

## Natural Gas Becomes Largest Generation Fuel

Natural gas and coal have dueled for decades to get an upper hand in the U.S. electric generation market. Now, it appears that with the help of President Obama's war on coal that natural gas will win the battle this year.

The Energy Information Administration (EIA) reported on June 16 that natural gas was the dominant generation fuel in the first quarter of 2016. Gas generated 32.1% of the United States power in the first quarter of the year, compared with coal's 28.7%.

Historically, coal held a slight edge, but new regulations from the Environmental Protection Agency have made it extremely difficult for many coal-fired generation plants to meet federal air emission standards, forcing some coal mining facilities out of business.

Meanwhile, low natural gas prices have added even more pressure on coal.

"Sustained low natural gas prices have led power generators to significantly expand the share of electricity produced by that fuel," EIA said. The agency expects natural gas to supply 34.4% of total generation in 2016, up from 32.7% last year. "This increase is displacing coal generation, whose share of generation is expected to fall from 33.2% last year to 29.9% in 2016."

Renewable generation hit 9% in the early months of the year, up from 6.9% in the same period last year.

The retail price of electricity in the U.S. will average 13 cents/kWh this month, EIA said. New England will have the highest regional price, at 18.4 cents/kWh, versus 11 cents in the East South Central region.

EIA said the U.S. residential electricity price averaged 12.7 cents/kWh in 2015 "and is expected to stay about the same in 2016 and then rise 2.5% to an annual average of 13.0 cents/kWh in 2017."

Natural gas futures price rose to a nine-month high June 15 to \$2.617 per million British thermal units (mmBtu).

Natural gas has surged from a 17-year low in March on speculation that a sweltering summer will boost demand for the fuel from power plants as explorers in shale reservoirs curtail production. The energy rout has pushed the number of rigs drilling for gas in the U.S. to the lowest since at least 1987.

Crude oil futures for July delivery on the NYMEX closed at \$48.01 per barrel on June 15, falling for a fifth straight day.

Oil prices have fallen without a break since June 8th for a total loss of about 7%. Just one week ago, Brent hit 2016 highs of nearly \$53 per barrel and WTI reached toward \$52 after a rash of supply disruptions, mostly out of Nigeria and Canada.

In London, the Brent contract for August delivery on ICE settled \$0.86 lower at \$48.97 per barrel June 15.