FALL 2025

2025–2026 Natural Gas Heating Season Report

INTRODUCTION

Canada's natural gas system offers affordable, reliable, and safe energy. This report looks at the main indicators for Canada's natural gas market as we enter the 2025–26 winter heating season. A summary of these key indicators helps readers understand market fundamentals as colder months approach, furnaces are turned back on, and demand for natural gas peaks.

EXECUTIVE SUMMARY

After record-setting consumption and production in 2024, Canadian natural gas has continued to trend at a record pace in 2025. More than 77,000 new customers joined Canada's natural gas system in 2024, drawn by its affordability and reliability — especially as a winter heating option.

Production has also been strong, reaching record levels in 2025. High production has led to above average storage levels for this upcoming heating season, helping to keep natural gas prices low. At a national level, prices have averaged $1.58 this year, notably below the five-year average. Lower prices further cement the affordability advantage of natural gas relative to other energy sources for Canadian consumers.

Strong global demand has also driven consistently high pipeline exports so far this year. In June 2025, Canada entered into the global LNG market, as LNG Canada loaded its first cargo off the coast of northwest British Columbia.

Weather remains a key factor affecting prices for natural gas, as colder weather drives up demand and prices. Current outlooks from Environment and Climate Change Canada indicate that "warmer than normal" temperatures are likely for most of the country this winter, which if it is the case, will mean lower natural gas use, lessening the pressure on prices. Additionally, Canada's new export market is expected to play an increasingly important role in shaping domestic natural gas prices.

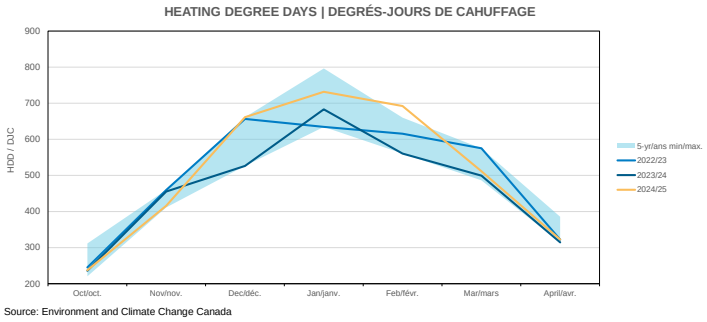
NATURAL GAS DEMAND

Gas demand remains high into 2025 while residential customers continue to join the natural gas system

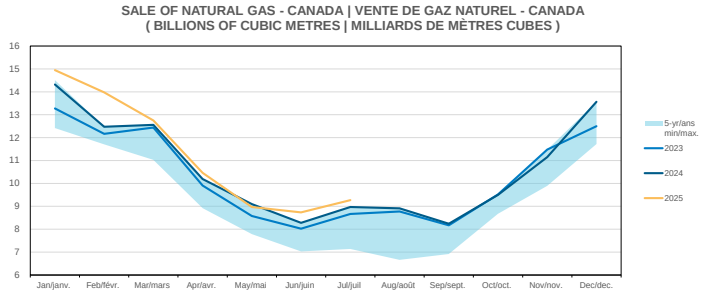
After setting record highs for domestic natural gas consumption in 2024, gas demand has maintained record high levels in 2025. Much of the country experienced cold temperatures in January and February, followed by milder temperatures in March and April. Temperatures during the 2024/2025 heating season were 9% colder than in 2023/2024, as measured by the average Heating Degree Days.

The impact of colder temperatures, particularly in January and February, is reflected in gas consumption trends. The residential and commercial sectors consumed 15% more natural gas in January and February 2025 compared to the same period in 2024. Another significant source of increased natural gas demand in 2025 has been in the electricity generating sector. Alberta completed its phase-out of coal-powered electricity generation in mid-2024, with many plants converting to natural gas. Certainly, with a full year of additional gas plants, this change is expected to result in higher industrial gas demand in 2025.

As a result of these factors, 2025 is on track for another record year for natural gas consumption. At the current pace, gas demand in 2025 is 4% higher than in the same period in 2024. Furthermore, from January 2025 to July 2025 (the most recent available data), monthly gas consumption has exceeded the monthly record high for six out of seven months.



Source: Environment and Climate Change Canada



The industry continues to see demand for the product. Nearly 77,000 new residential customers joined the natural gas system this past year, in preparation for the 2025–26 winter heating season. This brings the total active natural gas customer base of Canada's gas utility companies to nearly 7.75 million end-use locations.

