Storage helps stabilize US Southwest gas markets compared with prior year

- West sees stronger demand in September compared with prior year
- Mountain, Pacific storage injections ease price swings
- Ample storage appears likely to aid in balancing additional LNG demand

Following volatile US West natural gas prices in 2023, major swings in the daily market have been comparatively muted thus far in 2024 despite periods of stronger demand.

Regional West demand throughout September was stronger compared with prior-year levels. Month-to-date domestic West demand averaged about 10.2 Bcf/d, roughly 370 MMcf/d above levels recorded last year over the same period.

In the Rockies, average September domestic demand equaled 7.1 Bcf/d, a 455 MMcf/d increase from levels recorded over the same period the year prior.

Storage alleviates price swings

Specifically in Mountain and Pacific storage, dedicated injections have helped explain the manageable price environment in the West compared to last year.

According to US Energy Information Administration storage data, Pacific storage levels currently equal 289 Bcf, a 20 Bcf increase from year-ago levels and a 19 Bcf increase from the five-year average. More notably, Mountain storage is currently 47 Bcf above prior-year levels, with inventories at 279 Bcf.

Despite stronger month-to-date demand compared with last year, the average price at SoCal city-gate through September was recorded at $1.97/MMBtu, roughly $1.81 below the average price recorded in the year prior of $3.782/MMBtu.

Future West LNG

During the most recent Rockies & West LDC Gas Forums, Scott Smith, president of Spire Midstream, said that “US LNG demand has the potential to increase by 40 Bcf/d by 2030.” Specifically in the Southwest, Costa Azul is scheduled to come online in 2026, likely adding incremental demand in the years following its startup.

“The primary concern [with Costa Azul] would be peak demand months … when we typically see near 100% utilization at certain points on the southern portion of El Paso,” Caroline Auzenbergs, a natural gas analyst with S&P Global Commodity Insights, said. “Price spikes are possible in the event of outages or maintenance during peak demand periods.”

However, drawing from trends seen year-to-date, a strong commitment to keeping ample gas in storage could help add extra flexibility heading into the future.