

## **EIA raises 2008 price forecast by 13.3% to \$11**

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Rising oil prices, flagging liquefied natural gas imports and a gas storage inventory deficit continue to force gas prices higher, the Energy Information Administration said Tuesday as it hiked its Henry Hub spot price projection for the second quarter by 11% to \$11.32/Mcf.

The agency also raised its full-year estimate, projecting that spot prices will average around \$11/Mcf for all of 2008, up \$1.30/Mcf, or 13.3%, from the previous month's projection and about \$3/Mcf higher than the actual 2007 average.

"These conditions are expected to continue to keep pressure on natural gas prices," EIA said in its June short-term energy outlook.

Expectations that the US will experience a robust hurricane season this year could continue to put pressure on prices this summer and fall. Based on the National Oceanic and Atmospheric Administration's outlook for the 2008 Atlantic Basin hurricane season, which runs from June through November, EIA estimated that 78 Bcf of gas and 11 million barrels of crude oil produced in the Gulf of Mexico region could be lost.

EIA included a caveat, however: "Actual shut-ins may differ significantly from this estimate depending on the number, track and strength of hurricanes as the season progresses."

Meanwhile, total gas consumption is expected to rise 2.2% in 2008 and 0.9% in 2009, according to EIA. "Year-over-year increases in the residential, commercial and electric power sectors have been largely weather-driven," the report said.

Industrial gas use is on the rise, with EIA projecting a 1.3% increase in 2008 and 0.4% in 2009. "Growth in the industrial sector, which increased by 4.8% in the first quarter of 2008 compared with the corresponding period last year, seems to be tied to export strength and some resurgence in natural gas-intensive industries, such as fertilizers," it said.

On the supply side, marketed domestic gas production is expected to increase 6% in 2008 and by 1.5% in 2009. "High rig counts in the Lower-48 onshore region, particularly in unconventional reserve basins, are expected to lead to an increase in onshore production of 7.4% in 2008," EIA said.

LNG imports continue to flag, with exporters preferring higher-priced markets in the Asia-Pacific and European regions, EIA noted. The US is expected to attract about 530 Bcf off the high seas, down about 240 Bcf from 2007's total. But LNG imports to the US are expected to climb in 2009 to about 850 Bcf as world supply continues to grow.

Working gas in storage as of May 30 was 1.806 Tcf and inventories have fallen to 1 Bcf below the five-year average and 326 Bcf below the same level as the corresponding week last year, contributing to higher prices, EIA said.

— *Joel Kirkland*