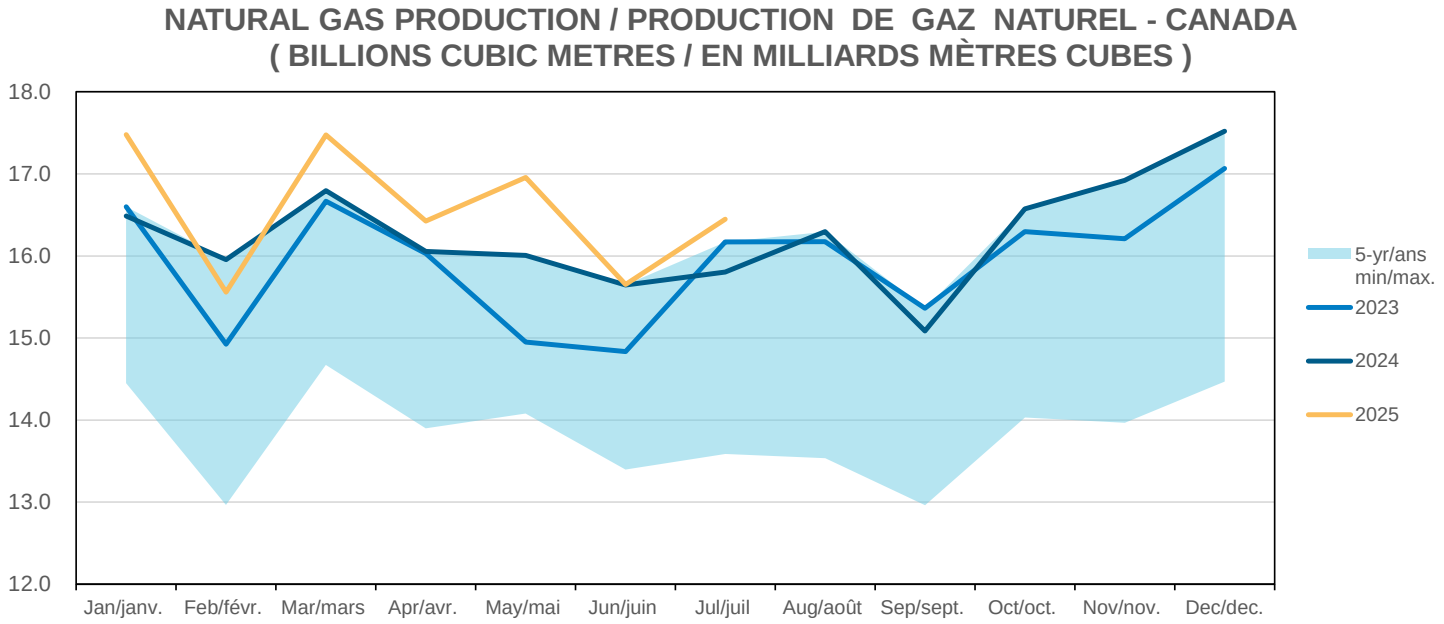
NATURAL GAS PRODUCTION

Canada's natural gas production continues at record pace in 2025

Similar to the trends seen on the demand side, Canada achieved record natural gas production levels in 2024. So far in 2025, production levels have mostly maintained that record pace. Between January and July 2025, monthly production records were broken in six out of seven months. Production levels year-to-date have been 3% higher compared to 2024 levels for the same period.

High gas demand is a significant factor that drives high gas production. However, it should be noted that domestic consumption is not the only factor. A growing portion of Canada's gas production is destined for the export market. While we will look at exports more specifically in a later section, higher year-to-date exports have also been a driver for the high levels of production.

Overall, high production and high storage levels result in a high supply scenario. If the gas market becomes oversupplied, gas prices will drop in response, incentivizing some producers to shut-in production until gas prices become more favourable. While production levels tend to be high during the winter to keep up with demand, they may start to drop if the market becomes oversupplied.



