

EIA April Short-Term Energy Outlook

The U.S. Energy Information Administration (EIA) has released its April Short-Term Energy Outlook (STEO) report. Some highlights are as follows:

- U.S. crude oil production averaged an estimated 8.9 million barrels per day (b/d) in 2016. U.S. crude oil production is forecast to average 9.2 million b/d in 2017 and 9.9 million b/d in 2018.

- In early March, crude oil prices declined as U.S. crude oil inventories built to a multi-decade high and as U.S. crude oil production rose. The price decline occurred despite the voluntary crude oil production cuts in the first quarter of 2017 among the Organization of the Petroleum Exporting Countries (OPEC) and some non-OPEC producers. Unplanned supply outages in Libya and market perceptions of an increased likelihood of an extension of the voluntary production cuts may have contributed to price increases at the end of March.

- On March 26, the Joint OPEC/Non-OPEC Ministerial Monitoring Committee (JMMC) met and reported that there was a high degree of compliance among the members to the agreed-upon crude oil production cuts. Further, the United Arab Emirates announced they would increase compliance with their required cuts under the current agreement, and Russia reduced crude oil production in March to bring their levels closer to their required amount.

- EIA expects world crude oil and liquid fuels supply to grow by 1.1 million barrels per day (b/d) in 2017 and by 1.9 million b/d in 2018. Compared with the previous forecast, these growth estimates are higher by about 0.1 million b/d and 0.2 million b/d, respectively, because of higher expected U.S. and Brazilian crude oil production growth. Expected world liquid fuels consumption growth is forecast at 1.5 million b/d in 2017 and 1.6 million b/d in 2018. EIA expects the market to be relatively balanced in 2017 and forecasts the Brent crude oil spot price to average \$54/b in 2017 and \$57/b in 2018. m

- U.S. crude oil production was an estimated 9.1 million b/d in March, the highest level in a year. Production is forecast to grow by an average of 0.3 million b/d in 2017 and by 0.7 million b/d 2018. The forecast growth for 2018 is about 0.2 million b/d more than forecast in the March STEO.

- U.S. dry natural gas production is forecast to average 73.1 billion cubic feet per day (Bcf/d) in 2017, a 0.8 Bcf/d increase from the 2016 level. This increase reverses a 2016 production decline, which was the first annual decline since 2005. Natural gas production in 2018 is forecast to be 4.0 Bcf/d above the 2017 level.

- U.S. working natural gas inventories on March 31, the traditional end of the withdrawal season, were 15% above the five-year average, but 17% below last year's record-high level at the end of March. New natural gas export capabilities and growing domestic natural gas consumption contribute to the forecast Henry Hub natural gas spot price rising from an average of \$3.10/MMBtu in 2017 to \$3.45/MMBtu in 2018. NYMEX contract values for July 2017 delivery traded during the five-day period ending April 6 suggest that a range of \$2.49/MMBtu to \$4.59/MMBtu.

- EIA expects growth in coal-fired electricity generation, primarily a result of higher natural gas prices, to contribute to a 4% increase in coal production in 2017 and an additional 2% increase in 2018. EIA estimates the delivered coal price averaged \$2.11/MMBtu in 2016, a 5% decline from the 2015 price. Coal prices are forecast to increase in 2017 and 2018 to \$2.17/MMBtu and \$2.22/MMBtu, respectively.

- Wind energy capacity at the end of 2016 was 81 gigawatts (GW). EIA expects capacity additions in the forecast will bring total wind capacity to 95 GW by the end of 2018.