Summary 2025 Natural Gas Market Outlook

Executive Summary

Prepared for Natural Gas Supply Association

May 2025

Author

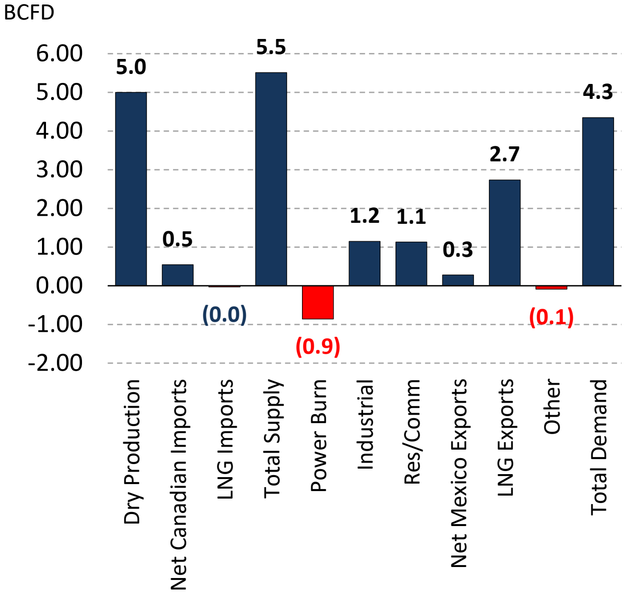
Rob DiDona

ENERGY VENTURES ANALYSIS

8045 Leesburg Pike, Suite 200
Vienna, VA 22182
(703) 276 8900
www.evainc.com

Pipelines in Permian and Marcellus will Drive Summer 2025 Supply Growth to New Heights

Natural Gas Supply and Demand, 2025 Summer vs 2024 Summer



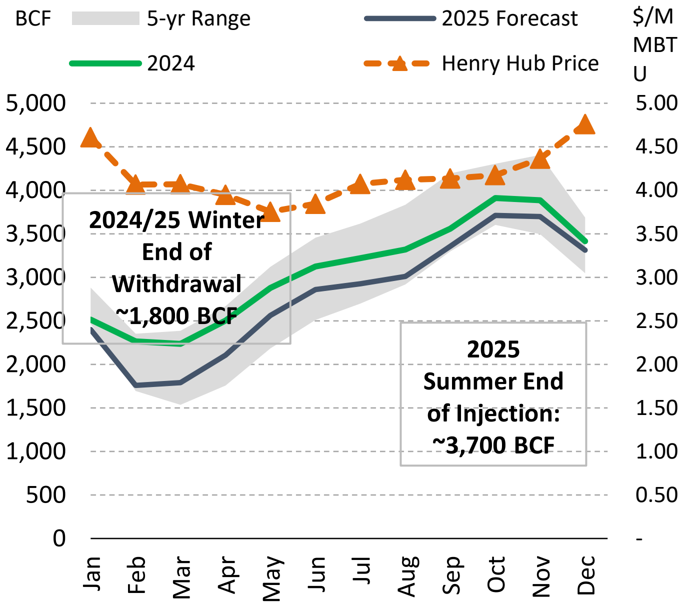
Source: Energy Ventures Analysis, (EVA)

- Supply takes a material step forward in Summer 2025, with U.S. production rising by 5 BCFD over Summer 2024 levels. This growth is tied to associated gas from the Permian and the higher Marcellus production, both were supported by the startup of Matterhorn and Mountain Valley Pipeline, respectively. Looking back even further, production slowed in 2024 in order to absorb some of the overhang in storage, yet it still rose by over 4 BCFD compared to 2023. This set the stage for EVA's projected 5 BCFD growth this summer.
- On the demand side, LNG exports and industrial needs are projected to drive growth this summer. Power generation will continue to represent the largest market sector for summer demand.

