DRILL MORE, PAY MORE

American's New Energy Paradigm

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CENTER FOR ENERGY & ENVIRONMENTAL ANALYSIS

Key Findings

1. Drill more, pay more

Welcome to the "drill more, pay more" era. The United States has entered a new energy paradigm characterized by rising domestic energy prices alongside rising energy production. Despite record high natural gas production levels, US wholesale natural gas prices (Henry Hub) increased 93% in the first quarter of 2025 (Q1) compared to the same period last year. Even with recent price declines sparked by fears of a tariff-driven economic slowdown, US natural gas wholesale prices remain (as of April 15) twice as high as they were on election day. US natural gas prices are expected to remain high in 2025 and increase through 2026, despite steadily rising production levels, according to US Energy Information Administration (US EIA).

2. Record natural gas exports are driving higher prices and volatility

Natural gas exports from the United States surged to record levels in Q1 and are a leading driver of increased domestic energy prices. As export capacity grows, China, Mexico and other markets are competing with US consumers for natural gas produced in the United States. For the first time in history, the total volume of US natural gas exports (LNG and pipeline) is expected in 2025 to exceed the total amount of natural gas consumed by the entire US industrial sector, which includes all US manufacturing, agriculture, energy extraction, and construction.

3. Rising natural gas prices are a triple blow to US consumers

Rising natural gas prices are a triple-cost blow to US consumers, who will pay higher natural gas bills, higher electricity bills, and higher cost of goods from US manufacturers. Rising wholesale prices could potentially double the cost of natural gas for manufacturers in some regions. These increased energy costs for US manufacturers will harm the global competitiveness of US manufacturers, significantly undermining any potential protections from new tariffs.

4. President Trump's "unleashing American energy" agenda will likely push prices higher, benefitting oil and gas producers but increasing costs to US energy consumers

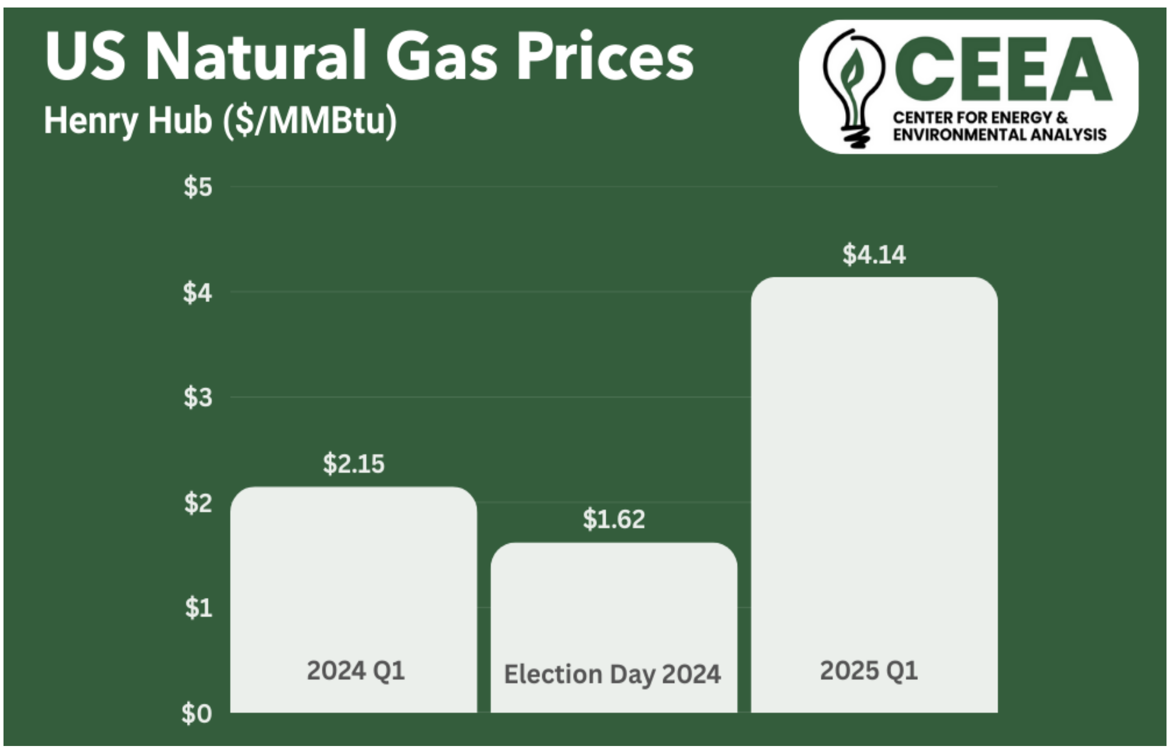
President Trump's "unleashing American energy" agenda aims to boost energy exports and domestic oil, gas, and coal consumption and production while pulling back on policies and incentives that favor renewable energy alternatives and energy efficiency, a sharp reversal from President Biden's energy priorities. US oil and gas producers will dominate the benefits from President Trump's energy agenda, while US consumers will pay higher energy bills.

