

## EIA Short-Term Energy Report June 2017

The U.S. Energy Information Administration (EIA) has released its June 2017 Short-Term Energy Outlook (STEO). Highlights of the report are as follows:

- The Organization of the Petroleum Exporting Countries (OPEC) met on May 25th and announced an extension to voluntary production cuts through March 2018 that were originally set to end in June 2017. EIA forecasts OPEC crude oil production will average 32.3 million barrels per day (b/d) in 2017 and 32.8 million b/d in 2018. The non-OPEC countries that participated in the original six-month agreement met with OPEC ministers on the same day, with Russia being the only non-OPEC member that has formally agreed to remain a party to the extended cuts.
- EIA forecasts that implied global petroleum and liquid fuels inventories will decline by about 0.2 million b/d in 2017 and then increase by an average of 0.1 million b/d in 2018.
- U.S. crude oil production averaged an estimated 8.9 million b/d in 2016. U.S. crude oil production is forecast to average 9.3 million b/d in 2017 and 10.0 million b/d in 2018. The 2018 forecast exceeds the previous record level of 9.6 million b/d set in 1970. Continued increases in drilling activity in U.S. shale basins, particularly a recent resumption in production growth from the Eagle Ford region in Texas, support production growth throughout the forecast.
- U.S. dry natural gas production is forecast to average 73.3 billion cubic feet per day (Bcf/d) in 2017, a 1.0 Bcf/d increase from the 2016 level. This forecast increase would reverse a 2016 production decline, which was the first annual decline since 2005. Natural gas production in 2018 is forecast to be 3.3 Bcf/d above the 2017 level.
- In May, the average Henry Hub natural gas spot price was \$3.15 per million British thermal units (MMBtu), 5 cents/MMBtu higher than in April. 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 \$3.16/MMBtu in 2017 to \$3.41/MMBtu in 2018.
- NYMEX contract values for September 2017 delivery that traded during the five-day period ending June 1 suggest that a range of \$2.30/MMBtu to \$4.41/MMBtu encompasses the market expectation for Henry Hub natural gas prices in September 2017 at the 95% confidence level.
- After reaching a trough of 316 oil-directed active rigs in May 2016, the U.S. oil-directed rig count has more than doubled to 733 active rigs at the beginning of June.
- Wind electricity generating capacity at the end of 2016 was 81 gigawatts (GW). EIA expects wind capacity additions in the forecast will bring total wind capacity to 88 GW by the end of 2017 and 102 GW by the end of 2018.
- For the 2017 summer driving season (April–September), U.S. regular gasoline retail prices are forecast to average \$2.46/gallon (gal), compared with \$2.23/gal last summer. The higher forecast gasoline price is primarily the result of a higher forecast crude oil price. The forecast annual average price for regular gasoline in 2017 is \$2.38/gal.