liquids.

US natural gas supply and demand



Source: US EIA's Short-Term Energy Outlook

After a forecast 1% drop in dry gas production in 2024, the agency expects a 2% rise in 2025 to a record of nearly 105 Bcf/d, likely driven by rising gas prices.

"We expect the gap between natural gas and petroleum prices will narrow in 2025, which could keep more HGLs in the natural gas stream next year," the agency said.

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