1

Drill More, Pay More

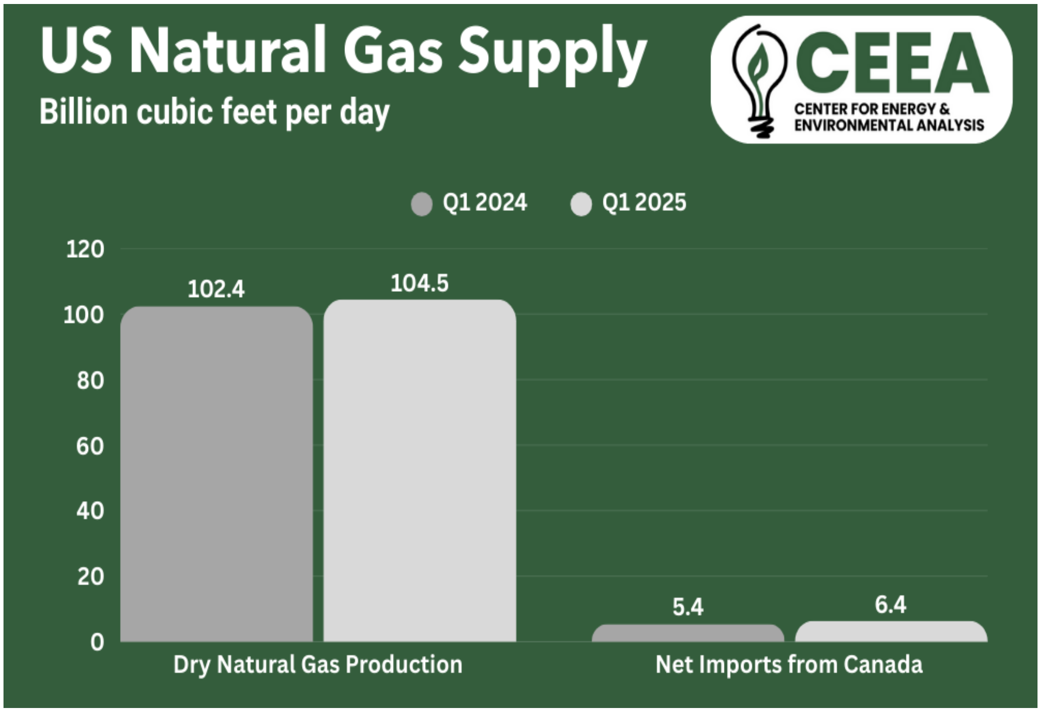
US natural gas prices have doubled despite record production levels

Average US natural gas prices in Q1 ($4.14/MMBtu) were 93% higher than the same period last year ($2.15) and 153% higher than election day ($1.62 on November 5, 2025)..[1] In response to tariff announcements and fears of an economic slowdown, natural gas prices have declined ($3.33 as of April 14) but are still more than twice as high as election day.



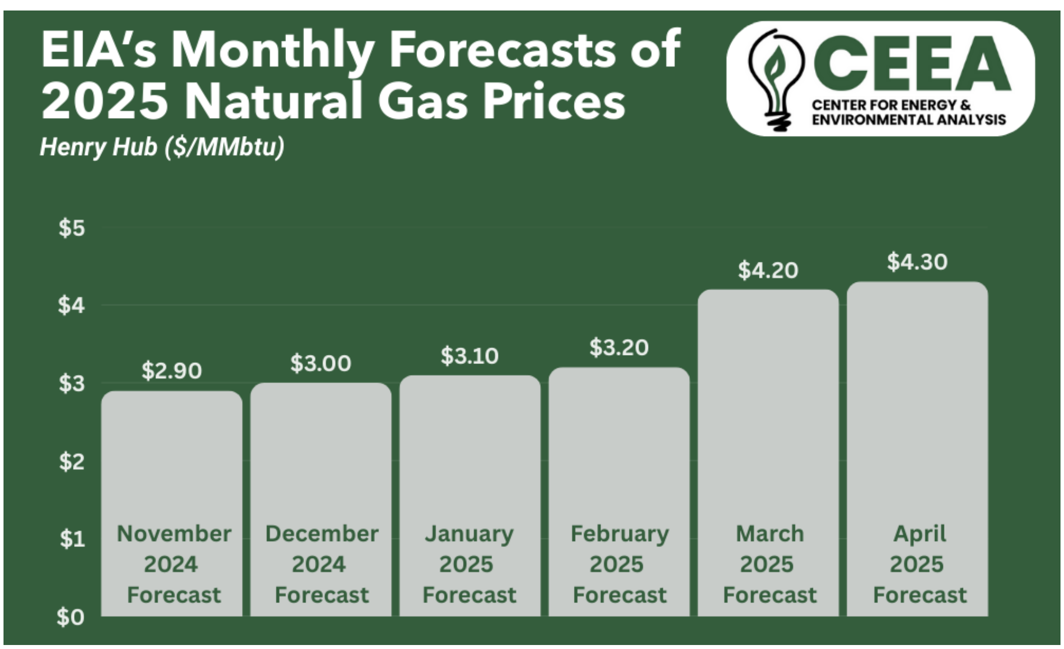
Prices have increased despite record high levels of US natural gas production as well as increased imports of natural gas from Canada. The US set an all-time record for dry gas production in Q1, averaging 104.5 Bcf/d, which is a 2.1 Bcf/d increase from Q1 2024. Canadian imports increased by 1.0 Bcf/day in Q1 from the same time period last year, an 18% increase.

[1] Natural gas production, consumption, and export data for Q1 have been calculated by CEEA based on US EIA's [weekly gas reports](#) and US EIA's [Henry Hub price data](#).



