

US data centers face growing pains in securing natural gas pipeline capacity

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By Killian Staines
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Midstream companies and data center developers still sometimes talk past each other when it comes to natural gas supply, members and observers of the energy industry said at the LDC Gas Forums' NatGas to Power Forum.

"We have been running at parallel with this industry, [AI and data centers](#), for quite some time now," Laura Stadler, vice president for strategic development at midstream company [Howard Midstream Partners LP](#), said at the Nov. 17–19 conference in San Antonio. "We just haven't been talking to each other. They've been able to handle it themselves by utilizing solar, wind, 1-800-utility-hook-me-up-to-power, essentially, and now they're needing massive amounts of power. And so now we have to start talking."

"I know there is a lot I don't know on the data center side," Stadler said during a panel discussion. "Just like when I'm talking to them, a lot of these conversations start with them saying, 'We have land' — which is not what I want to hear first — and 'We thought there was pipeline nearby,' or 'We figured that when we call the utility, they were going to handle the gas.'"

Going in hard

Data centers are likely to scale up incrementally, although developers tend to announce much larger numbers.

"There still seems to be this impulse to want to come in with your biggest, max-case ever number, to try and impress people," said Brandon Seale, senior adviser at portable energy infrastructure company [VoltaGrid LLC](#). "Unfortunately, that kills more projects than it helps."

"Asking for 1 Bcf/d of gas is solving for a macro issue," Seale said. "But asking for 20,000 Dth/d? There is a lot of different levers we can pull up if that's really what you need in 30 months. Let's solve for that together."

Stadler agreed that data centers would be built "in phases and chunks."

"If you tell me you want 5 GW of power, I'm probably not going to talk to you for very long," Stadler said. "I think everyone's starting to take that in."

Finding pipeline capacity

Midstream gas companies are unlikely to deviate from their preference for long-term contracts when it comes to supplying data centers. "We're kind of cowards in the pipeline space," Seale said. "We have to be underwritten to go build big pieces of pipe."

Data centers will face [stiff competition](#) from new LNG facilities for gas supply. "There is a lot of demand coming for the industry, and a lot of that production that supports the demand has already been spoken for," said Jack Weixel, senior director at East Daley Analytics. "Not that you guys should be scared, all of our data center folks, but know that it is a very competitive market that you're stepping into for gas."

Another solution would be to find spare capacity in the existing system. "I think a dirty little secret of the pipeline industry nationwide is that utilities probably hold more capacity than they really should or need to," Seale said. Utilities contract to ensure they can meet customer demand during peak demand. "What that means is, there's a lot of firm capacity held in this country that is not being used in some cases, 90% or more of the time."

It is possible to create "synthetic firm type solutions, where we can, by combining a couple of different pipelines, a couple of different secondary firm or interruptible options on nearby pipelines ... create something that looks like [99.9%] reliability," Seale said.

Others at the conference were more skeptical that much of this capacity could be utilized.

"It's one of those situations where the past performance is not a good indicator of what you can expect in the future, because there's an awful lot of demand chasing that secondary market," Kenneth Yagelski, director of gas supply at [Southern Company Gas](#), said on another panel. In addition to data centers, large manufacturers and power generators are also seeking extra supply, he said. "Everybody wants that latent capacity."

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