

Rising Midwest Natural Gas Prices Expected, But Cold Weather Will Determine Market Balance

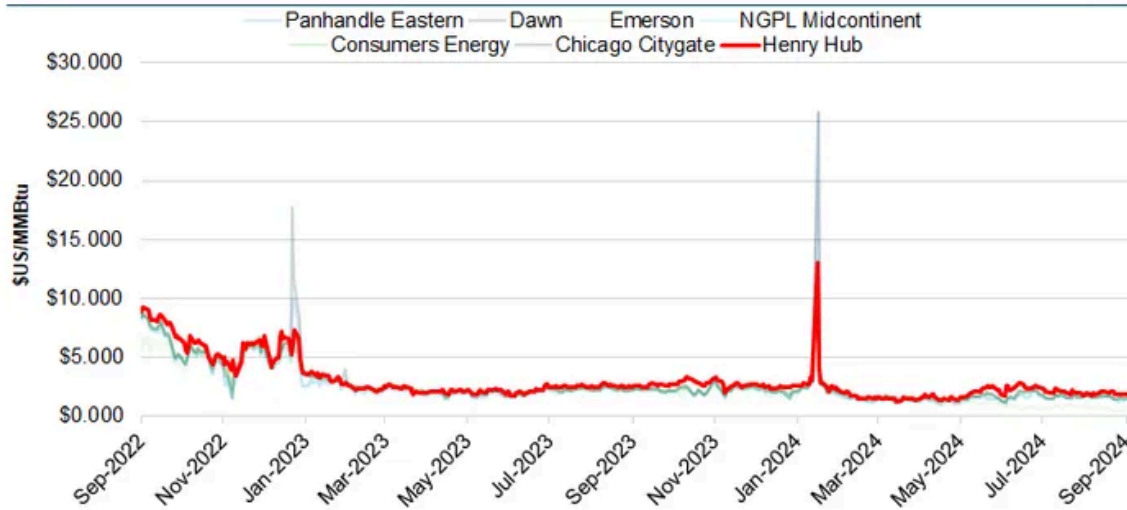


By [Jacob Dick](#) 13 minutes ago

The coming winter is expected to bring higher average natural gas prices into 2025 that help stabilize production, but the supply and demand balance could still be fragile, especially for regional markets such as the Midwest.

Daily Natural Gas Prices for Key Midcontinent/Midwest Locations

NGI



Source: NGI's Daily Gas Price Index

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A lot could be riding on the upcoming heating season, or rather the cold weather it brings, natural gas market energy experts said at the LDC Gas Forum Mid-Continent in Chicago earlier in the month. **Storage rates** across the country continue to float well above years' past levels while Henry Hub and regional natural gas prices have remained near record lows.

Producers have been conversely **pulling back drilling** in key dry gas basins while awaiting a recovery in prices, which should be on the way in the coming months, East Daley's Jack Weixel, senior director of energy analysis, told NGI.



“I would say this winter is important for setting up a path to higher prices as we begin to see a second wave of new LNG demand hit the market,” Weixel said. “When layered on top of regular winter demand, we start to see normal consumption levels that drive down storage surpluses and get us to a higher price environment.”

Price Reform And Power



Assuming a storage surplus relative to the five-year average below 200 Bcf at the end of March, East Daley is projecting Henry Hub prices could reach just over \$3.00/MMBtu. NGI's Henry Hub Forward Fixed Price for the upcoming winter was \$2.999 as of Monday.

With inventories at that level, the market could experience “substantive price reform,” Weixel said, that could support increased production. That added volume, expected mostly from Appalachia and the Haynesville, will be important for helping regional markets such as the Midwest.

A combination of rising natural gas demand from the power and residential and commercial sectors and the growing volatility of weather events are causing Midwestern gas buyers to take a wary look at the coming supply balance, NGI Senior Energy Analyst Josiah Clinedinst said.

"Utilities and end users are concerned with supply going into Winter 2024-25 because of increased consumption from power generation in the Midwest and the Chicago area and, more broadly, the increased liquefied natural gas and Mexico export demand, as well,” Clinedinst said.

By 2028, an expected 11.4 Bcf/d in new feed gas demand from Gulf Coast and Mexican export terminals is expected to hit the market. During the same time, the Midwest will likely need capacity additions to meet growing power generation needs. Clinedinst said major transport resources for the region like Energy Transfers LP's Rover and the East to West segments of the Rockies Express Pipeline (REX) “are near capacity most days, as well.”

Flexibility and Volatility

How the Midwest reacts to the coming winter and the balance in 2025 could serve as a bellwether for other North American natural gas markets.

NGI's Leticia Gonzales, managing director of North American natural gas pricing, said the Chicago area serves as an example where natural gas demand for power has held steady despite forecasted reductions from renewable generation and efficiency improvements.

"Our energy demand certainly isn't declining by any means," Gonzales said. "In the Chicago area, there are more than 100 data centers already operational and more to be built."

Those energy intensive data centers and increasing electrification of cars and appliances aren't just driving demand for more power, Gonzales added, but also the **need for reliable and flexible generation** that can be deployed when renewables are interrupted.

While winter withdrawals in the Midwest have been dropping over the past three winters, from an average of 4.99 Bcf/d in winter 21-22 to 3.91 last winter, the chances of severe price spikes appear to have increased.

Winter temperatures were below average for the second year in a row last winter, but a January winter storm shut-in some supplies from the Rockies and pushed Chicago Citygate prices around \$25/MMBtu. Henry Hub prices rose to around \$13 during the same period before collapsing again thanks to mild February weather.

"The last two winters have been warm overall, but you do still see the seasonality here with the price spikes anytime there is severe weather over the region," Gonzales said.

However, at least for now, Midwestern gas buyers don't seem to be concerned about winter weather just yet. Forecasts have been trending toward possibly another warm winter for most of the United States.

NGI's Forward Fixed Prices for **Chicago Citygate** was \$4.130/MMBtu for Jan-25 and \$3.987 for Feb-25 as of Monday. **Dawn prices** for Canadian imports were \$2.965/MMBtu for January and \$3.074 for February.

The National Oceanic and Atmospheric Administration (NOAA) forecast has outlined a possible mild winter for most of North America for the third year in a row, putting more downward pressure on prices as inventories continue to stay bulky.

However, there is also the lingering effects of La Nina weather patterns to contend with "which has a 79% chance to last into December 2024 as well, according to NOAA," Clinedinst said "This is predicted to bring about a wetter than normal winter to the Midwest, but a colder than normal early winter to the upper mid continent at the same time."



Jacob Dick

Jacob Dick joined the NGI staff in January 2022 and was promoted to Senior Editor, LNG in February 2024. He previously covered business with a focus on oil and gas in Southeast Texas for the Beaumont Enterprise, a Hearst newspaper. Jacob is a native of Kentucky and holds a bachelor's degree in journalism from Western Kentucky University.

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