Short-Term Energy Outlook

Forecast highlights

Global liquid fuels

- The November Short-Term Energy Outlook (STEO) remains subject to heightened levels of uncertainty related to the ongoing recovery from the COVID-19 pandemic. U.S. gross domestic product (GDP) declined by 3.4% in 2020 from 2019 levels. This STEO assumes U.S. GDP will grow by 5.4% in 2021 and by 4.2% in 2022. The U.S. macroeconomic assumptions in this outlook are based on forecasts by IHS Markit. In addition to uncertainty about macroeconomic conditions, the evolving effects of consumer behavior on energy demand because of the pandemic present a wide range of potential outcomes for energy consumption. Supply uncertainty in the forecast results from the production decisions of OPEC+ along with the rate at which U.S. oil and natural gas producers increase drilling at forecast price levels.

- Brent crude oil spot prices averaged $84 per barrel (b) in October, up $9/b from September and up $43/b from October 2020. Crude oil prices have risen over the past year as result of steady draws on global oil inventories, which averaged 1.9 million barrels per day (b/d) during the first three quarters of 2021. In addition to sustained inventory draws, prices increased after OPEC+ announced in early October—and reaffirmed on November 4—that the group would keep current production targets unchanged. We expect Brent prices will remain near current levels for the rest of 2021, averaging $82/b in the fourth quarter of 2021. In 2022, we expect that growth in production from OPEC+, U.S. tight oil, and other non-OPEC countries will outpace slowing growth in global oil consumption and contribute to Brent prices declining from current levels to an annual average of $72/b.

- We estimate that 98.9 million b/d of petroleum and liquid fuels was consumed globally in October, an increase of 4.5 million b/d from October 2020 but 1.9 million b/d less than in October 2019. We revised up our forecast for consumption of petroleum and liquid fuels for the fourth quarter of 2021, partially as a result of fuel switching from natural gas to petroleum in the electric power sector in parts of Asia and Europe. This fuel switching is a result of increases in natural gas prices in Asia and Europe. We forecast that global consumption of petroleum and liquid fuels will average 97.5 million b/d for all of 2021, which is a 5.1 million b/d increase from 2020. We forecast that global consumption of petroleum and liquid fuels will increase by 3.3 million b/d in 2022.
• U.S. regular gasoline retail prices averaged $3.29 per gallon (gal) in October, up 12 cents/gal from September, and $1.13/gal higher than in October 2020. The October price was the highest monthly average since September 2014. We forecast that retail gasoline prices will average $3.32/gal in November before falling to $3.16/gal in December, which are 16 cents/gal and 11 cents/gal higher than our previous forecast, respectively.

• U.S. crude oil production averaged an estimated 11.4 million b/d in October, up from 10.7 million b/d in September as a result of production increases following disruptions from Hurricane Ida. We forecast production will rise to 11.6 million b/d in December. We forecast annual production will average 11.1 million b/d in 2021, increasing to 11.9 million b/d in 2022 as tight oil production rises in the United States. Growth will come largely as a result of onshore operators increasing rig counts, which we expect will offset production decline rates.

Natural Gas

• In October, the natural gas spot price at Henry Hub averaged $5.51 per million British thermal units (MMBtu), which was up from the September average of $5.16/MMBtu and up from an average of $3.25/MMBtu in the first half of 2021. The rising natural gas prices in recent months reflect U.S. natural gas inventory levels that are below the five-year (2016–20) average. Despite high prices demand for natural gas for electric power generation has remained relatively high, which along with strong global demand for U.S. liquefied natural gas (LNG) has limited downward natural gas price pressures.

• The Henry Hub spot price will average $5.53/MMBtu from November through February in our forecast and then generally decline through 2022, averaging $3.93/MMBtu for the year amid rising U.S. natural gas production and slowing growth in LNG exports. We forecast that U.S. inventory draws will be similar to the five-year average this winter, and we expect that factor, along with rising U.S. natural gas exports and relatively flat production through March, will keep U.S. natural gas prices near recent levels before downward price pressures emerge. Because of uncertainty around seasonal demand, we expect natural gas prices to remain volatile over the coming months with winter temperatures to be a key driver of demand and prices.

