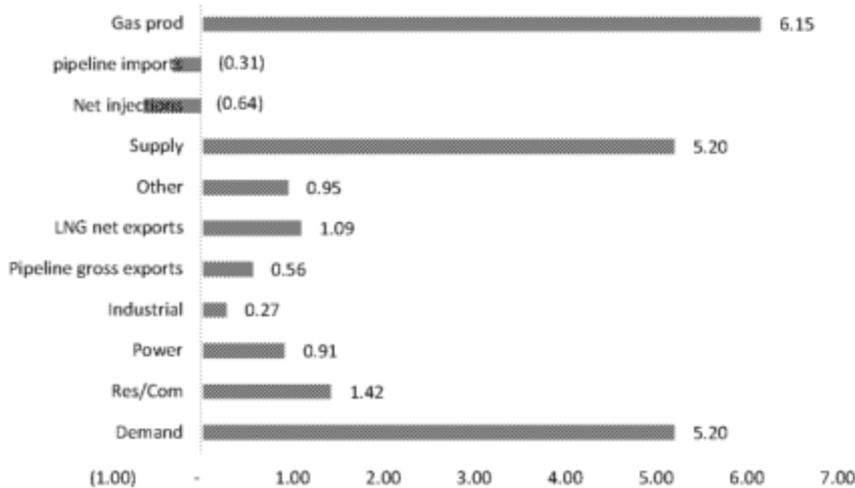




Looking at EIA's S/D model, net supply growth YoY is expected to be 5.20 Bcf/d – this factors in 0.31 Bcf/d YoY reduction in pipeline imports from Canada and minor additions to inventory of 0.17 Bcf/d (vs. 0.47 Bcf/d withdrawals in 2017E). On the demand side, exports is expected to lead the charge, with a YoY growth of 1.65 Bcf/d. LNG export growth momentum is expected to continue (+1.09 Bcf/d or +56% YoY) as new capacity comes online – Sabine Pass Liquefaction's Train 4 (~0.7 Bcf/d) came online in October '17 taking total operated capacity to 2.8 Bcf/d. Next up, the 0.75 Bcf/d Cove Point facility is expected to become operational by year-end taking total capacity to 3.55 Bcf/d. The LNG growth story has legs well beyond 2018, with the capacity expected to more than double by end-2019 to 9.6 Bcf/d - and would likely be key to keep the market balanced over the medium term in the face of continued supply growth.

Woodmac, which is projecting much higher production (~2.8 Bcf/d higher than EIA) has a price forecast of \$2.85 for 2018. The company sees the higher supply being absorbed by robust growth in power demand (+~4 Bcf/d vs. 0.91 Bcf/d for EIA) with a significant driver being coal-to-gas switching.

Figure 18: 2018 US gas market S/D YoY changes



Source: EIA