EIA - Short-Term Energy Outlook (STEO)

The Energy Information Administration (EIA), Washington, D.C., has released its Short-Term Energy Outlook (STEO) Report for November 2017

• EIA estimates U.S. crude oil production averaged 9.3 million barrels per day (b/d) in October, down 90,000 b/d from the September level. Crude oil production in the Gulf of Mexico averaged 1.4 million b/d in October, which was 260,000 b/d lower than the September level. The lower production reflected the effects of Hurricane Nate. At the time of EIA's Report, most oil production platforms in the Gulf of Mexico had returned to operation following the hurricane.

• EIA forecasts overall U.S. crude oil production will continue to grow in the coming months. EIA forecasts total U.S. crude oil production to average 9.2 million b/d for all of 2017 and 9.9 million b/d in 2018, which would mark the highest annual average production, surpassing the previous record of 9.6 million b/d set in 1970. Other highlights of the EIA Report are:

• U.S. dry natural gas production is forecast to average 73.4 billion cubic feet per day (Bcf/d) in 2017, a 0.6 Bcf/d increase from the 2016 level. Natural gas production in 2018 is forecast to be 5.5 Bcf/d higher than the 2017 level.

• In October, the average Henry Hub natural gas spot price was $2.88 per million British thermal units (MMBtu), down 10 cents/MMBtu from the September level. Expected growth in natural gas exports and domestic natural gas consumption in 2018 contribute to the forecast Henry Hub natural gas spot price rising from an annual average of $3.01/MMBtu in 2017 to $3.10/MMBtu in 2018.

• NYMEX contract values for February 2018 delivery that traded during the five-day period ending November 2nd suggest that a range of $2.08/MMBtu to $4.52/MMBtu encompasses the market expectation for February Henry Hub natural gas prices at the 95% confidence level, said EIA.

• Total commercial U.S. crude oil inventories declined by 27 million barrels from the last week of July to the last week in October, according to EIA's Weekly Petroleum Status Report (WPSR), whereas inventories in Cushing, Oklahoma, increased by 8 million barrels. Pipeline expansions in recent years have increased crude oil flows from rising Canadian and Bakken output into Cushing (OK), contributing to relatively high stock levels in the region. In addition, increased output from the Permian basin in West Texas and New Mexico is flowing into Cushing (OK). At the same time, new pipeline connectivity has also allowed more Permian barrels to flow directly to the U.S. Gulf Coast.

• Until new pipeline capacity is brought online in the first quarter of 2018, EIA expects Brent crude oil prices to remain $6 per barrel higher than West Texas Intermediate (WTI) prices. EIA expects this spread to narrow to $4 per barrel during the second half of 2018. In the Texas region of the Permian Basin the 0.4 million b/d Midland to Sealy pipeline is scheduled to come online by the second quarter of 2018, which will increase Permian crude oil flows to the U.S. Gulf Coast. The 0.2 million b/d Diamond pipeline from Cushing (OK), to Memphis (TN), is scheduled to be complete by the end of 2017 and could begin to reduce some of the stocks in Cushing (OK).

• U.S. distillate exports have risen significantly in 2017. In July 2017, U.S. distillate exports rose to a record 1.7 million b/d before declining to 1.4 million b/d in August. Looking at U.S. distillate exports as a percentage of U.S. distillate production illustrates the growing importance of U.S. exports in the global distillate market. U.S. distillate exports as a share of U.S. distillate production rose to a record high of 33% in July but then declined to 27% in August.