• We estimate that U.S. LNG exports averaged 9.8 billion cubic feet per day (Bcf/d) in October 2021, up 0.3 Bcf/d from September, supported by large prices differences between Henry Hub prices in the United States and spot prices in Europe and Asia. LNG exports resumed from Cove Point LNG in late October after that facility’s annual maintenance was completed. In our forecast LNG exports average 9.8 Bcf/d for all of 2021, up 50% from 2020. We expect that LNG exports will increase this winter, averaging 11.0 Bcf/d from November through March. We expect high levels of LNG
exports to continue into 2022, averaging 11.5 Bcf/d for the year, up 17% from 2021. The forecast reflects our assumption that global natural gas demand remains high and several new natural liquefaction trains—the sixth train at Sabine Pass LNG and the first trains at the new LNG export facility, Calcasieu Pass LNG—enter service.

- U.S. natural gas inventories ended October 2021 at more than 3.6 trillion cubic feet (Tcf), 3% less than the five-year average for this time of year. Injections into storage this summer were below the previous five-year average, largely as a result of more electricity consumption in June because of hot weather and increased exports, even as domestic natural gas production has remained flat. However, in recent weeks, storage levels have moved closer to average levels as injections outpaced the five-year average in September and October. We expect natural gas inventories to fall by 2.1 Tcf this winter, ending March at 1.6 Tcf, which would be 4% less than the 2017–21 average for that time of year.

- We estimate dry natural gas production averaged 94.9 Bcf/d in the United States in October (up from 94.5 Bcf/d in September) and 91.9 Bcf/d in the first half of 2021. Production in the forecast rises to an average of 95.2 Bcf/d during the rest of this winter (November–March) and averages 96.7 Bcf/d during 2022, driven by natural gas and crude oil prices, which we expect to remain at levels that will support enough drilling to sustain production growth.

*Electricity, coal, renewables, and emissions*

- The share of electricity generation produced by natural gas in the United States averages 36% in 2021 and 35% in 2022 in our forecast, down from 39% in 2020. In 2021, our forecast share for natural gas as a generation fuel declines in response to our expectation of a higher delivered natural gas price for electricity generators, which we forecast will average $5.12/MMBtu compared with $2.39/MMBtu in 2020. As a result of the higher expected natural gas prices, the forecast share of electricity generation from coal rises from 20% in 2020 to about 23% in 2021 and 22% in 2022. For renewable energy sources, new additions of solar and wind generating capacity are offset somewhat by reduced generation from hydropower this year, resulting in the forecast share of all renewables in U.S. electricity generation to average 20% in 2021, about the same as last year, before rising to 22% in 2022. The nuclear share of U.S. electricity generation declines from 21% in 2020 to 20% in 2021 and 2022.

- We expect coal consumption in the electric power sector to rise by 80 million short tons (MMSt), or 18%, in 2021. The increase in the electric power sector’s use of coal reflects higher natural gas prices this year compared with last year. However, electricity generation from coal-fired power plants has not increased as much in response to rising natural gas prices as it has in the past or by as much as our models had forecast earlier this year. The lower price responsiveness of coal for electricity
generation, which is likely the result of constraints on coal supply and low coal stocks, is contributing to upward pressure on natural gas prices.

• U.S. coal exports in our forecast rise by 20 MMst (29%) in 2021. Higher U.S. exports reflect rising global demand for coal amid high natural gas prices. We expect exports to remain relatively unchanged in 2022, when a 3 MMst increase in metallurgical coal exports is partly offset by a 2 MMst decline in steam coal exports. U.S. coal production growth has not kept pace with rising domestic demand for steam coal in the electric power sector and export growth, leading to a draw down in coal inventories held by the electric power sector.

