Natural gas prices expected to rise in 2021

The U.S. Energy Information Administration reports that Henry Hub natural gas spot prices averaged $1.63 per million British thermal units in June, the lowest inflation-adjusted average price since at least 1989.

Reduced demand in response to the COVID-19 pandemic continues to outweigh the effects of falling natural gas production and are contributing to low natural gas prices. EIA expects these conditions will persist in the coming months and keep the third-quarter average natural gas spot price at $1.65 per million British thermal units. However, EIA expects general upward price pressures to emerge later in 2020 as demand for natural gas increases and production continues to decline, particularly in the fourth quarter when space heating demand rises.

In the July Short-Term Energy Outlook, EIA forecasts that Henry Hub spot prices will average $2.46 per million British thermal units in the fourth quarter of 2020, bringing the 2020 annual average to $1.93 per million British thermal units. EIA estimates U.S. dry natural gas production will decline a further 5.5% next year, continuing to put upward pressure on prices through the end of 2021. EIA expects Henry Hub prices will average $3.10 per million British thermal units in 2021.

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