

EIA Short-Term Energy Outlook Highlights - June 2016

- U.S. crude oil production averaged 9.4 million barrels per day (b/d) in 2015. Production is forecast to average 8.6 million b/d in 2016 and 8.2 million b/d in 2017, both unchanged from last month's STEO. The Energy Information Administration (EIA) estimates that crude oil production for May 2016 averaged 8.7 million b/d, which is more than 0.2 million b/d below the April 2016 level, and approximately 1 million b/d below the 9.7 million b/d level reached in April 2015.

- Natural gas working inventories were 2,907 billion cubic feet (Bcf) on May 27. This level is 32% higher than a year earlier. EIA projects that natural gas inventories will be 4,161 Bcf at the end of October 2016, which would be the highest end-of-October level on record. Henry Hub spot prices are forecast to average \$2.22/Mil Btu in 2016 and \$2.96/Mil Btu in 2017, compared with an average of \$2.63/Mil Btu in 2015.

- The monthly average spot price of Brent crude oil increased by \$5/b in May to \$47/b, which was the highest monthly average for Brent since October 2015. Increasing global oil supply outages were the main contributor to higher oil prices in May, plus ongoing declines in the U.S. rig count and in crude oil production also contributed.

- Despite the recent increase in oil prices, Brent prices are forecast to average \$46/b in the third quarter of 2016, before rising to \$47/b in the fourth quarter as a result of expected slower growth in global oil inventories. Forecast West Texas Intermediate (WTI) crude oil prices average slightly less than Brent crude oil prices in 2016. WTI futures contracts for September 2016 delivery that were traded during the five-day period ending June 2 averaged \$50/b.

- Total U.S. liquid fuels consumption increased by an estimated 290,000 b/d (1.5%) in 2015. Liquid fuels consumption is forecast to increase by 230,000 b/d (1.2%) in 2016 and by an additional 60,000 b/d (0.3%) in 2017.

- U.S. crude oil production is projected to decrease from an average of 9.4 million b/d in 2015 to 8.6 million b/d in 2016 and to 8.2 million b/d in 2017. The forecast reflects a decline in Lower 48 onshore production that is partially offset by growing production in the federal Gulf of Mexico. EIA estimates that total U.S. crude oil production has fallen by more than 0.9 million b/d since April 2015 to an average of 8.7 million b/d in May 2016. Almost all of the production decline was in the Lower 48 onshore.

- Based on the current oil price forecast, EIA expects oil production to continue declining in most Lower 48 onshore oil production regions through mid-2017. EIA expects U.S. crude oil production to decline from 9.2 million b/d in the first quarter of 2016 to an average of 8.1 million b/d in the third quarter of 2017.

- EIA's forecast of U.S. total natural gas consumption averages 76.6 Bcf/d in 2016 and 77.8 Bcf/d in 2017, compared with 75.3 Bcf/d in 2015. In 2016, increases in total natural gas consumption are mainly attributable to increases in electric power sector use. E

- IA's most recent survey data indicate a decline in natural gas production in March 2016. In 2017, production is expected to rise in response to forecast price increases and increases in liquefied natural gas (LNG) exports. Overall, EIA expects production to rise by 1.0% in 2016 and by 2.3% in 2017. EIA expects natural gas prices will gradually rise through the summer, as demand from the electric power sector increases.

- Monthly average Henry Hub spot prices are forecast to remain lower than \$3.00/Mil Btu through the end of 2016. Forecast Henry Hub natural gas prices average \$2.22/Mil Btu in 2016 and \$2.96/Mil Btu in 2017.