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Canadian natural gas prices could climb 60% this year as LNG exports ramp up, Deloitte predicts

At the current pace of drilling and investment it could take four to seven years for Canadian producers to meet demand from LNG export projects, the report says

By **Shayan Alvi, Special to Financial Post**
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The LNG tanker GasLog Glasgow prepares to depart LNG Canada's shipping terminal in Kitimat on June 30, the historic first export cargo of liquefied natural gas from B.C. for delivery to Asia. PHOTO BY LNG CANADA

Canadian natural gas prices are poised to jump nearly 60 per cent this year — marking the end of years-long discounts — as a new export terminal begins shipping to global markets, a new forecast from Deloitte Canada predicts.

A tanker carrying the first load of liquefied natural gas from LNG Canada Development Inc.'s terminal set sail last week from the northern coast of British Columbia, giving Canadian producers access to global markets.

Two more projects — Cedar LNG and Woodfibre LNG — will add even more shipping capacity by 2028.

The report from Deloitte Canada says the LNG projects will not only create more demand for natural gas companies — they will also likely lead to much higher prices.

That's because producers are not drilling fast enough. At the current pace of drilling and investment, the report says it could take four to seven years for Canadian producers to meet demand from LNG export projects already underway.

It means natural gas prices in Alberta are likely to stay elevated for the next several years.

According to Deloitte, the Alberta benchmark price, known as AECO, is expected to hit an average of $2.20 per million BTUs in the second half of the year, up by close to 62 per cent over 2024 levels. The report expects another big jump next year, with average prices rising to $3.50 per million BTUs.

"The commissioning of the long-awaited LNG Canada export facility has sparked optimism that the era of extremely low Canadian gas prices compared to Henry Hub, may finally end," the report said, referring to a U.S. benchmark price.

Canadian natural gas often trades at a sharp discount to U.S. fuels, given that the Canadian product must travel long distances to reach American markets. Access to LNG shipping terminals should narrow the discount.

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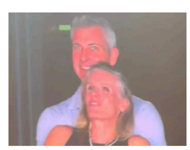
5  Howard Levitt: How the Coldplay concert affair would have played out in Canada

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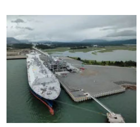

But the good times may not last.

"If similar levels of activity and associated production are maintained over the next five years, all added demand from LNG exports would be met and it could be argued prices could return to current levels," the report said.

In oil markets, Deloitte expects North American prices will improve in the final half of the year, averaging US$72 per barrel, before slipping to just over US$67 next year.

The Organization of the Petroleum Exporting Countries and its allies — a group known as OPEC+ — have recently reversed a decision to cut production, adding 411,000 barrels to global supplies in each of May, June and July.

Eight members of the alliance said over the weekend they expect to add another 548,000 barrels in August, a stunning increase as they seek to capture an even greater share of the market.