



Natural Gas Market Indicators

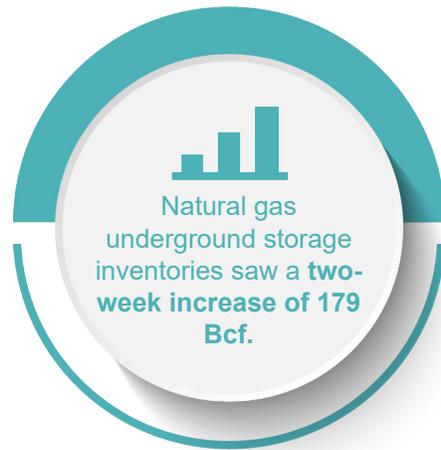
Market Summary

Mild weather throughout October has led to a decrease in natural gas consumption due to declines in heating and cooling demand.

- Growth in dry gas production combined with demand declines has contributed to strong storage injections. Underground inventories are increasing at an above-average pace ahead of the usual end of the 2021 injection season, closing the gap between current storage levels and the previous five-year average.
- Amid strong production gains and demand declines, Henry Hub spot prices closed at \$5.51 per MMBtu as of October 29.



As of November 1, European TTF prompt-month future prices are down **35 percent** from October 14.



Natural gas underground storage inventories saw a **two-week increase of 179 Bcf.**



Heating degree days have been **42.4 percent warmer-than-normal** so far this season.

Weather

Though temperatures are falling, the onset of the heating season has been delayed relative to the 30-year normal trend, according to the EIA, continuing a year-long trend of warmer-than-normal temperatures. NOAA reported above-normal temperatures across much of the country for the week ending October 23. Heating degree days in aggregate have been 42.4 percent warmer-than-normal in the lower-48 since October 1. Most regions of the country have seen above-normal temperatures this month, ranging from 3.6 percent warmer in the Mountain region to 65.2 percent warmer in the South Atlantic based on heating degree days. The one exception is the Pacific region, which has been 40.0 percent colder than normal since October 1.

Demand

Domestic natural gas demand in October averaged 71.3 Bcf per day, representing a 3.5 Bcf (4.6 percent) reduction from average demand in October 2020. The year-over-year drop in demand has been almost entirely driven by a sharp reduction in residential and commercial demand as temperatures across the country remain milder compared to this time last year.

Natural Gas Production

According to S&P Global Platts, flowing gas supplies have rebounded to their highest level since Hurricane Ida hit back in August, reaching 92.7 Bcf per day on October 25. Dry gas production has remained consistently above 92.0 Bcf per day and near-record levels since October 23. South and Northeast production flows appear to be the key contributors to that incremental growth, with the majority of the gains coming from Texas and southern Pennsylvania. Domestic daily dry gas production in October averaged 90.8 Bcf per day, 3.2 Bcf more than in October 2020, for a year-to-date average of 90.6 Bcf per day.

Pipeline Imports and Exports

Imported gas volumes from Canada have remained steady between 5.2 to 5.9 Bcf per day. Flowing supplies averaged 5.5 Bcf per day in October, over 33 percent more than the imported volume in October 2020. Similarly, pipeline exports to Mexico averaged 6.1 Bcf per day in October, a three percent increase from 2020.

Please direct questions to Richard Meyer at rmeyer@aga.org or Juan Alvarado at jalvarado@aga.org or Gina DeFrancesco at gdefrancesco@aga.org. If you would like to add someone to the bi-monthly distribution list for this report, please notify Lucy Castaneda-Land at lcastaneda-land@aga.org

LNG Markets

European TTF prompt-month futures prices were trading at \$22.03 per MMBtu on November 1, a 35 percent reduction from October 14. Notwithstanding the recent drop, prices remain near record levels compared with history. Asian JKM prompt-month future prices also remain very high at \$30 per MMBtu on November 1. These high prices remain a strong incentive for US LNG exporters to ship LNG at near-peak capacity. US exports averaged 10.6 Bcf per day in October, a 25 percent increase from October 2020. On October 29, feedgas to LNG export facilities reached 11.8 Bcf of LNG, just shy of the record of 11.9 Bcf set earlier this year. S&P Global Platts expects LNG exports to remain substantially above 11 Bcf per day as we enter the first week of November.

Working Gas in Underground Storage

As the injection season starts winding down, natural gas storage across the United States continues to approach 3.6 trillion cubic feet following a two-week increase of 179 Bcf, for a total nationwide stock of 3,548 Bcf as of October 22. As a result of these recent large injections, storage inventories are now only 3.4 percent below the five-year average. Historically, injection rates have slowed as the winter season approaches. However, this year injections remain strong on account of mild temperatures and lower demand. As such, storage inventories are likely to close the gap between the five-year average even more by the end of the injection season. Regionally, the East and Midwest regions sit only 3.0 and 1.7 percent below the five-year average as a result of high injection rates.

Reported Prices

The natural gas markets remain volatile as higher production, lower demand, and strong injections are offset by near record-setting LNG exports and a fast-approaching winter heating season. Over the second half of October, prompt-month future prices at the Henry Hub fluctuated from a low of \$5.60 per MMBtu on October 19 to a high of \$6.30 per MMBtu on October 27. Ultimately, prices traded around \$5.50 as of closing on October 29, ending October trading in a loss.

Rig Count

The number of rigs in service across the US continued to climb over the last two weeks of October. As of October 29, there are 544 rigs in operation, of which 444 are oil-directed, and 100 are seeking gas. The number of rigs in service has increased by over 83 percent since October 2020 and is at the highest level of rigs in operation since April 2020.

Notice

In issuing and making this publication available, AGA is not undertaking to render professional or other services for or on behalf of any person or entity. Nor is AGA undertaking to perform any duty owed by any person or entity to someone else. Anyone using this document should rely on his or her own independent judgment or, as appropriate, seek the advice of a competent professional in determining the exercise of reasonable care in any given circumstances. The statements in this publication are for general information and represent an unaudited compilation of statistical information that could contain coding or processing errors. AGA makes no warranties, express or implied, nor representations about the accuracy of the information in the publication or its appropriateness for any given purpose or situation. This publication shall not be construed as including, advice, guidance, or recommendations to take, or not to take, any actions or decisions any matter, including without limitation relating to investments or the purchase or sale of any securities, shares or other assets of any kind. Should you take any such action or decision; you do so at your own risk. Information on the topics covered by this publication may be available from other sources, which the user may wish to consult for additional views or information not covered by this publication.

Copyright © 2021 American Gas Association. All rights reserved.