Summer Natural Gas Supply and Demand Summary	2025 Summer	2024 Summer	Difference vs Last Summer	Difference vs Last Three Summers
Supply (BCFD)				
Dry Production	106.2	101.2	5.0	5.6
Net Canadian Imports	6.6	6.0	0.5	1.0
LNG Imports	0.0	0.1	(0.0)	(0.0)
Total Supply	112.8	107.3	5.5	6.5
Demand (BCFD)				
Power Burn	37.8	38.7	(0.9)	0.3
Industrial	24.6	23.4	1.2	2.0
Res/Comm	12.2	11.0	1.1	0.7
Net Mexico Exports	7.0	6.7	0.3	0.6
LNG Exports	15.2	12.5	2.7	3.0
Other	7.1	7.2	(0.1)	0.1
Total Demand	103.8	99.5	4.3	6.6
Average Injection (BCFD)	9.0	7.8	1.2	(0.1)
Total Injection (BCF)	1,935	1,677	258.1	(6.6)
CDDs	569	495	74.0	19.0

Source: EVA

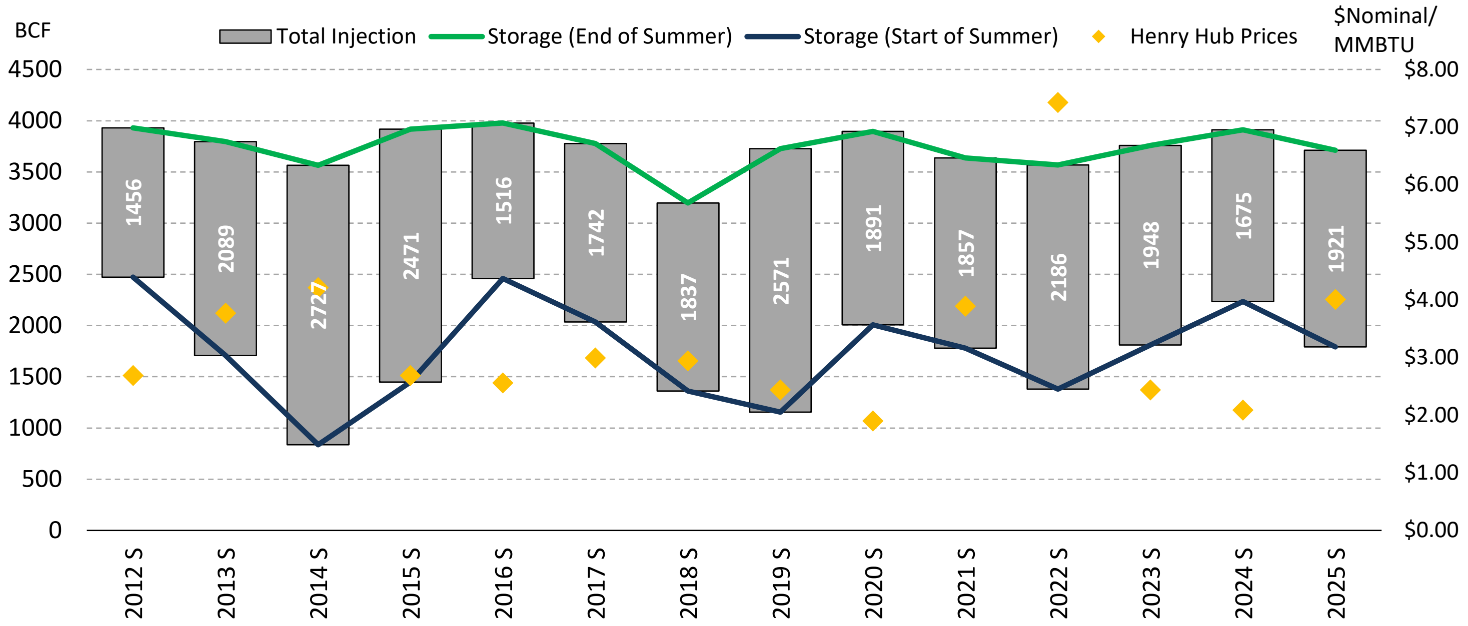
U.S. working gas in underground storage



Henry Hub prices are NYMEX settlements as of mid April 2024.
Source: EIA, EVA

U.S. Natural Gas Storage is Projected to Remain Near the 5-year Average this Summer