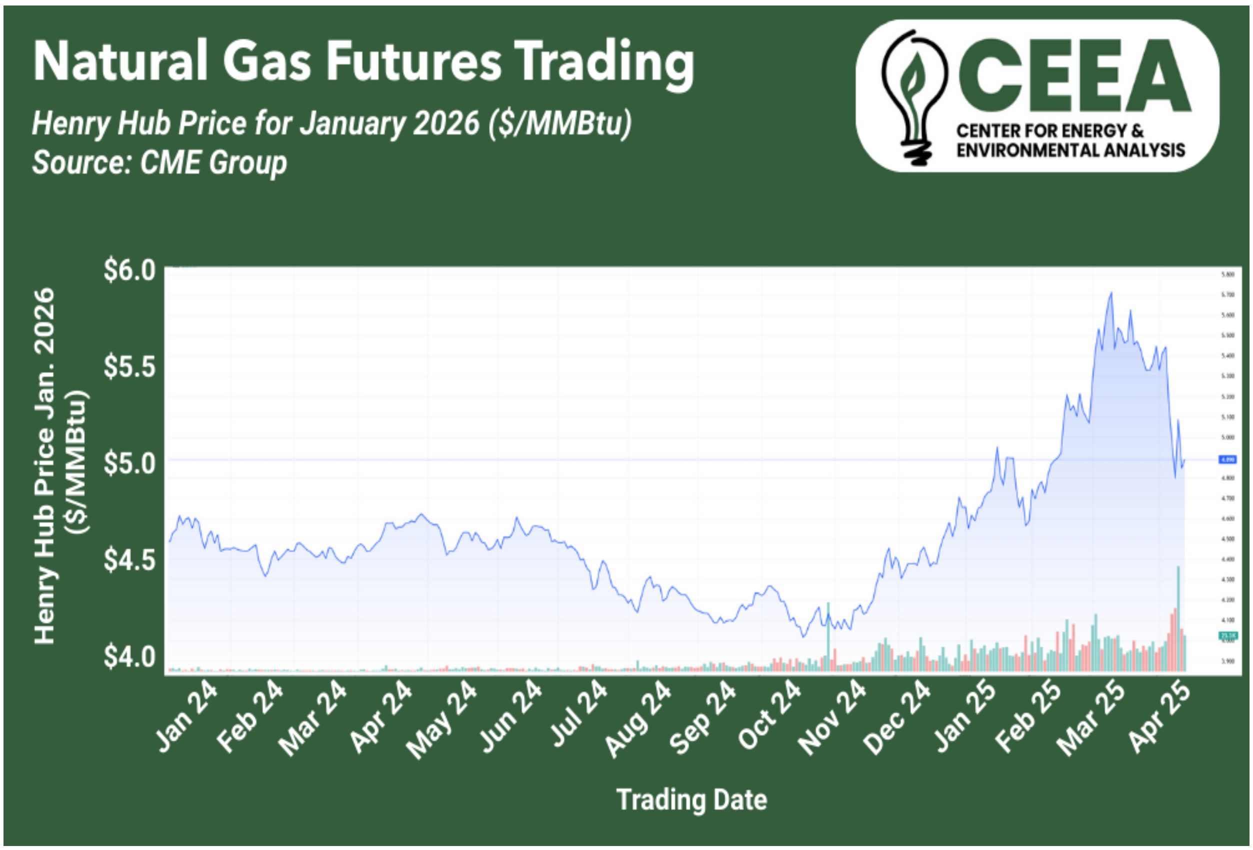
According to US EIA's latest projections US natural gas prices are projected to increase further in 2025 and 2026. US EIA projects that US wholesale natural gas prices will average $4.30/MMBtu for 2025, 96% above the average price ($2.19) in 2024, and $4.60 for 2026, a 110% increase above 2024 levels.

Since the November elections, every monthly update by US EIA has increased the forecast of US natural gas prices in 2025 and 2026. In November 2025, US EIA's *Short-term Energy Outlook* forecasted that prices would remain below three dollars, but US EIA now forecasts prices well above four dollars.



Tariff wars and negotiations add significant uncertainty to global and US natural gas market forecasts. US EIA's latest forecast, which is the basis of this analysis, was issued on April 10, 2025. The forecast is based on economic models that assume that the US imposes a 10% universal tariff on imported goods in 2025 as well as a higher rate on US imports from China. However, US EIA notes that the forecast does not fully capture the complexity of recent tariff announcements and pauses and the subsequent escalations with China.

The April 2, 2025, tariff announcements by President Trump have added significant volatility to gas futures markets. Henry Hub spot prices have seen chaotic swings but have trended downward (from $3.95 on April 1 to $3.33 on April 11, a 19% decline).



Despite a plunge following the tariff announcements, natural gas futures for next winter remain close to $5 per MMBtu (as of April 11), consistent with US EIA forecasts. Prior to the tariff announcement, natural gas futures had been rising steadily since the elections as new US LNG has come online and as investors have responded to President Trump's pro-export "American energy dominance" agenda.

Although oil and gas were exempted from the US reciprocal tariffs announced by President Trump on April 2, trade wars and negotiations could both have significant impacts on US natural gas markets, particularly the pace of investment in new projects that have recently been approved by the Trump administration and are now seeking investors.

