Natural Gas Market Indicators

American Gas Association

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Reported Prices – crude oil prices have continued to moderate the first half of February 2020 with West Texas Intermediate at $52 per barrel and Brent at $57 per barrel. Oil prices have been affected by news concerning developments of the spread of a novel coronavirus and its effect on the Chinese and global economic conditions. The full impacts are still not well understood. Back at home, domestic natural gas futures for March 2020 have continued to fall dropped as low as $1.77 per MMBtu—the since 2016 and the lowest levels for February in 20 years.

Weather – six weeks of warmer-than-normal temperatures in the lower-48 states were interrupted by a week of relatively colder temperatures more consistent with the average. Winter heating season temperatures for 2019-20 have been warmer than normal in the lower-48 states since October 1, 2019, and 7.3 percent warmer than last year. Heating degree day totals this winter season are running 8.7 percent lower (warmer) than after recording 12.0 percent warmer in December 2019 and 18.5 percent warmer in January 2020. November 2019 had started colder than normal if you can remember back that far. Cumulatively, every region of the country has been warmer since October 1.

Working Gas in Underground Storage – two straight weeks of net withdrawals averaging 126 Bcf per week reduced national underground storage by 252 Bcf, leaving 2,494 Bcf in storage for the week ending February 7, 2020. Inventories are now 9.4 percent above the five-year average and 31.7 percent above this time last year. The largest net withdrawal of the season so far was recorded for the week ending January 24 when 201 Bcf was supplied from storage to the market.

Natural Gas Production – at 91.8 Bcf per day, year-to-date average domestic natural gas production is running 4.9 Bcf per day higher compared with 2019. Daily dry gas production this February has clocked in at 92.1 Bcf per day on average, which is 5.2 Bcf higher than February 2019. Northeast and Midwest month-to-date average production are nine percent above this time in 2019; Southeast production is up four percent, and West production has climbed three percent.

Rig Count – more than four out of every five rigs in operation in the United States is directed toward oil. For the week ending February 7, 2020, total US rigs in operation totaled 790, which is 259 less fewer than this time in 2019 according to the most recent report from Baker Hughes. Natural gas rigs are down ten percent or 12 rigs since the beginning of the year. With Canadian rig counts at 257, this puts the total North American rig count at 1047, down 242 rigs from one year ago.

Shale Gas – the January edition of EIA's *Drilling Productivity Report* shows that new-well oil production per rig is expected to increase for all major shale basins between January and this month. New-well gas production per rig is expected to increase for every region except Appalachia for the same period. In addition, overall oil and gas production is estimated to increase by 22 and 65 MMcf per day, respectively, over the January to February period. Nearly half of the month-to-month increase in total gas production tracked in the major basins is projected to come from the Permian region.

Pipeline Imports and Exports – pipeline import volumes from Canada have slowed during the past two weeks to 4.7 Bcf per day after reaching 5.4 Bcf per day in the last days of January. Year-to-date daily averages are just under 4.4 Bcf per day. On the other hand, pipeline exports to Mexico have been steadily above 5 Bcf per day, which is 0.2 Bcf higher than the first month and a half of 2019.

LNG Markets – the outbreak of the novel coronavirus has disrupted trade flows including LNG. Reuters reports that LNG tankers bound for North Asia changed destination after the coronavirus hit gas demand in China. Adding to the disruption, China's National Offshore Oil Corporation (CNOCC) declared a force majeure to suspend contracts with three LNG suppliers. Even before the emergence of the virus, weather and economic conditions contributed to low global demand for LNG. Today, the combination of all factors has pushed Asian spot LNG prices below $3 per MMBtu. Back in the US, export demand appears strong. Total feedgas for LNG exports rose from 8.6 Bcf per day in January to 8.9 Bcf per day in February, on average. That is up 4.6 Bcf per day (112 percent) from this time last year.

Natural Gas Market Summary – warm temperatures and strong supplies have influenced low domestic and international pricing for natural gas. Henry Hub futures (March 2020) has dropped as low as $1.77 per MMBtu, and futures prices only reach as high as $2.60 per MMBtu in the seasonal and calendar year strips through March 2021, according to NYMEX. UK natural gas futures and Asian spot LNG are now below $3 per MMBtu. While these commodity prices may present challenges for producers, the *Market Indicators* will be watching for increased demand spurred by these low prices.