U.S. L48 Summer Gas Storage Injection

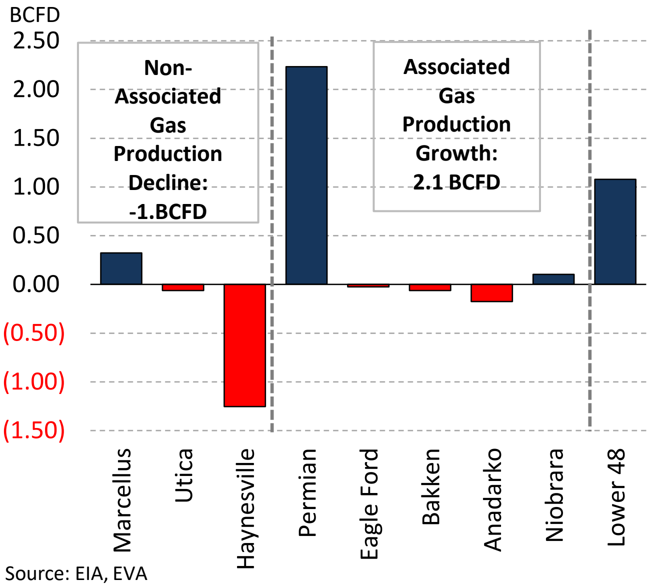


Source: EVA

- U.S. Lower 48 natural gas inventories are projected to remain near the 5-year average through Summer 2025, signaling a relatively balanced injection season. EVA anticipates modest injections as producers maintain supply restraint. Supply growth is unlikely until tighter market signals—like falling storage levels or rising prices—emerge to justify increased output.
- Looking back at Summer 2024 began with a considerably larger amount of gas in storage, following a mild winter and robust injections in Q1. As a result, high starting inventories limited injection needs and kept downward pressure on prices. In comparison, the Summer 2025 surplus—though still somewhat elevated—appears more manageable, suggesting a gradual return toward market equilibrium, although some signs of tightness remain.
- Henry Hub prices post-winter have fallen, offering little incentive for most producers to ramp up drilling. With storage near typical levels and demand growth still modest, there is limited pressure to add new supply. In Summer 2025, prices are slightly higher than in 2024—around $3.50/MMBtu according to the publicly-available NYMEX forward price strip — but still not strong enough to broadly support new production without a longer-term trend of tighter market conditions.

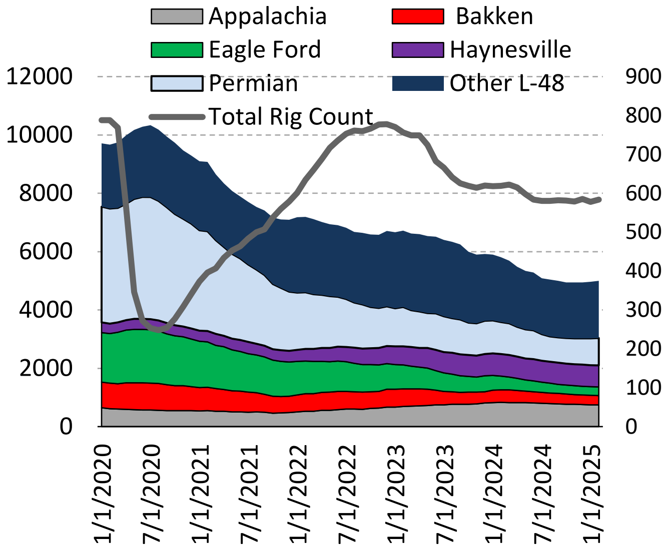
Steady Production and New Takeaway Capacity Were the Key to Balancing the 2024 Storage Overhang

Year-over-year Production Change by Basin (Winter 23/24 vs Winter 24/25)



Source: EIA, EVA

Drilled but uncompleted wells inventory in major U.S. producing areas



Source: EVA

- Expanded takeaway capacity in the Permian and Marcellus supported early 2024 production gains, though regional dynamics diverged as market conditions shifted.