Source: Statistics Canada Table: 25-10-0055-01 | Source : Statistique Canada 25-10-0055-01

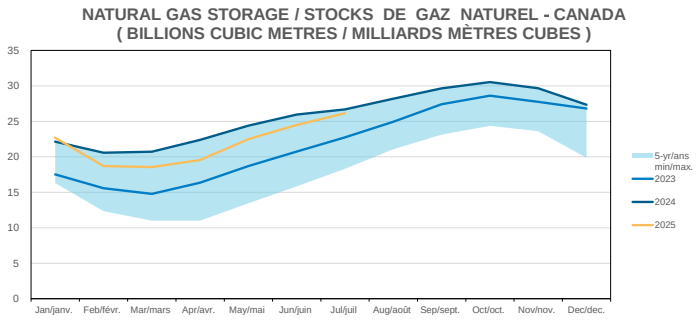
NATURAL GAS STORAGE

Natural gas storage levels are high heading into the heating season

While 2024 ended with very high natural gas inventories, storage levels were drawn down at a quicker rate in January and February due to elevated demand. At the end of March, gas storage levels were 10% lower than in March of 2024. However, as the typical injection cycle started in April, storage levels have increased at a rate of 28% faster this year compared to last year. Despite starting the injection cycle at lower levels, inventory levels in July 2025 are nearly identical to the high record levels set in July of last year.

If storage levels continue to be elevated heading into the winter season, production levels may need to decrease to balance out the supply. It is expected that gas inventories will remain at very high levels heading into the 2025–26 winter heating season. Ultimately, high inventories benefit consumers by putting downward pressure on prices.

In addition to providing price stability, storage plays a vital role in buffering against seasonal variations, providing operational flexibility, and responding to emergencies. Canada has 948 billion cubic feet of underground gas storage, enough to provide more than 50 days of supply during a typical Canadian winter. Furthermore, natural gas storage capacity in Canada is more than five orders of magnitude greater than the energy storage capacity of the electricity system. This underscores gas's fundamental ability to provide a reliable source of energy even through the harshest winters and other adverse weather events that may arise during the upcoming winter season.



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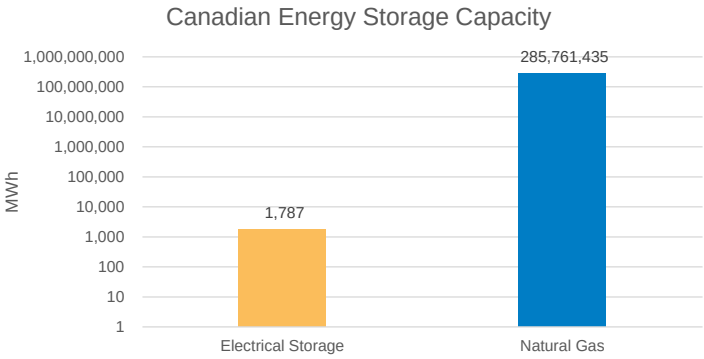
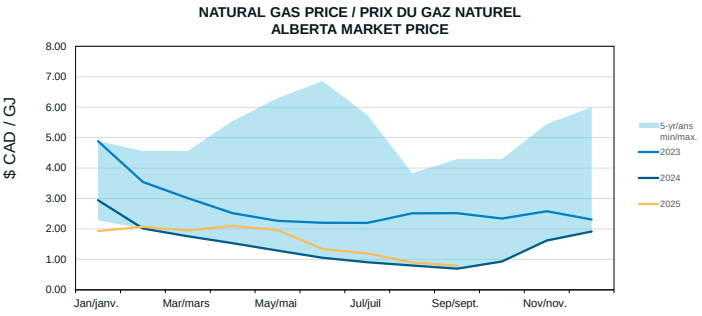


Source: CER

NATURAL GAS PRICES

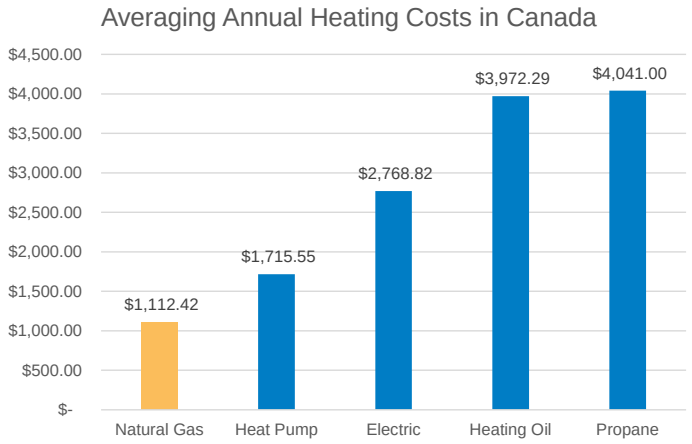
Natural gas cements its position as Canada's most affordable energy

Natural gas prices in 2025 have continued to remain well below the 5-year average. Following a brief increase in March 2025, the average for the year (Jan-Sept) has been $1.58/GJ, a slight increase from $1.44/GJ during the same period last year. By the end of September, natural gas prices had declined to their lowest levels so far this year at $0.79/GJ. As discussed previously, low prices may result in decreased production levels. Ultimately, low natural gas prices are beneficial to end-use consumers.

