

# Atlantic Sunrise Coming On Line

## U.S. Power and Gas Weekly

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**Data Sources Used in This Publication**  
PointLogic Energy

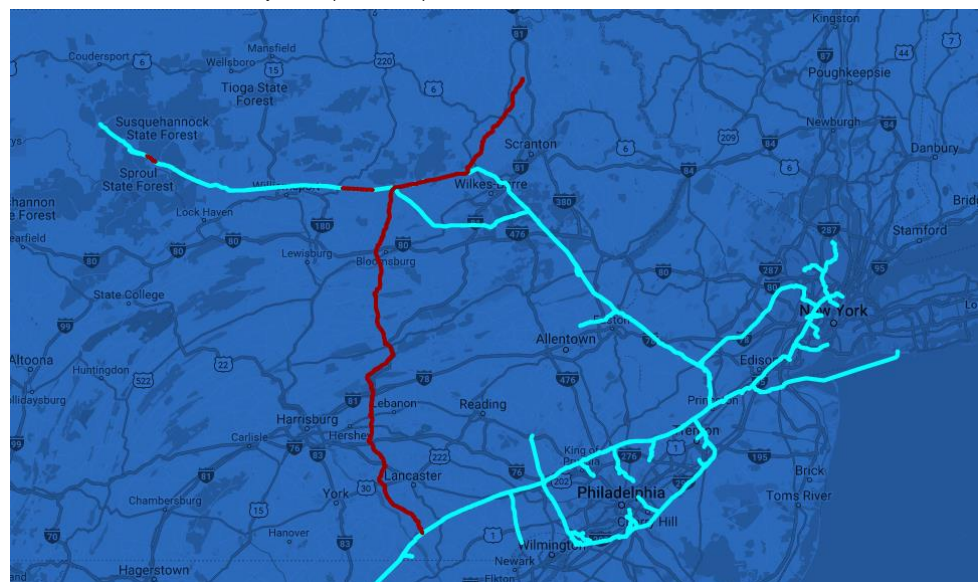
### Atlantic Sunrise Project

The highly constrained Northeast will see some relief when the two expansion projects known as Atlantic Sunrise II and Atlantic Sunrise 1B come on line Sept. 10. The Phase II project will provide 500 million cubic feet per day of capacity to the Transco Mainline and an additional 350 MMcf/d of capacity to Cove Point LNG. The Phase 1B project will add 450 MMcf/d of capacity from Pennsylvania providing deliveries along the Transco pipeline, ultimately connecting the Marcellus to Alabama. This note looks at the expansions and their long-term impacts.

### Rebalancing Market

When Transco envisaged Atlantic Sunrise in 2014, Marcellus production was experiencing exceptional growth and natural gas takeaway capacity from the region was highly constrained. This was reflected by steep discounts in Northeast basis prices, many of which continue to this day. In the past several years, a number of pipeline takeaway projects have come on line to move cheaper Marcellus production out of the region. Next week, Atlantic Sunrise (Exhibit 1) will add another 1.3 bcf/d of takeaway capacity and be instrumental in pushing Marcellus gas further into the U.S. Southeast.

**Exhibit 1** Atlantic Sunrise Project Map (Red Proposed Line)



Source: Williams

While the Atlantic Sunrise project will help meet export demand from the Cove Point LNG terminal, the longer-term strategic benefit will come from its ability to help meet domestic demand in the Southeast and international demand out of the Gulf. The expansion projects give direct access to the Transco pipeline, providing a route to high-demand states in the Southeast. Additionally, the Gulf will be home to a majority of the nation's liquefied natural gas export terminals over the next decade and will likely pull heavily from Transco to meet international demand as export projects reach commercial operation.

As pipeline projects come on line to move natural gas out of the Northeast, a regional rebalancing is happening. Less Southeast production has been moving north on Transco as it is displaced by shale production from Pennsylvania. This trend will continue as export projects in the Gulf ramp up and Southeast production gets directed to the export market over meeting domestic demand, pushing Marcellus production further south. This will increase competition among Henry Hub, Transco-Z5 and Tetco-M3 pricing hubs as producers find greater flexibility in reaching end users. These three price points will also be connected to the international market as more LNG export terminals come on line.

