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US northeast needs more gas pipelines: Panel

12 Jun 23, 19:26 -
Natural gas, Corporate, Strategy, Fundamentals, Demand, Supply, Hydraulic fracturing (fracking), Infrastructure, E and P, Grid, Pipeline, Politics, Energ policy, Environmental politics, Regulation

Boston, 12 June (Argus) — The northeastern US needs and will continue to need more natural gas pipeline capacity to meet heating and power demand and avoid price spikes, speakers said today at the Northeast LDC Gas Forum in Boston, Massachusetts.

Insufficient gas pipeline capacity to meet demand causes higher prices in northeast demand centers, especially in the winter, during which pipelines often run near full capacity.

The January bid week price, or the price settled ahead of January for continuous delivery of gas throughout the month, at the Columbia Gas, Appalachia, index — a bellwether for the price of gas from the Marcellus shale play spanning Pennsylvania, West Virginia and Ohio — was $4.05/mmBtu. The January bid week price for the Algonquin Citygates index, a key indicator of New England gas prices, was $23.57/mmBtu.

"There is gas out there, we just need to find a way to get it," said Dena Wiggins, chief executive officer at Natural Gas Supply Association, a gas producer trade group.

Whether the industry can build out the infrastructure needed to deliver that gas to the northeast will depend on its ability to get state and federal permits — an uphill battle in that part of the country. Regulators in Texas, Louisiana, Oklahoma and New Mexico where most of the gas production growth needed for the LNG boom is expected to be sourced, approve proposals for new gas infrastructure much more readily.

Blair Hastey, who works in business development at midstream giant Enbridge, argued that gas is going to continue to be needed for energy reliability purposes in the northeastern US, where many municipalities have set ambitious emissions reduction targets.

The New England independent system operator (ISO-NE) "already can't get through a winter without having technical conferences and trying to figure out how exactly they're going to keep the lights on and … make sure that we're going to be able to reliably get through a winter," Hastey said.

While ISO-NE said this month that it expects to meet summer power demand, the North American Electric Reliability Corporation (NERC)'s 2023 summer reliability assessment (https://www.nerc.com/pa/RAPA/ra/Reliability%20Assessments%20DL/NERC_SRA_2023.pdf) put New England's grid at "elevated" risk of having insufficient operating reserves in an above-normal demand scenario.

Part of the solution involves the gas industry doing a better job of engaging with policymakers and the public, which the industry doesn't do very well, Hastey said. Wiggins said that third-party verification of decarbonization achievements could go a long way i countering claims of "greenwashing" in the industry.

In the meantime, the prospects for new gas pipeline construction in the northeastern US are gloomy, said RBN Energy chief executive officer David Braziel. And without new pipelines — aside from the 2 Bcf/d (57mn m3/d) West Virginia-to-Virginia Mountain Valley pipeline, which he thinks will probably be completed given recent political tailwinds — northeast producers will likely continue to prioritize efficiency over growth. That means choosing not to "drill with abandon," as many did at the onset of the shale revolution, but which is not a sensible strategy when new Appalachian production cannot make its way to consumers because of a lack of pipeline capacity.

Instead, northeast producers will work to balance restraint and readiness, poised to ramp up well completions and production when prices are high, and to delay completions and idle rigs when demand falls.

"The world has changed … [it's] the new normal up in the northeast," Braziel said. "Things are far different on the Gulf coast."

By Julian Hast

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