LNG demand to drive US gas output

LNG demand from international buyers who are rushing to secure supply will drive future US natural gas production, East Daley Analytics vice president of product Rob Wilson said.
European companies are scrambling to displace Russian supply, with LNG demand expected to double between 2024 and 2030, Wilson said at the Midcontinent LDC Gas Forum in Chicago, Illinois.
This could result in a supply crisis if WTI prices fall to levels that would deter drilling.
Recent US gas production has been mostly focused on oil-directed fields such as the Permian, but if WTI were to fall below $50/bl in the coming years, drilling would scale back and supply would plummet, Wilson said.
Following Russia's invasion of Ukraine, some US producers have responded to higher energy prices in order to move gas into international markets, despite initially announcing plans for limited growth.
But as US output moves to top 96 Bcf/d (2.7bn m^3/d), a flurry of LNG contracts have been signed by international buyers that could have US utilities competing with Gulf coast buyers for gas.
"If you look at gas demand historically, there is gradual growth but not to the scale that we are seeing in our forecast, and frankly I think that a 13 Bcf/d demand uptick is fairly conservative, especially given the amount of contracts that have been signed over the last quarter or two," Wilson said.
According to Wilson's forecast, in the last two quarters of 2022 there was a significant uptick in contracts signed by European buyers for US LNG exports, signifying that LNG demand should double to about 25-26 Bcf/d by 2030.
The northeast has historically provided a lot of gas that has met "foundational" LNG demand, but the region is now facing pipeline constraints that have limited output growth, he said. And if crude prices were to dip to significantly lower levels, associated gas production from the Permian would be a lesser supplier of future natural gas.
"I realize over the next year or two it is really hard to fathom this even being the case, but LNG contractors or end users of this LNG are signing contracts for ten, fifteen, twenty plus years, so to be reliant on a basin with single commodity exposure alone seems to be a risk not worth taking," Wilson said.
Instead, Wilson noted that the gas would likely come from areas described as "tier two" basins like the Eagle Ford, the Anadarko and the Rockies that are less utilized but have the infrastructure to move gas to other markets.
In the future, companies could even pursue acquisitions of other midstream companies that would permit them to utilize gathering and processing systems near these tier two basins that would diversify its portfolio and move gas towards export facilities.