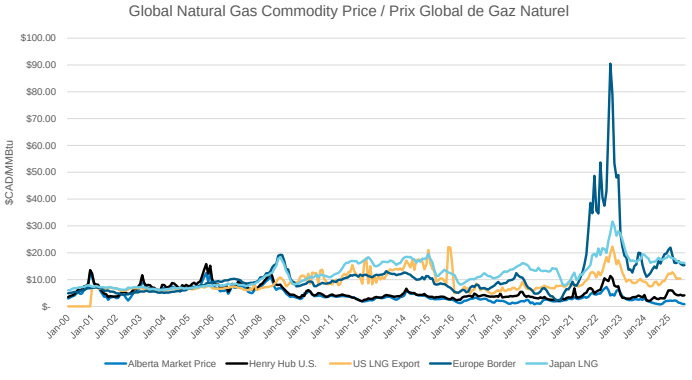


Source: NGX

Natural gas, remains Canada's most affordable source of energy. Compared to other common energy sources, Canadians who heat their homes with natural gas can expect to save between $600 to $3,000 per year. What's more, due to the elimination of the consumer carbon tax in most parts of the country, residential natural gas prices fell by an average of 9% between October 2024 to October 2025. This means that most families that use natural gas could save more this winter compared to last year.



In the international context, Canadian prices remain among the lowest in the world. The reason for this is that North America has a series of significant advantages that make natural gas the most affordable energy option, including abundant local supply, significant storage, and robust and integrated markets. This is particularly true in Canada; the spot prices in Europe and Asia as of September 2025 were almost twenty times higher than the price of gas in Alberta. Furthermore, limited exporting capacity keeps prices more insulated from the volatility seen in other markets. Even when compared to the US Gulf Coast, prices in Alberta have been, on average, four times cheaper in 2025.



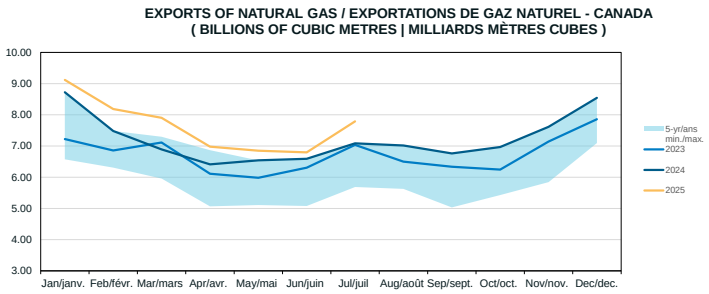
Source: US Federal Reserve, World Bank

NATURAL GAS EXPORTS

Pipeline exports reach new highs while LNG Canada exports its first cargo

With a highly integrated market with the United States, Canada is a significant exporter of natural gas. In 2024, Canada exported 87 billion cubic metres of natural gas, about 45% of the country's total natural gas production. Year-to-date, in 2025, Canada has exported even more natural gas to the US when compared to the five-year range. From January to July of this year, Canada's total exports were 53.6 billion cubic metres, equivalent to about 46% of our total production to date and 5% higher over the same time last year.

2025 also marks a significant milestone in Canadian exports: liquefied natural gas (LNG) exports. In June 2025, LNG Canada, Canada's first large-scale LNG export facility, loaded its first cargo destined for Asia. An interesting dynamic to watch moving forward will be how the new LNG market will impact gas prices. At full capacity, LNG Canada would add an additional 19 billion cubic metres of demand, equating to approximately 20% of Canada's typical pipeline exports. Adding such significant export capacity the market will be looking to determine how prices will respond.