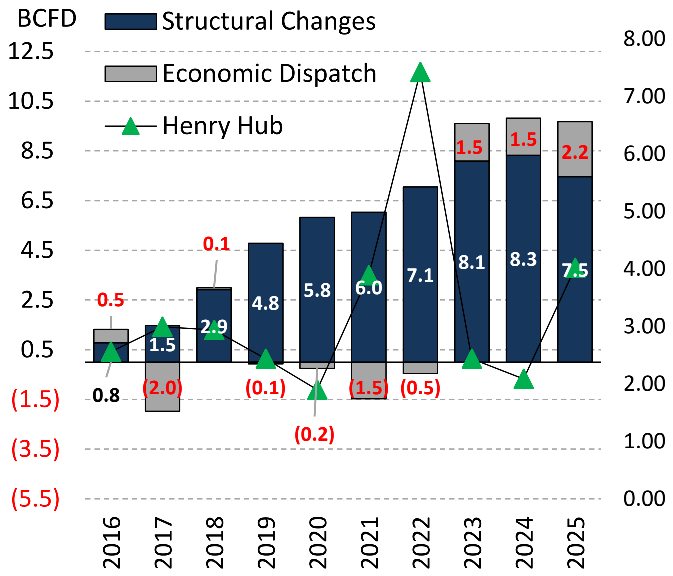
- In the Marcellus, weak forward price curves—which offer little incentive for long-term drilling commitments—have dampened producer activity. At the same time, persistent policy and permitting constraints, including delays in pipeline approvals and legal challenges, continue to restrict the basin's ability to expand production. These headwinds have kept gas-directed drilling in check despite the infrastructure gains.

- Production surged early in 2024, fueled by associated gas from strong oil drilling. As oil activity slowed and prices weakened, gas output leveled off. Producers have since leaned on completing DUCs to sustain volumes with less capital. The ongoing drop in DUC inventories signals a strategic slowdown to manage supply and limit storage pressure.

- DUC inventories across major basins have declined by over 40% since early 2021, with Appalachia, Eagle Ford, and Haynesville all showing sustained drawdowns. This structural reduction suggests the industry has largely worked through its backlog of uncompleted wells—limiting the buffer producers once relied on to quickly ramp output without new drilling. Heading into 2025, this could constrain short-term supply flexibility, especially if demand surprises to the upside or if storage tightens unexpectedly.

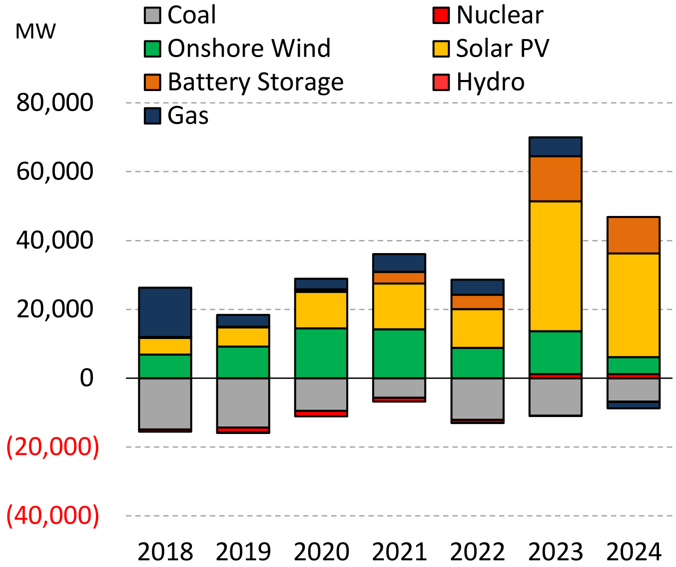
Gas Demand Set to Rebound in 2025 Following Delayed Builds and Rising Load

Power Burn Increase from base year 2015 : Structural Growth vs Economic Switching



All data shown for summer seasons (April-October) in the year listed.
Source: EVA

Net change in U.S. generating capacity



Source: EVA

- Summer 2025 power burns are expected to reach 9.7 Bcf/d above 2015 levels, with 7.5 Bcf/d from structural growth and 2.2 Bcf/d from economic switching. While structural demand softens slightly from 2024, increased price-driven switching helps maintain overall gas burn.

