

Midwest rides out record cold with economical natural gas



Michael W. Wise | Tuesday, January 2, 2018

Natural gas is back in the news as record cold grips a large portion of the country and folks worry about the increasing cost of heating their homes. What is remarkable is that natural gas pricing, thanks to continued record shale production from the Appalachian Basin, remains well below the 10 year average. This low pricing exists throughout the Midwest and Southeast because of the robust infrastructure that is in place to transport cheap natural gas from Pennsylvania, Ohio and West Virginia. The Northeast is unfortunately experiencing price spikes because of the lack of infrastructure.

A recent [article in The Plain Dealer](#) in Cleveland discusses the record cold and the corresponding increase in energy costs:

“This winter, energy costs were projected to grow by 12 percent for natural gas, 17 percent for home heating oil, 18 percent for propane and 8 percent for electricity, according to the U.S. Energy Information Administration. But energy prices this winter may even be higher than those projections. Colder weather could lead to even higher levels of consumption, and resulting prices could push the cost of winter heating up to \$1,800 this winter for those using heating oil, 45 percent more than last year's level.”

Note: Natural gas pricing in today's market is more a product of where you live than NYMEX pricing.

More of the same was highlighted recently by [Bloomberg](#):

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“The cold wave that started this week has catapulted U.S. gas consumption to an all-time high for this time of year while simultaneously curtailing record production from shale deposits that had helped cap prices. The one-two punch jolted gas futures higher Thursday after the latest computer models showed the cold persisting for the next two weeks and deepening a supply deficit.”

Again, despite the cold wave, natural gas pricing in and around the Appalachian Basin remains at historic lows. Most of the increase in winter bills will be the result of greater consumption not higher prices!

McDonald Hopkins will be discussing these issues and the natural gas outlook for 2018 at our next Energy Forum on January 12. [Click here to register.](#)



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