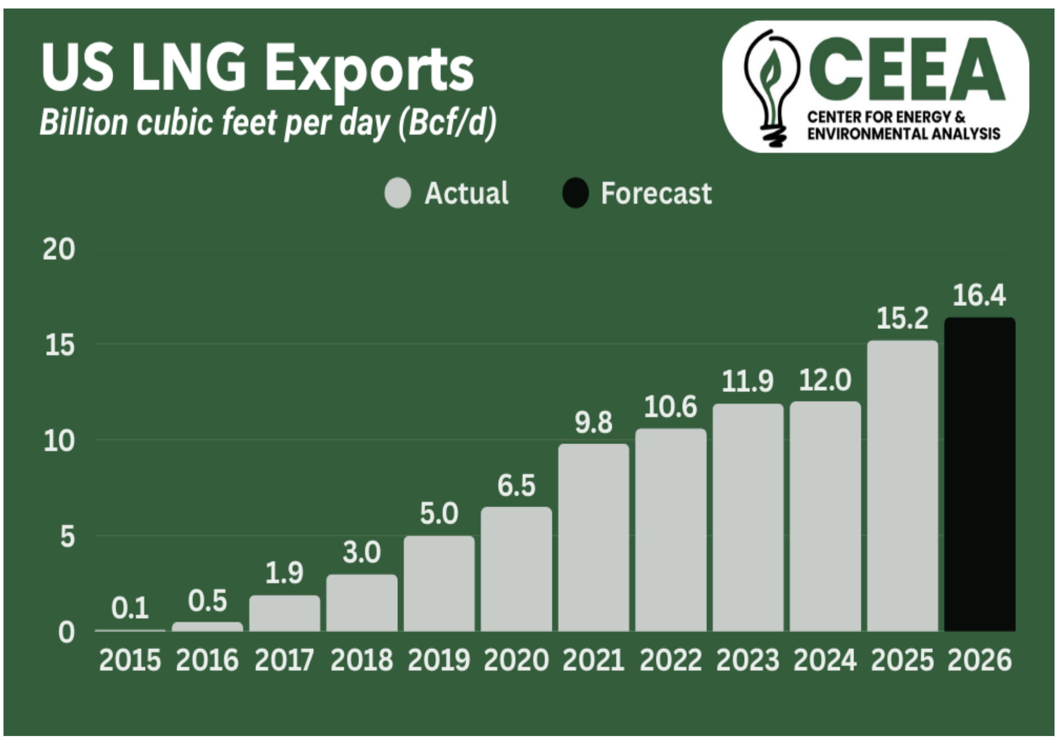
2 Record natural gas exports are driving higher prices and volatility

There is consensus across industry analysts that natural gas exports from the United States, which have surged to record levels, are a leading driver of increasing domestic energy prices.

- US EIA: "We expect increases in the Henry Hub natural gas price in 2025 and 2026 as demand for natural gas grows faster than supply, driven mainly by more demand from US liquefied natural gas (LNG) export facilities, reducing the natural gas in storage compared with the last two years."

- Bank of America: "Bank of America Global Research is the latest to increase its price outlook for Henry Hub as natural gas production lags collide with increased LNG demand."

- Natural Gas Intelligence: "April natural gas futures found strength in early trading on Wednesday, fueled by LNG export demand."



The data in this analysis align with the expert consensus. Natural gas prices have risen because natural gas demand has exceeded supply, despite record high supply levels. In Q1, demand exceeded supply by 10.3 Bcf/d on average. Increased natural gas consumption from colder than normal temperatures in January and February explain only a portion of this supply/demand gap.

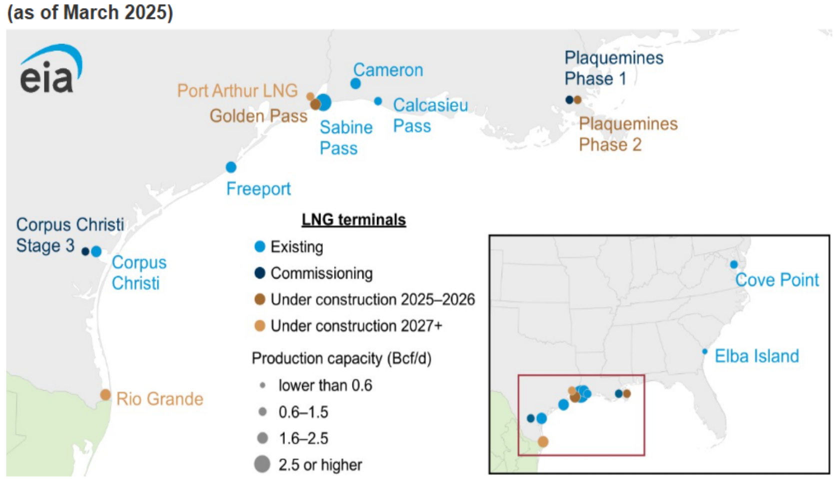
Domestic natural gas consumption across all sectors increased by 4.1 Bcf/d in Q1 2025 compared to Q1 2024.

Natural gas demand for US exports (LNG and pipeline) averaged 21.0 Bcf/d in Q1, more than twice the supply/demand gap. Gas exports have grown significantly in recent months and taken a larger than expected bite out of gas storage inventories. Gas exports in Q1 were 2.5 Bcf/d higher than Q1 2024 (2.0 Bcf/d for LNG; 0.5 Bcf/d for pipeline exports to Mexico), a 13% increase. According to US EIA:

> *"The increase in natural gas exports is driven primarily by an increase in liquefied natural gas (LNG) exports as two new LNG export facilities ramp up operations. Plaquemines LNG Phase 1, which started operations late last year, has been ramping up exports more quickly than we initially forecast."*

Three facilities – Plaquemines LNG (Phases 1 and 2), Corpus Christi LNG Stage 3, and Golden Pass LNG – will expand existing US LNG export capacity by more than 50%, with a combined peak capacity of 6.3 Bcf when fully operational. Production is starting to ramp up. Plaquemines LNG commenced LNG exports in December 2024 and Corpus Christi Stage 3 started shipping LNG in February 2025. Golden Pass aims to begin shipments as soon as December 2025, but more likely in 2026.