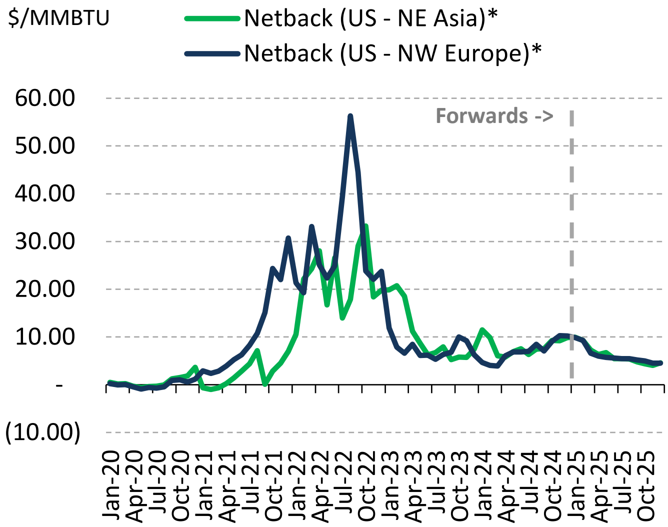
- Compared to Summer 2024, total power burn is expected to decline by just 0.1 Bcf/d. The 0.8 Bcf/d drop in structural demand is nearly offset by a 0.7 Bcf/d rise in economic switching, highlighting natural gas's continued dispatch flexibility.

- While gas additions slowed in 2024, a rebound is expected in 2025 as delayed projects move forward and market signals support new builds. Since 2018, over 47 GW of gas and 32 GW of battery storage have been added, while coal retirements topped 74 GW, including 17 GW in the past two years. As more coal exits and summer demand rises, gas is positioned to capture greater dispatch share, supported by its flexibility and the growing role of storage in stabilizing peak loads.

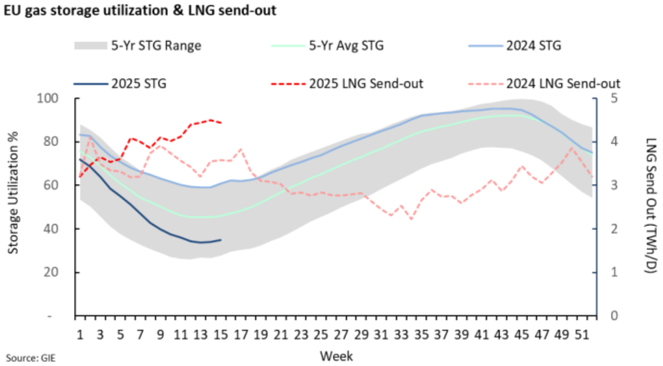
- Policy shifts under the Trump administration could boost coal dispatch, especially if gas prices rise and regulatory support for coal increases. While structural constraints limit a major comeback, gas-to-coal switching could rise.

U.S. LNG Exports to Europe Will Continue to Drive Feedgas Demand

Netbacks for U.S. LNG exports



Historical netbacks are based on cash settlements.
Future netbacks are based on early-April 2025 forward curves.
Source: EVA