• Planned additions to U.S. wind and solar capacity in 2021 and 2022 increase electricity generation from those sources in our forecast. We estimate that the U.S. electric power sector added 14.6 gigawatts (GW) of new wind capacity in 2020. We expect 17.0 GW of new wind capacity will come online in 2021 and 6.9 GW in 2022. Utility-scale solar capacity rose by an estimated 10.5 GW in 2020. Our forecast for added utility-scale solar capacity is 15.7 GW for 2021 and 18.2 GW for 2022. We expect significant solar capacity additions in Texas during the forecast period. In addition, we project that after increasing by 4.5 GW to 27.7 GW in 2020, small-scale solar capacity (systems less than 1 megawatt) will grow by 5.8 GW in 2021 and by 7.8 GW in 2022.

• U.S. energy-related carbon dioxide (CO₂) emissions decreased by 11% in 2020 as a result of less energy consumption due to reduced economic activity and to end user responses to COVID-19. For 2021, we forecast energy-related CO₂ emissions will increase about 7% from the 2020 level as economic activity increases and leads to rising energy use. We expect a 1% increase in energy-related CO₂ emissions in 2022. We forecast that after declining by 19% in 2020, coal-related CO₂ emissions will rise by 18% in 2021 and then fall by 5% in 2022.
Petroleum and natural gas markets review

Crude oil

*Prices:* The front-month futures price for Brent crude oil settled at $80.54 per barrel (b) on November 4, 2021, up $1.26/b from $79.28/b on October 1. The front-month futures price for West Texas Intermediate (WTI) crude oil for delivery at Cushing, Oklahoma, increased by $2.93/b during the same period, settling at $78.81/b on November 4 (*Figure 1*).

![Figure 1. Crude oil front-month futures prices](image)

The front-month Brent crude oil price averaged $84/b in October, an increase of $9/b from September, and the WTI price averaged $81/b, an increase of $10/b from September. Without adjusting for inflation, these prices were the highest monthly average nominal prices since October 2014. Restraints on global production and expectations of higher demand this winter continue to contribute to upward price pressures. *Trade press* has indicated increased purchases of oil and petroleum products from electric generators in parts of Asia and Europe that may *switch fuels* from natural gas to oil in the winter. Furthermore, *several countries*, such as Thailand, Israel, Australia, and the *United States*, eased international border and travel restrictions in early November, which could support more fuel demand for air travel in some locations this winter.

Differences in prices between crude oil contracts for delivery in the near term compared with contracts for delivery further into the future indicate market expectations that stock draws will moderate in the future. Crude oil stock levels, among other factors, affect the relationship between near-term and longer-term futures prices. Because crude oil stocks are currently low globally and in the United States, both Brent and WTI are backwardated (when near-month prices are higher than longer-dated ones) (*Figure 2*).
The five-day moving average of the spread between prices for the 1st month futures contract and 13th month contract for Brent increased to $9.04/b on November 4 (up from $7.05/b on October 1), and on November 2 was at its highest spread since September 13, 2013. The 1st-13th spread for WTI increased to $11.20/b on November 4 (from $6.78/b on October 1), and on November 2 was at its highest spread since September 20, 2013. We estimate total U.S. crude oil stocks ended October at 435.4 million barrels, the lowest October level since 2018 and 6.2% below the five-year (2016–2020) average for the month. Crude oil inventories are especially low in Cushing, Oklahoma, the delivery point for the WTI crude oil futures contract. In the week ending October 29, crude oil inventories in Cushing were 24.0 million barrels, meaning Cushing’s storage capacity utilization was only about 31%. We forecast global stock builds starting in the spring of 2022, which likely will reduce some of the tightness in the market that may be contributing to high front-month prices.

During the past decade, similarly high levels of backwardation in Brent and WTI crude oil have typically only occurred during periods of large, unplanned supply disruptions. This year, however, the significant decline in inventories and resulting backwardation are the result of a strong increase in oil demand as well as restrained crude oil production levels among OPEC+ members. At its early October meeting—and reaffirmed at its November 4 meeting, OPEC+ committed to maintaining its scheduled crude oil production increase of 400,000 barrels per day (b/d) in December rather than increase production by more in response to high crude oil prices and increasing demand.

