

New England must compete for gas: Southwestern

Boston, 17 June 2015 (Argus) — Southwestern Energy chief executive Steven Mueller challenged New England consumers to stay relevant as rapid demand growth in other regions pulls gas away from the northeast.

Producers sought for decades to find ways to move gas on long lines to the northeast, Mueller said this week at the LDC Forum in Boston. But now Southwestern, the fourth-largest US gas producer, has focused on serving the mid-Atlantic and southeast US, which are larger markets with more gas-fired power generation, he said.

Demand growth in New England over the next five years is comparatively low.

“To get the gas you are going to want, you are going to have to get someone’s attention,” which is now focused to the south, Mueller said. New England’s needs may not be met simply by rerouting existing lines and getting small gas additions from various sources, he added.

The development of unconventional US gas fields such as the Marcellus shale in Pennsylvania and West Virginia have propelled independents like Southwestern to become the biggest gas producers in the US since majors came late to rich shale fields. The Marcellus shale, a key operating area for Southwestern, is the top gas producing field in the US and has been a primary driver of domestic output growth.

Mueller spoke following presentations by pipeline companies on proposed expansions that would deliver Marcellus

shale gas to New England. Most of them will not be completed until the 2017-18 heating season, at the earliest. Meanwhile, federal regulators have focused on ensuring energy security in the northeast through reliability measures proposed by power grid operators.

Pipelines said that generators still shy away from firm pipeline capacity commitments. But Gregory Crisp, general manager of Spectra Energy, said seven electric distributors have shown interest in Algonquin Gas Transmission’s Access Northeast project, and could roll in the costs based on the regulatory model of local gas distribution companies.

Tennessee Gas pipeline (TGP), the other major long-haul line serving the region, is also pursuing new customers. TGP vice president of marketing Sital Mody said transport from Wright, New York, on the proposed Energy Direct project to New England will be priced at rates higher than the maximum rate on existing facilities.

Mueller said that in the first five months of 2015, New England gas prices were near par with those of Europe. Algonquin citygates averaged \$7.76/mmBtu in daily markets, while the UK National Balancing Point averaged \$7.16/mmBtu.

“One of the things we have to do is to figure out how to get that [Henry Hub] differential back, so that New England can enjoy the same things that we are doing in the rest of the United States,” he said.

Contact Information

Houston office:
2929 Allen Parkway, Suite 700
Houston, Texas 77019
Tel: +1 713 968 0000 Fax: +1 713 622 2991
Email: moreinfo@argusmedia.com

Editorial:
Jason Womack
Deputy Editor
Email: usnatgas@argusmedia.com

Commercial:
Email: sales@argusmedia.com

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