Source: CER

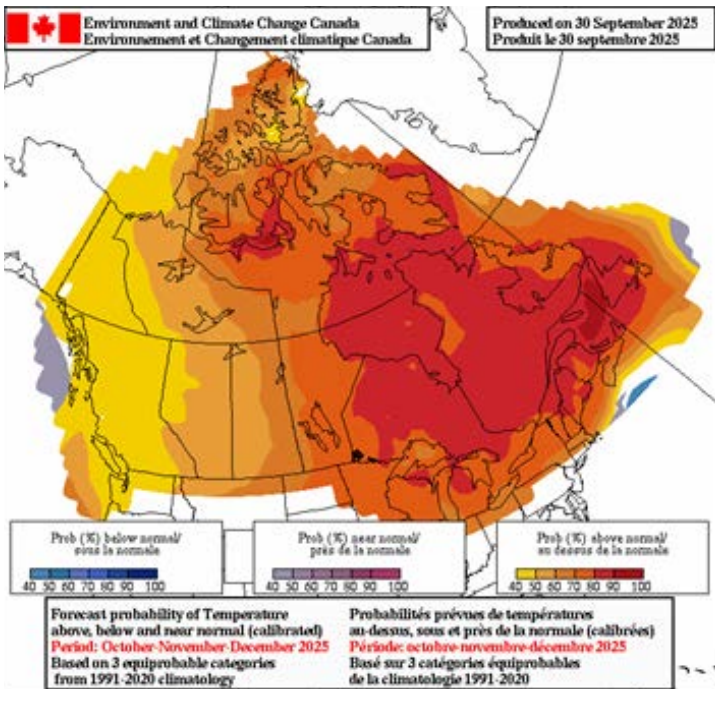
WINTER WEATHER

Forecast shows a "warmer than normal" winter likely for most of the country

Environment and Climate Change Canada's outlook, as of September 2025, forecasts a high probability for "above normal" temperatures across most of the country for the first half of the upcoming winter season (October to December). For the latter part of the season (January to March), Eastern Canada is expected to continue experiencing "above normal" temperatures, while British Columbia may see a slight chance of "below normal" temperatures.

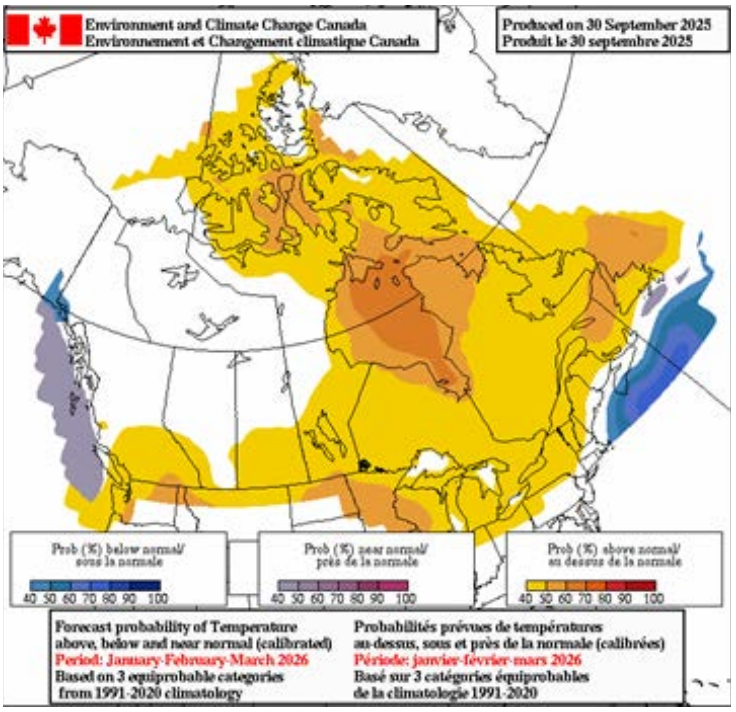
It is important to note that these forecasts reflect average trends; they do not rule out the possibility of extreme winter storms or cold snap.

The implication of warmer weather is that overall natural gas consumption may be lower, reducing the likelihood of upward pressure on gas prices. What's more, higher-than-typical inventories entering this winter season will further help to maintain price stability for consumers.



SUMMARY

Following a record-breaking year in both natural gas consumption and production, Canada is on track for another year of strong demand in 2025. Despite high domestic demand and exports, strong production rates have resulted in high storage levels, ensuring supply remains abundant heading into the winter season. Current forecasts indicate that most of the country will experience “above normal temperatures” this winter, which will put some downward pressure on gas consumption and should maintain price stability for consumers. The start-up of LNG Canada marks a significant milestone for Canada, but its impacts on pricing will depend on how quickly the facility ramps up to full capacity. Ultimately, Canada enters the 2025–26 winter heating season in a strong position, with ample supply, robust demand, and stable prices.



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