We estimate that world crude oil consumption has exceeded crude oil production for five consecutive quarters going back to the third quarter of 2020. During this period, total petroleum stocks among countries in the Organization for Economic Cooperation and Development (OECD) fell by 424 million barrels—from 9% above the five-year average in June 2020 to 7% below the five-year average at the end of September 2021. We forecast global crude oil demand will
exceed global supply through the end of the year, contribute to some additional stocks draws, and keep the Brent crude oil price above $80/b through December. However, we forecast that global oil stocks will begin building in 2022, driven by rising production from OPEC+ and the United States, along with slowing growth in global oil demand. We expect this shift will put downward pressure on the Brent price, which averages $72/b for 2022 in our forecast.

**Crude oil price spreads:** The price for crude oils with high levels of sulfur declined relative to those with lower levels, as a result of both rising crude oil exports from OPEC and high natural gas prices that may be affecting the costs of certain refinery operations, among other factors. OPEC has been increasing production and exports during the second half of 2021. Crude oil production from many OPEC countries tend be a sour grade. The increase in OPEC exports has added to global supplies of sour crude oils. Additionally, sour crude oils must first be treated with hydrogen to meet low-sulfur fuel specifications and to avoid damage to refinery units. Because natural gas is used in hydrogen production, the recently high global natural gas prices have contributed to higher refinery feedstock costs, particularly in Europe and Asia. When the cost of natural gas increases, sour crude oils become more costly to run. Higher treatment costs of sour crude oil have likely made them less economic for refiners as global natural gas prices have increased, contributing to higher demand for sweeter crude (lower sulfur) oils such as Magellan East Houston (MEH) and lower demand for more sour crude oils, such as Mars.

These factors are likely reducing the price of certain grades of crude oil that require more processing to be converted to finished petroleum products. For example, Mars crude oil, which is produced in the Federal Offshore Gulf of Mexico and has a sulfur content of 1.93%, decreased in price in October relative to light sweet crude oils such as MEH and Brent, which both have sulfur contents of 0.45%. The Mars–Brent spread widened to an average of -$4.93/b in October, from -$3.58/b in September. In comparison, MEH crude oil prices narrowed slightly relative to Brent in October (Figure 3).
Petroleum products

Gasoline prices: The front-month futures price of RBOB (the petroleum component of gasoline used in many parts of the country) settled at $2.29 per gallon (gal) on November 4, up 4 cents/gal from October 1 (Figure 4). The RBOB–Brent crack spread (the difference between the price of RBOB and the price of Brent crude oil) increased by 1 cent/gal to settle at 37 cents/gal during the same period. The average RBOB–Brent crack spread in October was 43 cents/gal, up from 38 cents/gal in September.

In October, rising crude oil prices contributed to the highest gasoline prices (in nominal prices) since September 2014. Crude oil prices are the primary driver of the higher gasoline price, but the gasoline crack spread also increased in October compared with September, reaching a high of 48 cents/gal on October 18, before it decreased near the end of the month. Rapidly increasing crude oil prices typically reduce product crack spreads, but low inventories are supporting crack spreads. Gasoline inventory draws were relatively large in September, which likely reflects a combination of less refinery production throughout 2021 than in recent years and higher gasoline demand compared with earlier in 2021. We estimate total U.S. gasoline inventories fell by 11.4 million barrels in October compared with September, which was a larger inventory draw than the five-year average and has also resulted in inventory levels near the five-year low.

