Natural gas prices expected to rise in 2021 as consumption recovers faster than production

The U.S. Energy Information Administration is reporting that Henry Hub natural gas spot prices averaged $1.73 per million British thermal units in April, the lowest since March 2016.

Mild winter weather and lower demand for natural gas in the power industrial sector have contributed to larger-than-average inventories thus far in the 2020 injection season, which began on April 1. As a result, EIA expects natural gas prices to remain low through the summer months.

Later in the year, EIA expects slowing natural gas production, combined with increased industrial demand and higher winter demand for space heating, to lead to an increase in price. In its May Short-Term Energy Outlook, EIA forecasts that Henry Hub natural gas spot prices will average $2.14 per million British thermal units in 2020 and $2.89 per million British thermal units in 2021.

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