This report, compiled by the Northwest Gas Association (NWGA), provides a consensus industry perspective on the current and projected natural gas supply, prices, demand and delivery capabilities in the Pacific Northwest through the 2027/28 heating year (Nov-Oct). For purposes of this report, the Pacific Northwest includes British Columbia (BC), Idaho, Oregon and Washington. Additional information can be found at www.nwga.org.
OVERVIEW

As a clean, versatile, abundant and affordable North American energy resource, natural gas provides our region with many opportunities. As an energy resource, natural gas is reliable, efficient, and cost-effective when used directly for home space and water heating and cooking. It has proven to be a cleaner and more economical replacement for coal in the power generation sector and for gasoline and diesel in the transportation sector. More recently, it is increasingly useful in balancing the region’s growing sources of intermittent renewable resources such as wind and solar.

Not surprisingly, natural gas is used to manufacture thousands of goods that we rely on every day, from life-saving pharmaceuticals to durable and weather resistant recreational gear we use to enjoy the outdoor lifestyle of the Pacific Northwest. And now the source of that natural gas is increasingly renewable itself — market forces and government policy are driving the development of renewable natural gas (RNG), which transforms human and agricultural waste into useful energy. This provides even greater prospects for a cleaner mix of natural gas resources to contribute to our energy and environmental future.

WHAT’S NEW

Readers will recall that the last several Outlook reports included two Demand Scenarios in addition to the comprehensive forecast: “Coal Replacement” and “Prospective Industrial Demand.” We used these scenarios to explore potential impacts that plausible but as-yet-unplanned loads could have on regional demand and capacity utilization.

The overall demand forecast in this report now reflects additional demand for natural gas generation in the same time frame as expected coal retirements. However, new industrial developments remain speculative at this time. For these reasons, we have discontinued the Demand Scenarios.
EXECUTIVE SUMMARY

IN THIS REPORT, we examine several dynamics affecting Pacific Northwest natural gas consumers. The Outlook relies primarily on external, publicly available resources for information on continental natural gas supply prospects and commodity prices, most notably the U.S. Energy Information Administration’s (EIA) 2018 Annual Energy Outlook and Canada’s National Energy Board’s (NEB) Canada’s Energy Future 2018. Regional demand and capacity data are drawn from NWGA member company planning processes, including the most recent Integrated Resource Plans that our members have filed with utility commissions throughout the region.

Supply: North American natural gas supply is projected to remain abundant for the foreseeable future, despite continuing low prices. The supply basins on which the Pacific Northwest depends have demonstrated that the resource will be amply available for several generations to come.

Prices: The relentless quest to drive production costs lower is allowing producers to operate economically even in a low-price environment. Inflation-adjusted natural gas spot prices at Henry Hub ($2017) are projected to remain below $5/dekatherm (Dth) until 2050.

Demand: The forecast growth rate for natural gas use in the region across all sectors ticked up from 0.8 percent/yr. in the last Outlook to 1.1 percent/yr. in this report. Forecast growth in the residential and commercial sectors are more robust than last year, while industrial demand is expected to grow at about the same pace. The forecast demand for natural gas to generate electricity is higher than last year, with the majority of growth expected to occur in the same time frame as the retirement of coal-fired generation serving the region.

Capacity: NWGA members are constantly evaluating whether there is enough pipeline capacity to transport the gas from where it is produced (hundreds of miles away) to where it is needed and whether we have enough storage capacity to serve loads during the coldest weather. The current answer is yes, as long as the infrastructure is operating at its maximum total capacity. At this time, organic regional growth doesn’t require any new capacity. However, the lead time to bring infrastructure into service is approaching five years, so vigilance remains important.

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