We estimate U.S. gasoline consumption in October 2021 increased to 9.2 million b/d, higher than levels seen in August and September. Typically, gasoline consumption decreases substantially from August to October, declining by 5% over that period in both 2018 and 2019 and declining by 2% over that period in 2020. We forecast gasoline consumption will decrease to less than 9.0 million b/d in November and remain below that level until May 2022.
**Ultra-low sulfur diesel prices:** The front-month futures price for ultra-low sulfur diesel (ULSD) for delivery in New York Harbor settled at $2.41/gal on November 4, up 2 cents/gal from October 1 (Figure 5). The ULSD-Brent crack spread (the difference between the price of ULSD and the price of Brent crude oil) decreased 1 cent/gal during the same period and settled at 49 cents/gal on November 4. The ULSD–Brent crack spread averaged 52 cents/gal in October. The distillate futures price rose to its highest level (in nominal prices) since October 2014, reaching $2.59/gal on October 20, before declining several cents toward the end of October, reflecting recent movements in crude oil prices. Distillate crack spreads remained elevated in October due to low refinery production, which has contributed to inventory levels near the five-year low. The ULSD crack spread only accounts for the price of crude oil inputs; it does not consider other inputs or operational costs associated with ULSD production. In particular, hydrogen produced at natural gas plants is an important secondary input for ULSD production at many refineries. Higher natural gas prices may be contributing to increased crack spreads, as well as increased refinery costs that may prevent ULSD producers from achieving higher margins.

We estimate U.S. distillate consumption at 4.0 million b/d in October, about the same level compared with September. However, distillate consumption typically increases from September to October. Agricultural use in the peak of the harvest season likely drove this increase in distillate consumption. The rising consumption was likely offset by a mild October in the Northeast that may have reduced some home heating oil consumption there. In addition, a shortage of truck drivers may have limited diesel consumption as well, despite high demand for trucking and rail volumes to respond to supply chain backlogs at U.S. ports. Based on our Weekly Petroleum Status Report (WPSR), we estimate four-week average exports as of October 29 were 1.0 million b/d. If confirmed in monthly data, this average for exports would be the lowest level for October since 2014 and would continue the trend of exports lower than the five-year.
average in every month since August 2020. This low level of exports contributed to the lowest distillate inventory withdrawals for October since 2009.

**Crack spreads and refinery runs:** Higher gasoline and distillate crack spreads associated with lower inventories have resulted in sharp increases in estimated overall refining margins during seasonal refinery maintenance (Figure 6). Rising gasoline demand contributed to increased gross refinery inputs (runs) in the United States throughout the summer, and runs remained above 16 million b/d from May through August, according to our Petroleum Supply Monthly (PSM). September and October are typically the time for seasonal refinery maintenance, and U.S. Gulf Coast refinery operations were reduced because of inclement weather from hurricanes and tropical storms during late August and early September. During this period, the U.S. Gulf Coast 3-2-1 crack spread, which serves as a measure of refinery profitability (by subtracting the prices of two-thirds of a barrel of gasoline and one-third of a barrel of diesel from the price of a barrel of WTI crude oil), increased from $11/b at the start of July to more than $19/b in late August and again in mid-October.

Refinery runs also decreased in early October because of seasonal maintenance, and lower than average product inventories resulted in another increase in the crack spread, which reached $19.63/b on October 15, setting a new high for 2021. Although refinery maintenance often occurs in the fall, higher gasoline demand compared with earlier this year and lower relative inventories of both gasoline and distillate appear to be contributing to a tighter market in 2021.

**ULSD-RBOB spread:** Relatively higher RBOB prices in the summer months typically indicate higher gasoline demand in the summer and more expensive summer-grade gasoline. Lower gasoline demand in the fall and winter and the lower price of winter-grade gasoline, combined with higher diesel demand from the agricultural and home heating sectors, typically contribute to relatively higher ULSD prices from September through the end of the year. ULSD front-month
futures prices were lower than RBOB prices on a monthly-average basis from March through August of 2021, but traded at a premium to RBOB prices during September and October (Figure 7). We calculate the ULSD-RBOB spread by subtracting the price of ULSD from the price of RBOB.

From March to August, RBOB traded on average 13 cents/gal higher than ULSD. During the past five years, the fuels have typically traded at roughly equal prices over that period. The relatively high RBOB prices likely reflected high summer gasoline exports and higher prices for renewable identification numbers (RINS)—which affect gasoline prices more than ULSD prices — over the summer. In addition, low jet fuel demand resulted in refineries reducing jet fuel production and shifting some of that production to ULSD, limiting upward pressure on ULSD prices.

