**Natural Gas-RBN Energy**

Stepping back to look at the bigger picture set up for natural gas as we move through 2023 and into next year, some commentary from RBN Energy worth noting:

* On 2023: *“domestic demand will averaging 87 Bcf/d, down almost 1 Bcf/d from 2022, assuming normal weather. Exports to Mexico are slated to average 6.3 Bcf/d, up from 5.7 Bcf/d last year, while LNG feedgas deliveries (blue bar segments – chart below) are estimated to come in at 11.7 Bcf/d, up ~1 Bcf/d year-on-year. That brings total demand, including exports, to about 105 Bcf/d, up a net 0.8 Bcf/d year-on-year. However, at that level, demand would fall short of supply (dashed black circle)*

*On the supply side, dry gas production in our forecast averages ~102 Bcf/d in 2023, up about 5 Bcf/d year-on-year. Net imports from Canada responded to the tight Lower 48 gas market last year, but we would expect that to moderate to 4.8 Bcf/d this year, down from 5.5 Bcf/d in 2022. That leaves the Lower 48 balance 1.7 Bcf/d long supply in 2023 (106.8 Bcf/d total supply minus 105.1 Bcf/d total demand).”*

* Looking beyond 2023…an entirely different S/D setup on the horizon*: “However, it will be an entirely different story in the ensuing years as the next wave of LNG projects comes online but production becomes increasingly dependent on the next pipeline project to grow. The surpluses will flip to a deficit as LNG export capacity additions begin to outpace production gains. LNG capacity additions will accelerate, bringing on an incremental ~3 Bcf/d of feedgas demand each year on average between 2024 and 2026, and another 1.8-1.9 Bcf/d in 2027 and 2028. That’s an incremental 14 Bcf/d of demand from LNG exports alone compared with 2022 levels (and doesn’t include capacity additions in Canada or Mexico). Combined with domestic demand, that means total demand in our Mid-case scenario grows ~18 Bcf/d (an average of 3 Bcf/d per year) from the 2022 level to 122.2 Bcf/d by 2028.*

*By comparison, our Mid-case scenario for total supply, including imports, is slated to grow by a much more modest 16.6 Bcf/d in the same period to 119 Bcf/d by 2028. Breaking that down further, we expect production to grow by 17.9 Bcf/d to a total of 114.8 Bcf/d by then. After this year, we expect growth to moderate and average 2.5 Bcf/d per year through 2028. Our Mid-case supply-demand scenario is that the Lower 48 balance goes from being supply-long in 2023 to being ~2 Bcf/d short by 2024, and worse, to negative 4.3 Bcf/d by 2027.”*

* You’re going to want to be long natural gas at some point: *“In other words, the Lower 48 gas market is headed for a period of gas shortages, driven by export growth and piecemeal production growth dependent on midstream development.”*
* The disclaimers: *“Of course, there are risks to this outlook. A massive storage surplus this year could spill into next year and delay the onset of a gas shortfall. A delay in LNG export capacity additions, or extended disruptions like the Freeport outage, would have a similar effect. On the other hand, midstream constraints that stymie production growth could bring it on sooner. And weather will remain the constant wildcard. But the bottom line is that with the onslaught of LNG exports, the odds of oversupply conditions extending beyond 2023 in the Lower 48 gas market have vastly diminished.”*
* *Sheetal Nasta, RBN Energy*

Chart, bar chart

Description automatically generated

*Source: RBN Energy*