STG refers to gas storage utilization, expressed as a percentage.
Source: GIE

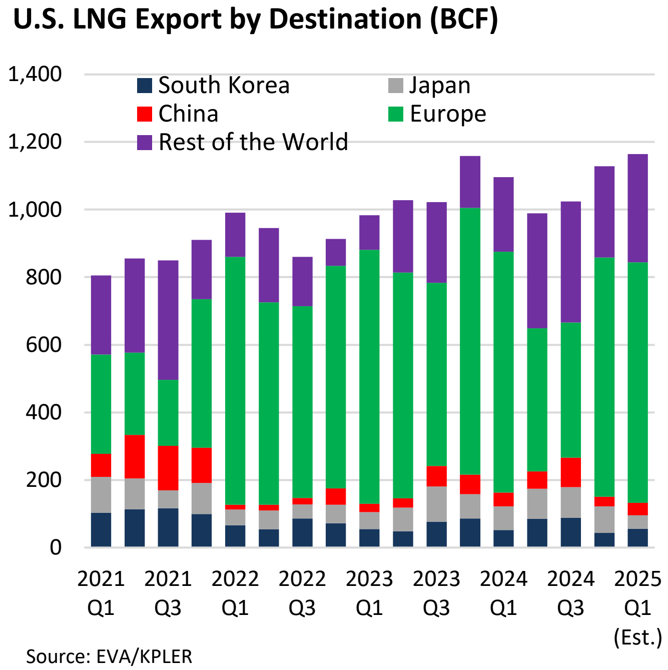
- U.S. LNG remains strongly supported by global pricing, with netbacks to Europe and Asia holding at $6–$7/MMBtu and regional spreads maintaining a $3–$4/MMBtu premium over Henry Hub. These margins have helped drive feedgas demand to near-record levels of over 16 Bcf/d in early 2025.

- Geopolitical risks and trade policy uncertainty, however, continue to drive volatility in global gas markets.

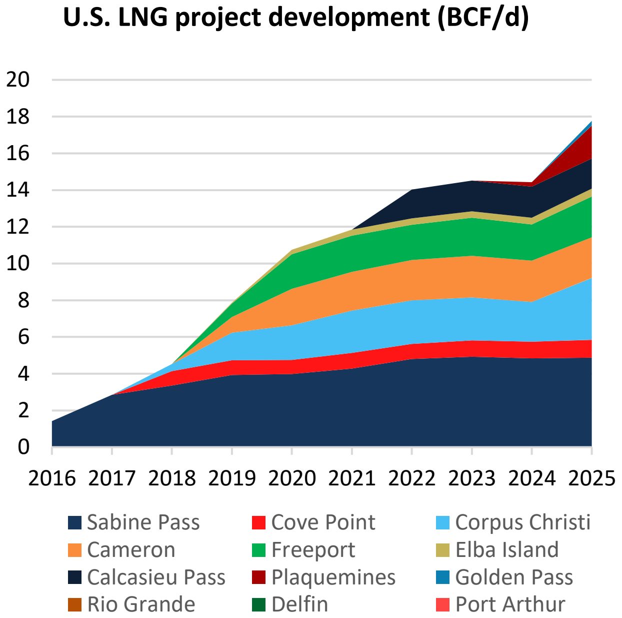
- European storage began in the summer of 2025 below average, with utilization below 50% by mid-March due to colder weather and regional supply disruptions. This has heightened dependence on LNG imports—particularly from the U.S.—to support injection season recovery.

- New U.S. liquefaction capacity is rising (Plaquemines, Golden Pass) adding over 3 Bcf/d of export potential as compared to last Summer, reinforcing U.S. export strength.