In September, ULSD prices increased relative to RBOB prices and traded at a premium of 4 cents/gal to RBOB, the first monthly average premium since February 2021. However, the spread remained 9 cents/gal below the five-year average in October because some of the trends in 2021 that have contributed to higher relative gasoline prices still persist.

Natural Gas

Prices: The front-month natural gas futures contract for delivery at the Henry Hub settled at $5.72 per million British thermal units (MMBtu) on November 4, 2021, which was up $0.10/MMBtu from October 1, 2021 (Figure 8). The average closing price for front-month natural gas futures contracts in October was $5.57/MMBtu, the highest October monthly average in real terms since October 2009.
Despite mild weather that contributed to larger-than-average inventory builds, monthly average natural gas prices increased in October. Although builds were larger-than-average, inventories remain below the five-year (2016–20) average level, a condition which has contributed to rising natural gas prices in recent months. Relatively low inventory levels have been partly driven by demand for natural gas in the electric power sector that remained high because of limited ability for utilities to switch to coal for electric power generation. Consumption of natural gas in the United States tends to decline during September and October because temperatures are typically mild, resulting in low demand for both air conditioning and space heating.

Consumption of natural gas was 71.8 billion cubic feet per day (Bcf/d) in October, down from an average of 75.0 Bcf/d in the third quarter. The decreased consumption was primarily driven by a decrease in natural gas-fired electric power generation, falling from 37.9 Bcf/d in the third quarter to 29.5 Bcf/d in October. However, natural gas use for power generation in October was 1.9 Bcf/d higher than we had forecast in last month’s STEO. Higher-than-expected natural gas use in the electric power sector reflects limited natural gas-to-coal switching capabilities across the country, several planned nuclear outages in October, and lower-than-forecast electricity generation from wind.

As the weather gets colder, natural gas consumption typically shifts from the electric power sector to the residential and commercial sectors. Consumption in these sectors typically begins to increase in October due to colder temperatures, which results in increased natural gas consumption by buildings for space heating. However, because of milder temperatures this year, the residential and commercial sectors combined consumed 12.2 Bcf/d in October, which is 1.8 Bcf/d less than the five-year average. The United States as whole had 186 heating degree days (HDDs) in October, 52 fewer days than the October 2011–20 average of 238 HDDs.

Despite higher-than-expected consumption in the electric power sector, lower-than-average consumption in the residential and commercial sectors during October contributed to natural
gas storage injections outpacing the five-year average. We estimate that U.S. working natural gas inventories increased by 343 billion cubic feet (Bcf) during October, which is 34% more than the five-year average build from September to October. This build resulted in inventories ending October at 3,646 Bcf, which is 3% below the five-year average. This level is a decrease in the deficit to the five-year average compared with September, which ended the month at 6% below the five-year average. Until October, inventories had built at a slower rate than the five-year average for much of the storage injection season that typically begins in April and ends in late October or early November. Low inventory levels have been a contributor to higher prices in recent months. Higher-than-average storage injections in October likely limited upward pressure on natural gas prices toward the end of the month.

The spread between international and domestic prices remained high in October, and contributed to continued strong demand for U.S. liquefied natural gas (LNG) cargoes. U.S. LNG exports averaged 9.8 Bcf/d in October, or approximately 103% of total LNG export capacity. LNG production capacity at U.S. LNG export terminals can be optimized to run at peak (maximum) rates in periods of high demand, above the nameplate (baseload) capacity that LNG export facilities were designed to operate under normal conditions.

