

Gas pipelines seen as crucial to meet demand increases

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Savannah, 13 April (Argus) — The US has plenty of natural gas to meet growing demand in the US and abroad, but lacks the infrastructure needed to unleash that supply, according to speakers today at the Southeast LDC Gas Forum in Savannah, Georgia.

Natural gas production has surged in the past year from places such as the Haynesville shale in east Texas and northern Louisiana and the Permian basin in west Texas and southeastern New Mexico. But output growth from the US Appalachian region, home to the prolific Marcellus and Utica shales, remains hamstrung by a lack of pipeline capacity.

"Appalachian producers are dying to get their gas out of Appalachia," said Allen Capps, chief commercial officer of gas transmission and midstream for pipeline and energy company Enbridge.

Enbridge said it expects gas output from the Marcellus to grow by 3pc between 2022 and 2035, compared with 30pc along the US Gulf coast, primarily from the Haynesville and the Permian basin, over that same period.

Regulatory hurdles have derailed several pipeline projects aimed at delivering Appalachian gas output to US markets. The future of another, the 2 Bcf/d (57mn m3/d) Mountain Valley project, a 300-mile pipeline that is intended to carry gas from West Virginia to Virginia, remains unclear.

Earlier this month, a federal court ruled that the \$6.6bn Mountain Valley Pipeline cannot use its water permits in West Virginia because state regulators failed to assure adequate protections for the environment.

The lack of pipeline capacity in the northeast has helped drive big investments by large Appalachian producers such as Chesapeake Energy and Southwester Energy in the Haynesville shale. That gas field is close to growing demand along the US Gulf coast for US LNG exports. The regulatory environment in Louisiana and Texas has traditionally been friendlier to infrastructure projects.

Producers "are going to go where they are economically incentivized," Capps said on the sidelines of the conference.

The US last year emerged as the world's largest exporter of LNG. That demand should continue to grow in the coming years as the next wave of LNG export projects start service. That additional demand will provide a boost to gas prices, which have plunged in the past year thanks to rising production and mild winter weather, according to Rob Wilson, vice president of analytics for East Daley Analytics.

New LNG export projects are expected to begin service in the next 5-6 years, boosting total export capacity by about 20 Bcf/d and supporting higher gas prices, Wilson said.

By Jason Womack

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