### ***Conclusion***

The Atlantic Sunrise expansion project will not lift constraints out of the Marcellus on its own but is another in a long list of projects designed to deliver natural gas to markets outside the immediate production region. After Atlantic Sunrise, Mountaineer XPress (Dec. 31) and WB XPress (also Dec. 31) are the remaining large projects for this calendar year in the region. These projects represent an additional 4 bcf/d of pipeline capacity connecting the Marcellus with Southeast and Gulf markets. As these projects reach commercial operation, basis markets within the Marcellus will likely reach parity with Henry Hub, and winter premiums seen in this region from additional seasonal demand will continue to narrow, as they have over the past four years. As pipeline projects develop in the Marcellus, the trend toward rebalancing regional markets will continue. ■■

# Natural Gas Important Points

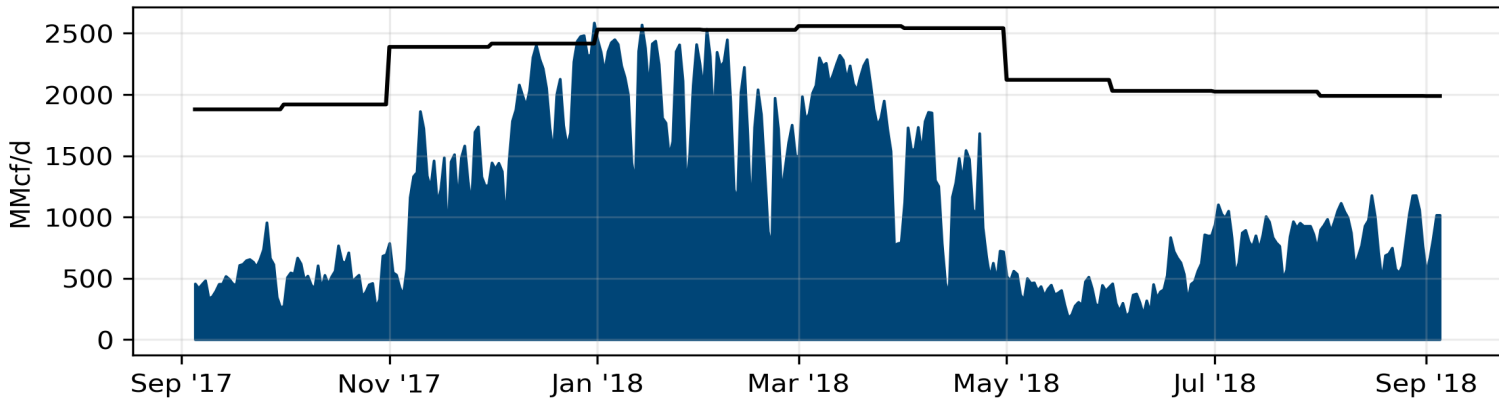
## Algonquin: Stony point Compressor



## Transcontinental: Leidy Line Station 505



## Texas Eastern: Lambertville Compressor

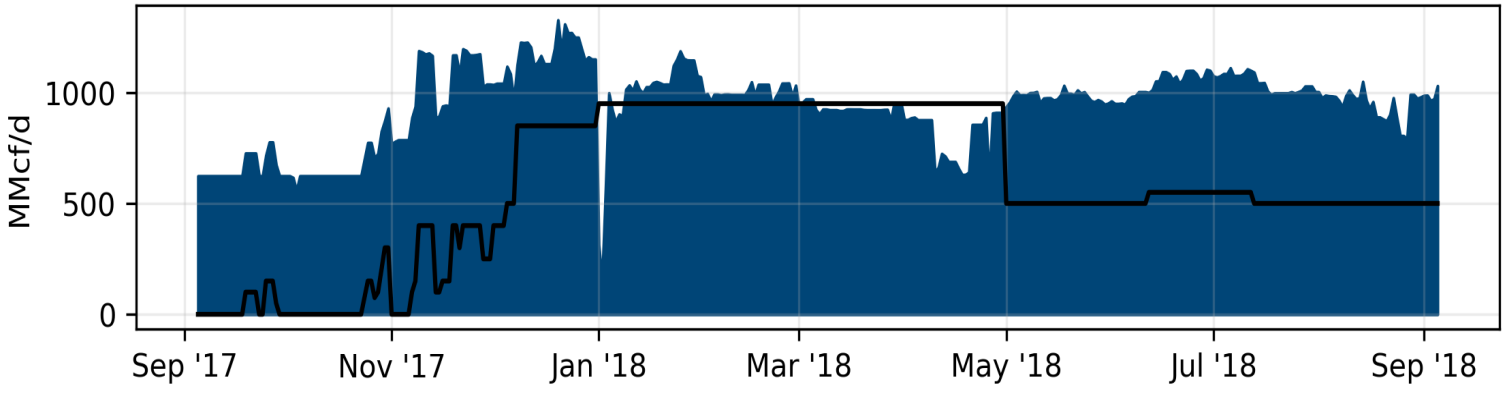


## Millennium: Wagner West Compressor

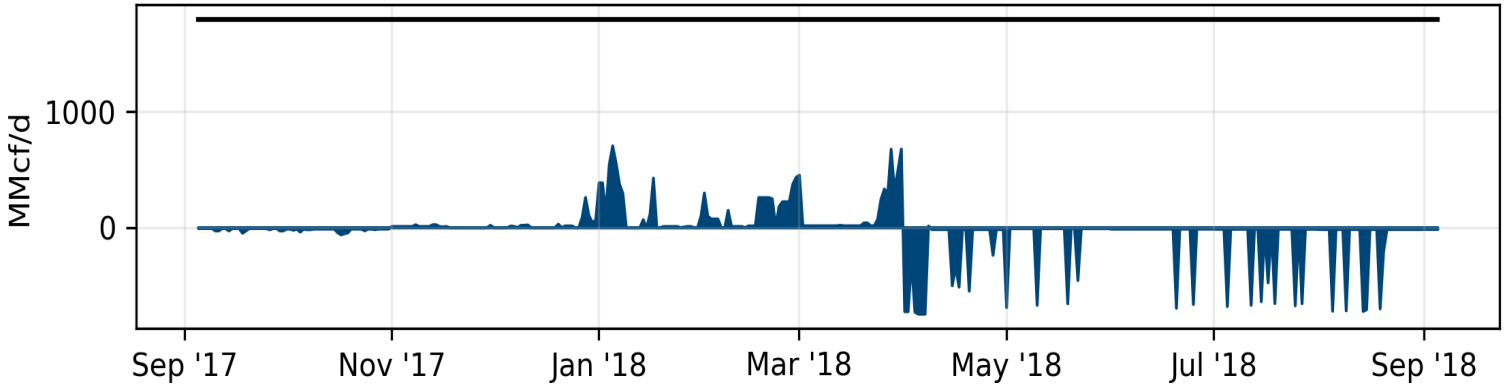


■ Volume — Capacity

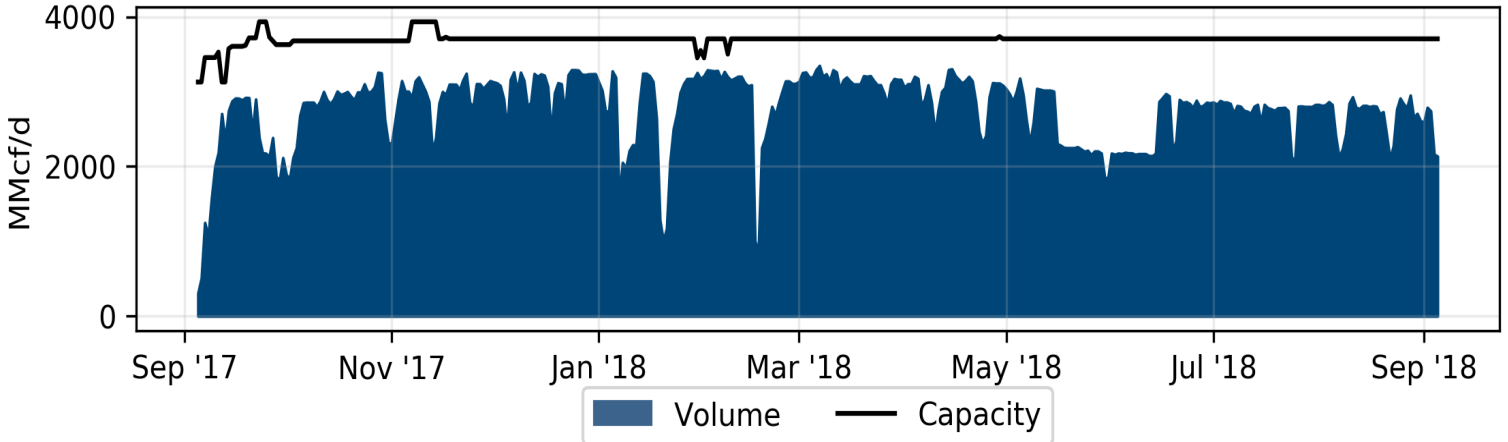
Columbia Gas Trans: Braxton-Stonewall



LNG: Cove Point



LNG: Sabine



■ Volume — Capacity

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