

## **Gas output drop seen as key to limit high US stocks**

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Houston, 16 April (Argus) — US natural gas output will need to decline this summer to keep high inventories from potentially reaching record levels this fall.

Gas production will need to decline by about 1.2 Bcf/d (34mn m<sup>3</sup>/d) from 2023 levels to 101.5 Bcf/d, James Pearson, a senior consultant in market analysis for Conoco Phillips told attendees today at the Southeast LDC Gas Forum in Ponte Vedra Beach, Florida.

Production has already neared those levels thanks to a downturn in drilling, Pearson said. But production needs to stay there otherwise inventories will be "too high."

Conoco Phillips said it expects US gas inventories to finish the injection season, when natural gas stockpiles are replenished to meet winter heating needs, at 3.9-4 Tcf. The US Energy Information Administration (EIA) forecasts inventories will conclude the season on 31 October at a record high above 4.1 Tcf, or about 10pc higher than the five-year average.

US gas inventories hit an all-time high of 4.047 Tcf ahead of the 2016-17 Winter.

Inventories started the so-called spring shoulder season at unusually high levels because of a mild winter and rising US output. Injections into gas storage resume in the shoulder months of April and May as winter weather abates and seasonal temperatures rise.

US gas inventories as of 5 March were 2.283 Tcf – 38pc higher than the five-year average and 24pc higher than a year earlier. High inventories can keep a lid on natural gas prices by easing concerns about spikes in demand or supply shortfalls.

Large natural gas producers such as Chesapeake Energy and EQT are reining in output this year in response to low gas prices and a dim outlook for gas demand in the coming year.

The EIA was also forecasting a modest decline in US output on price-driven production curtailments.

US operators last week had 109 working gas rigs, down by 48 rigs from a year earlier, according to oil field services provider Baker Hughes.

But those declines in output will still need to offset rising production from the Permian basin, a prolific oil- and gas-bearing formation in west Texas and southeastern New Mexico. Most of the gas output from the Permian comes from oil wells, so drilling decisions there are governed by oil prices rather than gas.

Prices at the Waha in west Texas have traded at negative levels over the past month because gas output there has outstripped takeaway capacity.

Demand this summer may also decline from the US power sector as more renewables come on line and the performance of existing renewables improves from a year earlier, Pearson said.

By Jason Womack