U.S. LNG destination flows could shift as trade wars loom



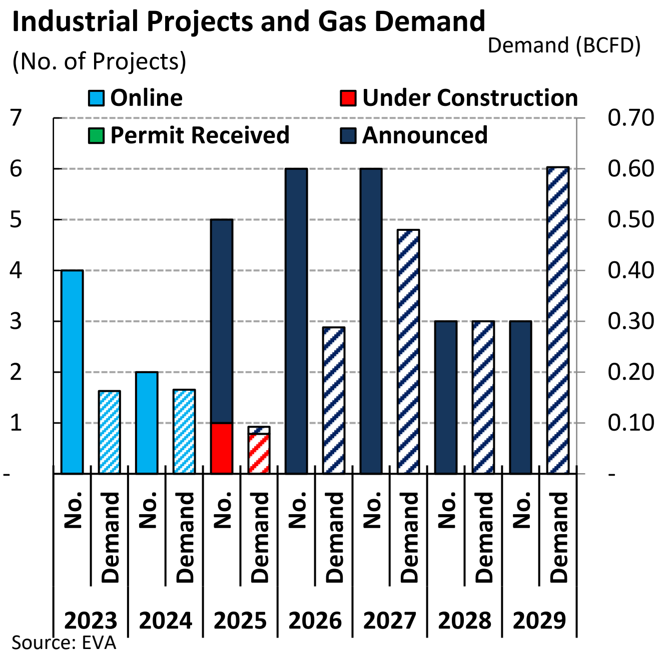
Source: EVA/KPLER



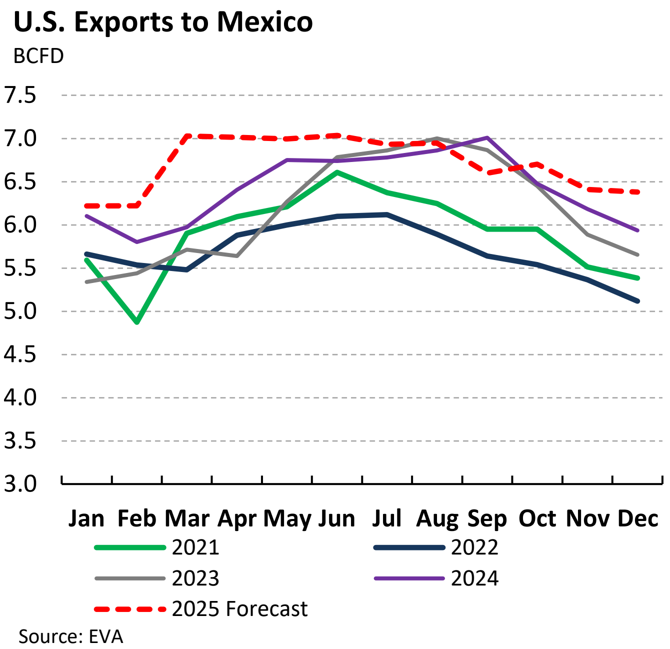
Source: EVA

- Geopolitical factors and trade policy are reshaping U.S. LNG export destinations. With China's retaliatory tariffs still in place, Europe remains the dominant growth market, accounting for the largest share of U.S. LNG exports in early 2025. Trade tensions continue to influence global flows, though total export volumes have remained resilient.
- The U.S. maintained its position as a top global LNG exporter, even amid the Biden Administration's Department of Energy's pause on new export authorizations. Near-term growth is being driven by the ramp-up of projects like Plaquemines and Golden Pass, contributing to a rising export total now approaching 1,300 Bcf per quarter.
- New capacity additions are visible in the infrastructure curve, based on current construction timelines. However, the outlook is not without risks—delays, trade disputes, and sanctions which could impact commissioning schedules and flow patterns.
- EVA expects export volumes to remain strong through Summer 2025, but with a potential narrowing in destination diversity. As Europe's storage needs rise, and Chinese tariffs remain in place, Atlantic Basin and Rest-of-World markets are positioned to absorb most of the incremental U.S. LNG flows in the near term.

Industrial Demand Upside Exists Given Trump Administration Push While Exports to Mexico Should Ramp Up Due to Demand Gains



