

US gas storage growth crucial: Atmos

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Ponte Vedra Beach, 16 April (Argus) — Natural gas storage will play a key role in the US market because of robust demand from the power sector and LNG export projects planned along the US Gulf Coast.

"We have become more dependent on natural gas storage as a utility to give us that flexibility that historically we received from a pipeline," Kenny Malter, director of gas supply and services for gas utility Atmos Energy, told attendees today at the Southeast LDC Gas Forum in Ponte Vedra Beach, Florida.

Natural gas storage is already integral to the US market, helping balance the market during demand spikes or supply shortfalls, and insulating the market from price-boosting events such as extreme weather.

But storage has taken a backseat to pipelines in recent decades as producers tapped prolific gas-bearing shale formations across the US and focused on connecting those vast supplies to market. The US has added only a small amount of storage capacity over the past decade, reaching about 4.8 Tcf (136bn m³) of working gas storage capacity in 2022, up by 5pc from 10 years earlier, according to the US Energy Information Administration (EIA). During that same time frame gas consumption increased by 27pc. That means pipelines are now flush with supply needed to meet demand from end users or from LNG export terminals.

Natural gas storage is one of the "big stories" in the US market, James Pearson, a senior consultant in market analysis for ConocoPhillips said at the conference. "We are seeing a huge need for more in the daily markets," Pearson said.

Storage operators are usually incentivized to build storage by seasonal swings in gas demand. Utilities inject into storage during the spring, summer and fall, when gas prices are lower, then withdraw that lower-priced gas in the winter when prices are higher.

But that summer-winter spread has collapsed, because of growing gas supplies. Pearson said. That spread makes it unlikely project developers will build more storage.

Planned LNG export capacity expansion is rekindling interest in storage capacity. US baseload LNG export capacity is forecast to increase by the end of 2025 to about 16.7 Bcf/d, up by 46pc from the 11.4 Bcf/d of capacity at the end of 2023, according to the EIA.

"People are really going to start to understand the value of storage," to meet that demand and to supply electric utilities, said Alan Armstrong, chief executive of natural gas infrastructure company Williams, earlier this year during a conference call with investors. "We are very bullish on this."

Williams owns about 405 Bcf of gas storage and is the largest provider of storage on the US Gulf Coast.

The company this year completed the acquisition of 115 Bcf of gas storage in Louisiana and Mississippi and the related transmission lines from Hartree Partners for \$1.95bn.

By Jason Womack