U.S. liquefied natural gas export facilities, existing and under construction (as of March 2025)



Data source: U.S. Energy Information Administration, Liquefaction Capacity File; trade press
Note: Bcf/d=billion cubic feet per day; LNG=liquefied natural gas

The US is also expected to increase its gross and net exports of natural gas by pipeline to Mexico and Canada. Gross pipeline exports are expected to increase from 9.1 Bcf/d in 2024 to 10.0 Bcf/d in 2025 and 10.5 Bcf/d in 2026, while imports remain relatively flat (8.5 Bcf/d in 2024, 8.7 Bcf/d in 2025, 8.7 Bcf/d in 2026).

In 2025, the growing volume of US natural gas exports (LNG and pipeline) is expected to cross a threshold for the first time in history: the United States will export more natural gas than is consumed by the entire US industrial sector, which includes all US manufacturing, agriculture, energy extraction, and construction.

Looking further ahead, US LNG exports are expected to increase to 16.4 Bcf/d in 2026 (a 37% increase from 2024), according to US EIA. Growth will continue beyond 2026. US LNG capacity will double by 2028 based on facilities currently under construction.

According to a Department of Energy study released last year, LNG export expansion could increase wholesale domestic natural gas prices by over 30%, costing the average American household more than $100 per year. At the time, former Energy Secretary Jennifer Granholm wrote:

> *"DOE analysis exposes a triple-cost increase to US consumers from increasing LNG exports – the increasing domestic price of the natural gas itself, increases in electricity prices (natural gas being a key input in many US power markets), and the increased costs for consumers from the pass-through of higher costs to US manufacturers. On the latter point, the new study finds that from 2020 to 2050, the overall energy costs for the industrial sector would go up $125B, leading to additional potential price increases for a wide range of consumer goods."*

Despite the bullish outlook for US LNG in the short term, the Trump administration's disruption of global trade should be a clear warning to investors that new LNG projects could be in for a rough ride over the long haul, for the following reasons:

- **Uncertain global demand for US LNG:** A global economic slowdown could curtail demand for US LNG from the US, which has become the world's largest supplier. Prior to the trade wars, the International Energy Agency has already been warning of a glut in global US LNG markets, with current projects under construction in the US and globally likely to exceed demand.

- **Higher Construction Costs**: Rising steel and aluminum prices due to new tariffs will increase the costs of building LNG plants. Steel and aluminum can comprise 15-30% of an LNG terminal's cost, according to some estimates, and some LNG companies were already trying to renegotiate long-term purchase contracts to incorporate rising construction costs.

- **China:** China, the world's largest consumer of US LNG, has stopped taking US shipments over the past 60 days and has put new tariffs on US LNG. China is a major underwriter of investments in US LNG, providing both long-term contracts and financing. Venture Global, the company behind the massive Calcasieu Pass 2 (CP2) LNG project in Louisiana, has contracts to sell US LNG annually to three Chinese firms: Sinpoec, China Gas, and China National Offshore Oil Corp.

- **Long-Term Contract Uncertainty**: Investors depend on long-term (20 year) purchase contracts to provide assurance of long-term revenue streams to offset upfront costs (liquefaction expansions take several years to construct and cost billions of dollars). Even if China-US trade tensions ease in the short-term, investors must now factor in the new geopolitical reality that LNG trade has become a top bargaining chip between the US and China, and long-term private contracts may be upended by geopolitics.

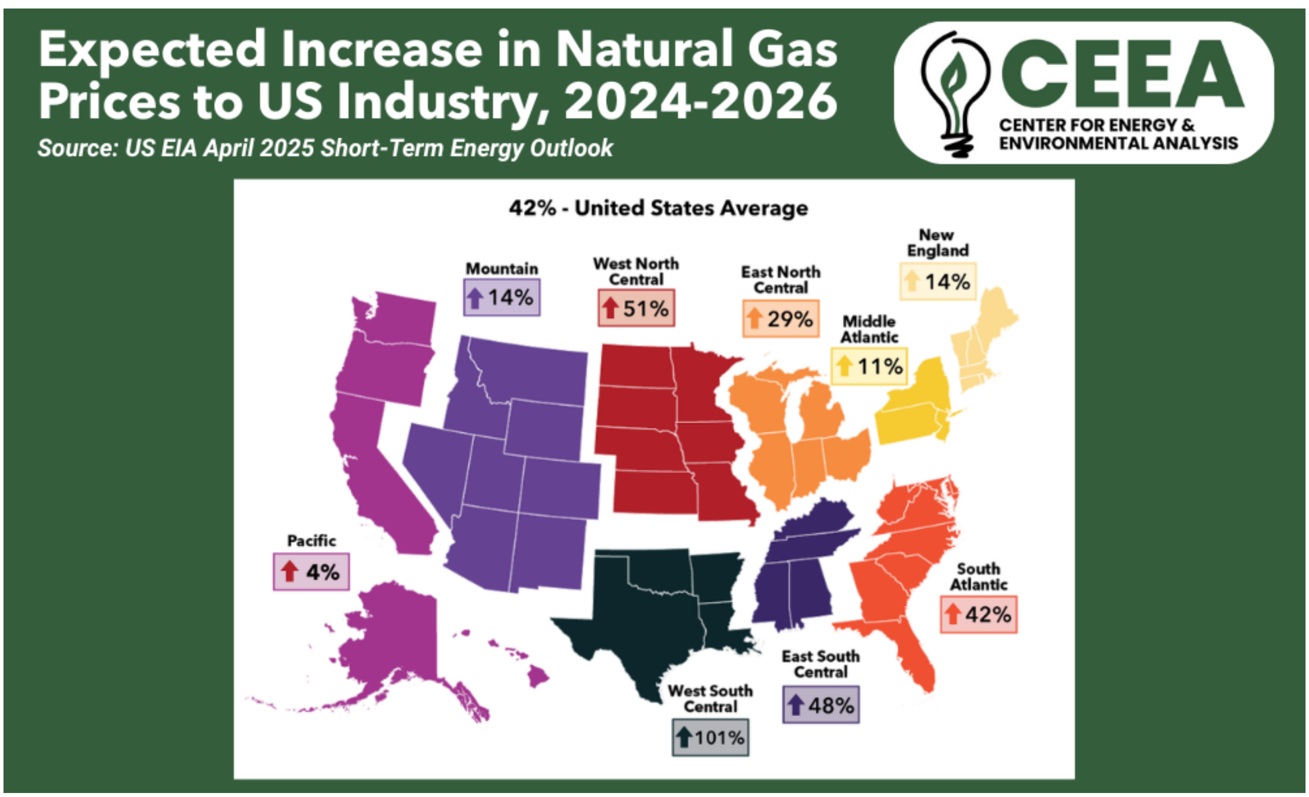
- **Market Realities:** President Trump's efforts to push US trading partners to buy more US energy are unlikely to change the fundamental market dynamics that drive LNG demand and flows. Anne-Sophie Corbeau at Columbia University notes that the value of US LNG shipments to the EU, which is already buying as much US LNG as it needs, amounts to only 5% of the US trade deficit with the EU, suggesting that talk about plugging trade deficits with energy purchases is unrealistic.