Source: EVA



Source: EVA

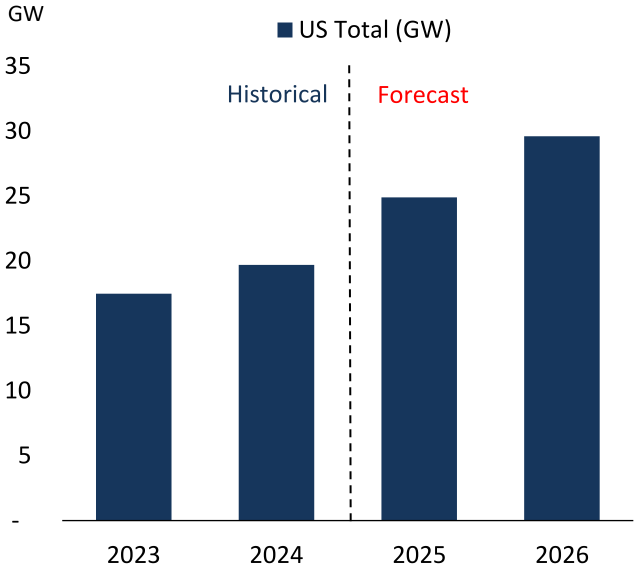
- EVA estimates that industrial gas demand has grown by 0.25 Bcf/d from new projects since 2023, with momentum expected to build further from 2026 onward. Under the current Trump administration, pro-energy policies are likely to accelerate development—particularly across Gulf Coast manufacturing and petrochemical sectors.

- A growing number of permitted and announced projects underscores a structurally stronger outlook. 2027 is estimated to shape up as a turning point, marked by a sharp rise in both project count and demand. This trend signals renewed industrial investment cycles tied to infrastructure buildout and improved policy certainty

- U.S. pipeline exports to Mexico averaged 6.5 Bcf/d in 2024, with EVA projecting even higher volumes in 2025. New pipelines in the U.S. and Mexico, the development of Mexican LNG export terminals in addition to over 7 GW of upcoming gas-fired generation capacity are driving growth.

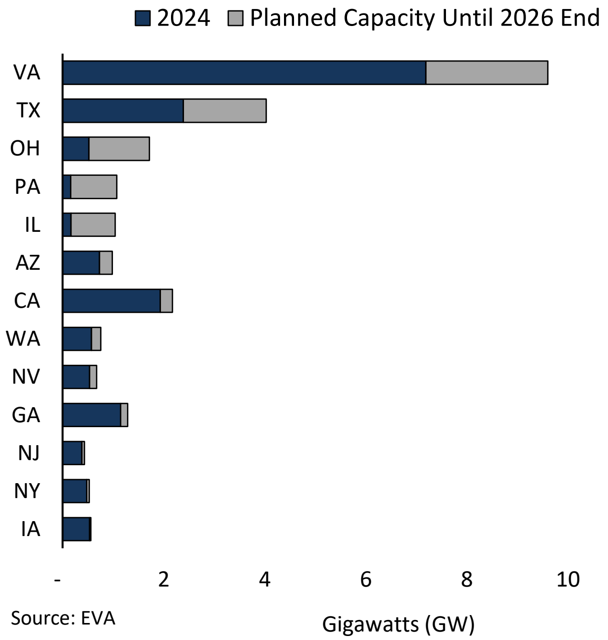
Data Center Demand Growth to Continue, Propelled by Virginia and Texas

Cumulative Projected Data Center Demand



Source: EVA

Top data center markets by operating and planned capacity



Source: EVA

- The national U.S. data center demand is projected to grow by over 60% between 2023 and 2026, reaching more than 30 GW.
- Virginia continues to dominate data center growth nationally, with over 10 GW of total projected capacity by 2026—more than double any other state.
- Ohio is an emerging hotspot, with ~1.5 GW in 2024 and a significant pipeline adding ~3.5 GW, supported by strong utility partnerships and proximity to East Coast networks. Illinois and Pennsylvania show steady growth, too, with each forecasted to exceed 3 GW total capacity by 2026 as hyperscalers diversify within the PJM footprint.
- ERCOT is emerging as the second-largest market, with annual additions ranging from 800 MW to 1.2 GW per year, driven by favorable policies, competitive energy prices, and land availability. By 2026, Texas is expected to house more than 4 GW of cumulative data center capacity, making it a key player in future expansion.
- Nevada and Georgia are gaining attention with smaller but fast-growing pipelines, especially for co-location and edge-computing facilities.
- Backed by the DOE’s identification of 16 federal sites for co-located AI and energy infrastructure, EVA expects near-term data center demand to remain strong—especially under the new administration’s push to fast-track permitting, reduce costs, and assert U.S. leadership in AI.