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# US natural gas market may tighten later this year

**Washington, 19 June 2015 (Argus)** — US natural gas supplies could tighten this year because of exports to Mexico along with industrial growth and continued coal-to-gas substitution, experts said at an industry conference this week.

Production will decline through 2016 and then ramp up again in 2017, Chubu US Gas Trading vice-president David Selbst said at the LDC Forum in Boston.

Chubu is the Japanese utility subsidiary that will secure supply and have it liquefied for export from the Freeport LNG project in Texas.

"If production stays stagnant, demand is up, and [Cheniere Energy's] Sabine Pass [liquefaction terminal] sends out a boat, prices could lift considerably this winter," said Jack Weixel, vice president of consultancy PointLogic Energy.

But natural gas buyers at the conference were divided over how producers will respond to the weak market. As shale gas resources become better understood and drilling techniques improve, some buyers saw no reason to dispute Henry Hub futures prices through the end of the decade will stay under $4/mmBtu.

Lower production will not start until next year, said Tim Thornton, president of Patriots Energy Group, a South Carolina purchasing agency.

Only switching from coal to gas for generation keeps prices above $2/mmBtu, said James Tinsley, head of east gas trading for Direct Energy Business. "Production is just pausing until more midstream assets are built," he said.

Andy Price, president of Competitive Energy Services, has seen some of his New England customers pushed to the brink because of high fuel prices in recent winter. "By 2018-2019, hopefully prices will come down," he said.

While buyers could be expected to talk their position, their view is bolstered by EIA data that shows March production at 6.2pc more than a year earlier, or 80.78 Bcf/d (2.3bn $m^3/d$), at the tail end of a cold winter.

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