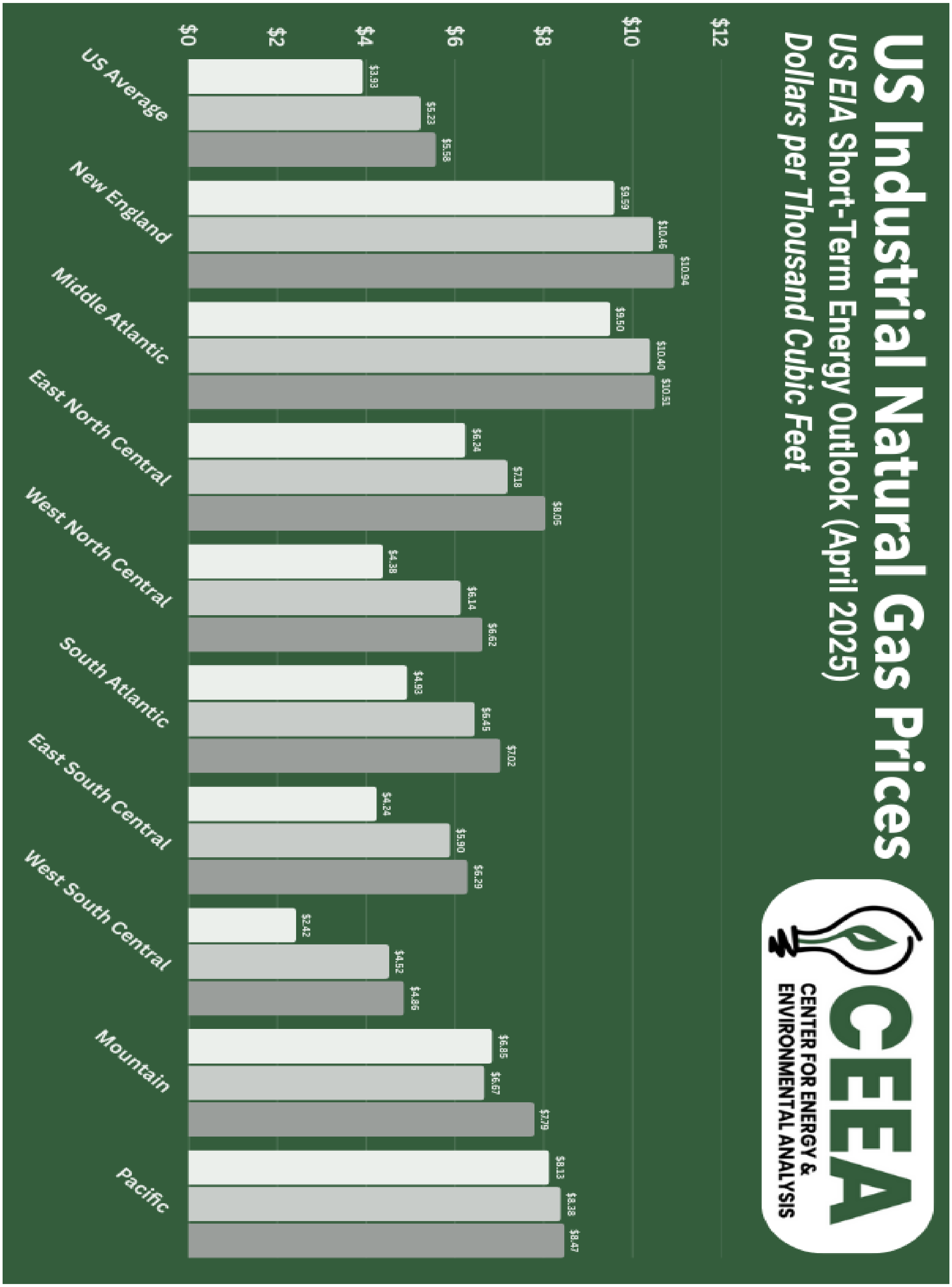
3 US industrial sector faces steep Increase in energy prices

Increased wholesale natural gas prices will lead to a triple-cost blow to US consumers, who will see increases in natural gas bills, higher electricity bills, and higher cost of goods from US manufacturers.

The US industrial sector will see especially sharp increases in energy costs, with energy prices potentially doubling for companies in some regions. Increased energy costs for US industry will harm the global competitiveness of US manufacturers, significantly undermining any potential benefits from new tariff protections.