**Historical volatility:** Volatility of U.S. natural gas futures prices has risen substantially in the past two months (Figure 9). Historical volatility measures the magnitude of daily changes in closing prices for a commodity during a given time in the past. Based on rolling front-month contracts, the 30-day historical volatility of U.S. natural gas futures prices was 29.8% for April through August of this year. In September, volatility rose to 49.4%, compared with the 2015–2019 September average of 30.6%. In October, volatility rose to 78.3%, compared with the 2015–2019 October average of 32.7%. In October, daily front-month natural gas futures contract intraday prices ranged as high as $6.47/MMBtu on October 6 and as low as $4.83/MMBtu on October 19. The historical volatility of the natural gas futures price at the Henry Hub in October has corresponded with high volatility at international pricing hubs in Europe and Asia.
International natural gas prices: International LNG spot and forward prices reached record highs in the first week of October. Prices reached $35/MMBtu in northern Asia and nearly $40/MMBtu in Europe in the first week of October (Figure 10), according to pricing data by Bloomberg Finance, L.P. Prices in Asia were up nearly twentyfold—and prices in Europe up nearly thirty fold—from record lows during the summer of 2020, when economic responses to the COVID-19 pandemic significantly reduced global energy consumption. Several factors contributed to significant increases in global spot natural gas prices this year, including:

- Large increases in natural gas demand in Asia and Latin America
- Low natural gas storage inventories in Europe following a cold winter and a hot summer
- Reduced global LNG supply because of planned and unplanned outages at LNG export facilities in several countries
Significant growth in natural gas demand in response to economic recovery from the COVID-19 pandemic in Asia, led by China, contributed to increased demand for global spot LNG supplies, in addition to LNG imports supplied under long-term contracts. A shortage of coal supplies in China, higher LNG demand by the electric power and industrial sectors in Japan, and lower output by nuclear power plants in South Korea all contributed to a significant increase in LNG imports into Asia. In addition, natural gas storage inventories in Europe remained relatively low in October, compared with historical averages. At the end of October, natural gas inventories in Europe were 77% full, compared with 95% last year at this time and the 91% five-year average, according to data from Gas Infrastructure Europe’s (GIE) Aggregated Gas Storage Inventory (AGSI+).

Recent price declines in Northeast Asia and Western Europe suggest concerns about natural gas supply during the winter have eased to some extent. Natural gas delivered from Europe’s LNG import terminals, which between April and September 2021 had been at its lowest level since 2018, started to increase in October, averaging 6.6 Bcf/d, 2% higher than in October 2020, according to data from the GIE’s Aggregated LNG Storage Inventory (ALSI). LNG inventories in key Asian LNG-consuming countries have also been gradually filling up, with Japan’s LNG stocks reaching five-year high in October.

The difference in natural gas prices in Asia and Europe compared with the Henry Hub price, even after including acquisition and delivery costs to U.S. terminals, remains high. U.S. LNG exports indexed off natural gas futures at the Henry Hub are cost-competitive on the international market. U.S. LNG export capacity utilization was above 100% in September and October, and we expect it to remain at high levels this winter, even with additional liquefaction capacity set to come online in the next few months.

Our forecast assumes total U.S. LNG export capacity will continue to increase between December 2021 and late 2022 as a result of:

- Optimizing operations at Cheniere’s Sabine Pass and Corpus Christi terminals, adding up to 0.7 Bcf/d of additional capacity (the Federal Energy Regulatory Commission (FERC) granted Cheniere approval to increase output by up to 11%)
- Completing Train 6 at Sabine Pass LNG, which is expected to be online in December 2021
- Commissioning of 10 mid-scale liquefaction units at a new facility, Calcasieu Pass, in Louisiana, starting in December 2021 and continuing through 2022

We forecast LNG exports will average 11.1 Bcf/d from December 2021 to February 2022, which would be the highest level of U.S. LNG exports on record.
Notable forecast changes

- U.S. crude oil production in the forecast averages 11.9 million b/d for 2022. This forecast is 0.2 million b/d (1.4%) higher than in the October STEO. The higher forecast is the result of our increased expectations for crude oil production in both the Permian Basin and Federal Offshore Gulf of Mexico (GOM). We raised our expectation of production in the Permian Basin as a result of higher expected drilling productivity. We raised our expectation of GOM production because we now expect some projects to come online sooner than previously forecast.