

New US gas infrastructure seen curbing price volatility

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Ponte Vedra Beach, 8 April (Argus) — New natural gas infrastructure, plus changes in project permitting, will help stamp out gas price volatility, speakers at the Southeast LDC Gas Forum in Ponte Vedra Beach, Florida, said today.

Demand for gas has been growing because of years of low, stable US prices that have spurred an increase in gas demand from new gas-fired power plants, LNG export terminals and energy-intensive data centers. But the development of pipeline and storage capacity needed to support that demand has failed to keep pace.

Rising demand has led to spikes in prices when cold weather drives up heating demand or cuts into supply.

"We have to be able to build the infrastructure we need to meet demand," Liz Bowman, vice president of government affairs and outreach for natural gas pipeline company Williams, told conference attendees. "The lack of infrastructure only increases prices," Bowman said.

Gas prices spiked in late January as a winter storm boosted gas demand for heating and cut deeply into gas production. Spot prices at the Henry Hub in Erath, Louisiana, the delivery point for gas traded in the Nymex futures market, shot to an all-time high of \$28.55/mmBtu on 23 January ahead of that winter storm.

That storm also led to prices in New England, a key gas-consuming region, that were 17 times higher than gas supplies in northeast Pennsylvania, Bowman said.

That disparity in prices underscores the lack of pipeline and storage capacity that is needed to connect growing US gas supplies to key demand centers.

Gas prices, for instance, at Waha in west Texas have been trading at negative levels because gas output from the Permian basin has strained pipeline takeaway capacity. Those prices could move deeper into negative territory if pipeline maintenance crimps existing capacity. Prices at Waha in late January moved above \$14/mmBtu as cold weather curbed Permian gas output, while demand spiked.

Two gas pipelines in Texas — the 2.5 Bcf/d (71mn m³/d) Blackcomb and the 1.5 Bcf/d Hugh Brinson pipeline — will help alleviate those bottlenecks responsible for those negative prices once they begin service later this year, James Pearson, senior market analyst for ConocoPhillips, said at the same forum.

Many of the projects planned in the US, such as those two pipelines, move gas within a state rather than across state lines.

The natural gas industry is "struggling to get interstate pipelines built, but in Texas and Louisiana, we are getting a lot of intrastate pipelines built", Pearson said.

Williams, which moves about one third of the gas produced in the US, has been one of the top advocates for permitting legislation, helping to form new industry groups to lobby for legislation to make permits easier to obtain and more durable against challenges in court.

Williams revived work last year on two gas projects that were blocked at the permitting stage: the Constitution pipeline and the Northeast Supply Enhancement project that would boost capacity on the Transcontinental gas pipeline.

Oklahoma governor Kevin Stitt (R) appointed Alan Armstrong, who served as Williams' chief executive for 15 years, to a vacant seat in the US Senate, where he will focus on passing permitting legislation before a successor is elected in November.

Armstrong is on a "targeted mission" for the next eight months of achieving permitting reform, Bowman said.

By Jason Womack