According to US EIA's Short-Term Energy Outlook, US industry will pay 30% more for natural gas in 2025 compared to 2024, and 40% more in 2026 compared to 2024. Projected regional changes vary significantly, ranging from relatively stable prices (4% increase) in the Pacific region to a doubling (101% increase) in the West South Central.




US Industrial Natural Gas Prices
US EIA Short-Term Energy Outlook (April 2025)
Dollars per Thousand Cubic Feet
CEEA
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ENVIRONMENTAL ANALYSIS
$0
$2
$4
$6
$8
$10
$12
US Average
$3.93
$5.23
$5.58
New England
$9.59
$10.46
$10.94
Middle Atlantic
$9.50
$10.40
$10.51
East North Central
$6.24
$7.18
$8.05
West North Central
$4.38
$6.14
$6.62
South Atlantic
$4.93
$6.45
$7.02
East South Central
$4.24
$5.90
$6.29
West South Central
$2.42
$4.52
$4.86
Mountain
$6.85
$6.67
$7.79
Pacific
$8.13
$8.38
$8.47

4 President Trump's "unleashing American energy" agenda will likely push prices higher

President Trump's energy agenda is anchored in two executive orders: "Unleashing American Energy" and "Establishing the National Energy Dominance Council," which defines American energy dominance as:

> *"utilizing our amazing national assets, including our crude oil, natural gas, lease condensates, natural gas liquids, refined petroleum products, uranium, coal, biofuels, geothermal heat, the kinetic movement of flowing water, and critical minerals"*

Notably absent from the list: solar, wind, batteries, and energy efficiency.

Actions taken by President Trump and his administration to date include:

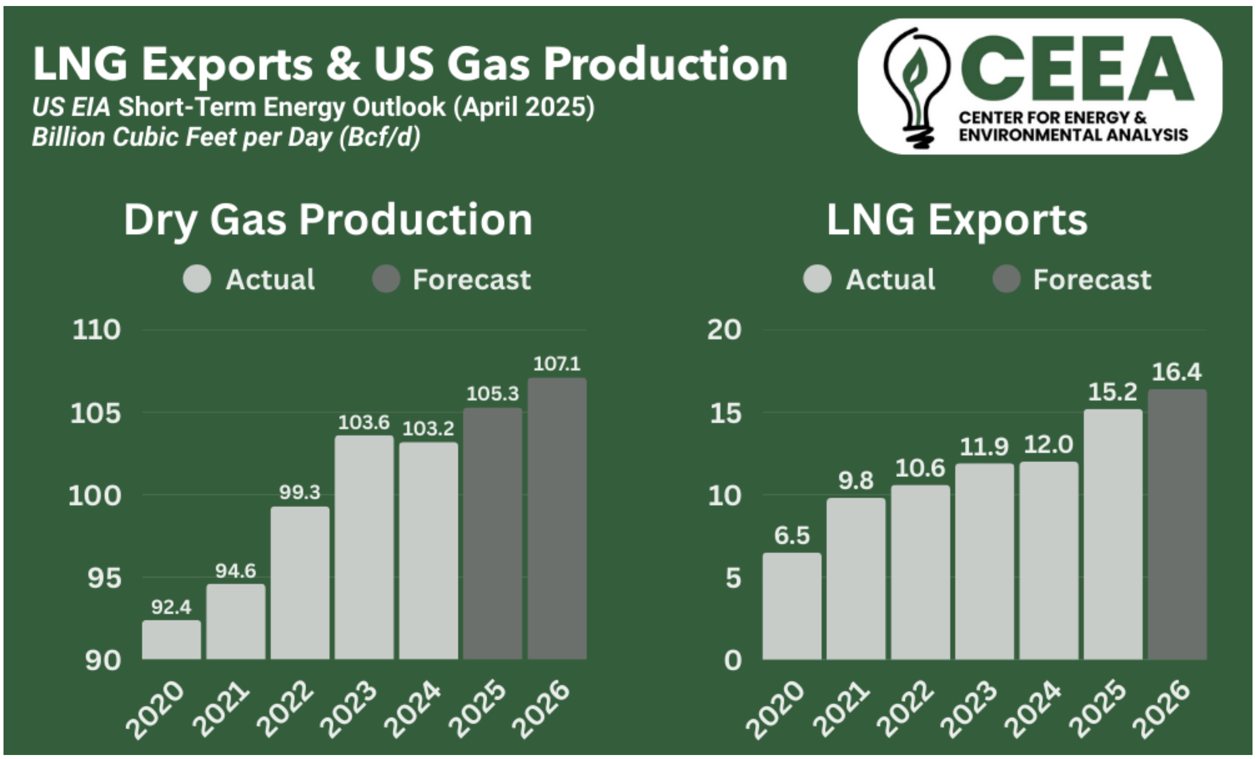
- Approving permit approvals to increase oil and gas exports, including LNG permits that had been paused by President Biden (see DOE actions here, here, here and here) as well as new deep water ports to increase oil export capacity.
- Accelerating federal lands oil and gas leasing, including no longer developing environmental impact statements.
- Promising to repeal 31 federal environmental regulations and terminating environmental justice programs.
- Halting environmental enforcement that could "unduly burden or significantly disrupt energy production or power generation."
- Repealing federal energy efficiency regulations.
- Directing the Justice Department to take all appropriate action to stop state environmental and energy laws that are "impediments to the identification, development, siting, production, investment in, or use of domestic energy resources — particularly oil, natural gas, coal, hydropower, geothermal, biofuel, critical mineral, and nuclear energy resources."
- Clawing back funding for greenhouse gas reduction programs funded by the Inflation Reduction Act.

- [Withdrawing from the Paris climate agreement](#).

Additional parts of the agenda are awaiting action in congress, including the potential repeal of energy and EV tax credits included in the 2022 Inflation Reduction Act.

Even though domestic natural gas production will likely increase under this agenda, increased exports and demand for natural gas will likely outpace increased supplies, which could lead to higher prices for US producers and consumers. Consequently, US oil and gas producers will be the biggest financial winners from President Trump's energy agenda, and US consumers will face higher utility bills in 2025 and 2026, especially for natural gas and electricity.

US EIA's forecast includes significant growth in US natural gas production that would set record production levels in 2025 and again in 2026. However, this production growth (3.9 Bcf/d increase from 2024 to 2026) is less than the expected increase in gas exports via LNG (4.4 Bcf/d) and pipelines (0.8 Bcf/d).

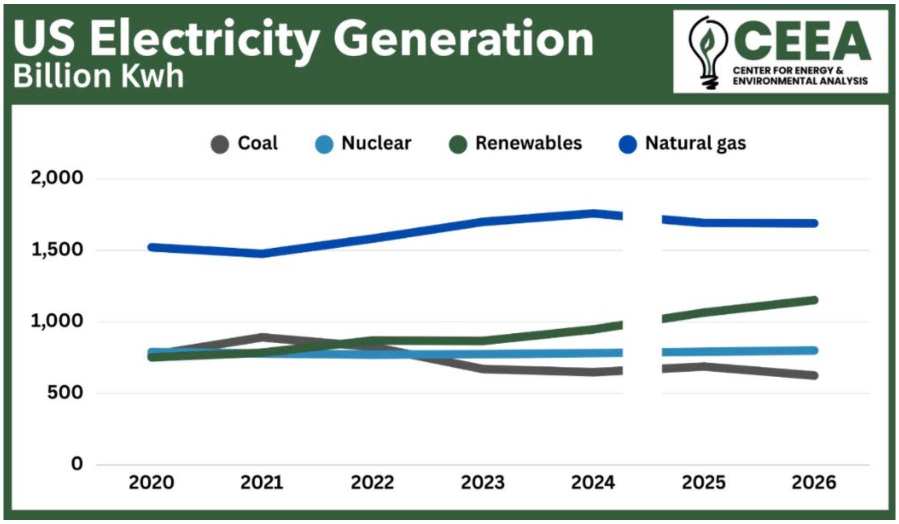


While it's possible for natural gas production to increase further, recent plunges in oil prices following the tariff announcement are already [rattling drillers](#), which could lead to declines in associated natural gas production if oil drilling slows.

In addition to President Trump's pro-gas policies, his proposed rollbacks of environmental and energy efficiency policies, combined with the repeal of federal clean energy investments and tax credits, could further increase US natural gas demand and natural gas prices in the longer term.

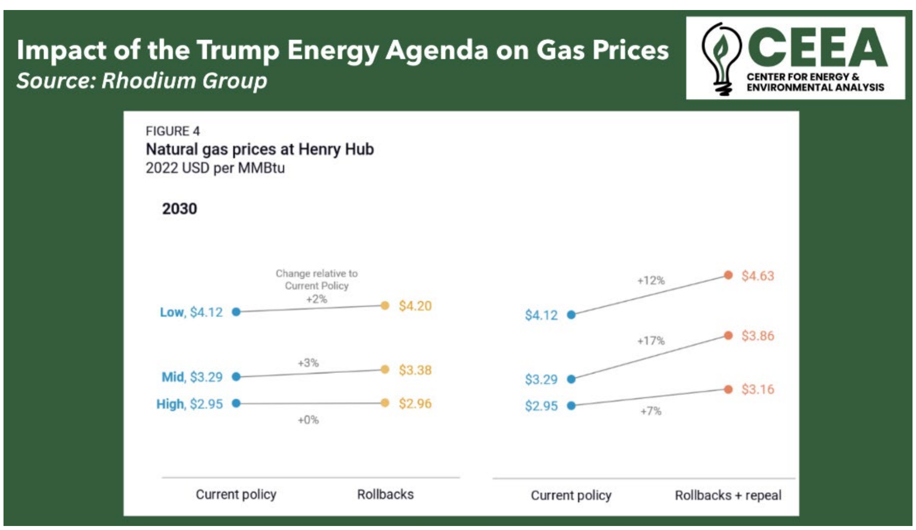
US natural gas consumption in the electric power sector was flat in Q1 2025 compared to Q1 2024. The cost of natural gas fuel for electric power generation is projected by US EIA to increase 67% in

2025 and 74% in 2026 over 2024 levels. Given these price pressures, US EIA expects natural gas consumption for electric power to decline by 4% through 2026 despite increasing electricity demand.



High natural gas prices should boost investor confidence in renewable energy alternatives to supply growing electricity demand. US EIA forecasts a 22% increase in utility-scale renewable energy generation from 2024 to 2026.

However, President Trump has taken aim at Biden-era policies promoting renewable energy and energy efficiency. According to Rhodium Group, natural gas demand for the electric power sector could increase by 10-79% by 2035 if President Trump succeeds with these changes, and Henry Hub prices could increase 7-17% by 2030 due to these policies.



Tariffs could impact renewable energy supply economics as well as overall electricity demand, adding additional uncertainty to projections. Tariffs might somewhat cool electricity demand growth for AI data centers, as the costs of key components, including chips, steel and aluminum, rise. Further, the cost of renewable energy projects could increase as the cost of imported materials rises, although companies have stockpiled significant inventories to prevent near term disruptions.