



Natural Gas Market Indicators

Market Summary

The first two weeks of November saw prices drop to around \$5.00 per MMBtu. This drop follows an October that saw prices average \$5.50 per MMBtu and routinely hit the \$6.00 to \$6.50 per MMBtu range.

- Pipeline and LNG exports remain strong as the natural gas market ventures into a heating season expected by NOAA to be colder in the near-term and compared to last year overall.
- A strong bump in flowing gas production in early November has coincided with the arrival of cold temperatures and net withdrawals from underground storage.

Natural gas future prices are now **below \$5.00 per MMBtu** through the end of the heating season.

US production rose to 94.4 Bcf per day on November 6, **the highest level since January 2020.**

The first week of November saw temperatures **8.3 percent colder than normal.**

Weather

Temperatures fell across the US over the first week of November. Following a September and October that saw average temperatures 51.7 percent and 33.8 percent warmer than normal, respectively, the first week of November saw temperatures 8.3 percent colder than normal. While relative temperatures rose again over the second week of November, NOAA expects cold weather systems to track across the US towards the end of the week, bringing lows in the 20s and 30s.

Demand

Compared to last year, the first half of November saw relatively low domestic demand of around 77 Bcf per day as temperatures across the lower-48 remained relatively mild. Starting November 12, however, demand began to rise substantially. S&P Global Platts' preliminary estimates show a domestic demand of 86.3 Bcf and 86.9 Bcf on November 14 and 15. S&P also forecasts demand to hit the 87 to 92 Bcf per day over the next two weeks. The rise in demand is primarily driven by residential and commercial customers and an uptick in demand for power burn, as temperatures drop across the lower-48.

Natural Gas Production

US production grew substantially in the first half of November. On November 6, US production rose to an average of 94.4 Bcf per day in flowing supplies, its highest levels since January 2020, according to S&P Global Platts. As of November 15, production sits at 94.3 Bcf per day, according to preliminary estimates. This performance brings month-to-date averages of lower-48 dry gas production to 93.8 Bcf per day, 2.1 Bcf per day higher than October's average. Of note, while all regions contributed to the growth in production, production in the Haynesville and Permian basins grew by a combined 1 Bcf per day over the first two weeks of November.

Pipeline Imports and Exports

Imports from Canada during the first two weeks of November fell from 5.5 to 4.4 Bcf per day by November 12. As imports hover below 5.0 Bcf per day, the monthly average for daily imports through November 15 is 5.0 Bcf per day, a 21 percent increase from November 2020. As temperatures fall across the US and demand rises, S&P Global Platts expects imports from Canada to rise to around 5.5 Bcf per day this week. South of the US border, exports to Mexico have remained strong with a month-to-date average of 5.6 Bcf per day, which is 0.2 Bcf higher than in 2020.

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LNG Markets

After three weeks of consecutive declines, natural gas prices in Asian and European markets rose over the second week of November. On November 12, Dutch TTF December futures prices closed at \$25.41 per MMBtu, and JKM prompt-month futures prices were trading at \$31.50 per MMBtu on November 11, up 6.8 percent from the previous week. The rising prices can be attributed, in part, to the increased demand in China due to a sharp drop in temperatures and relatively sparse flows from Russia. High overseas prices remain a strong incentive for US LNG exporters to continue to ship at near-capacity. In fact, over the first half of November, US LNG daily exports averaged 11.0 Bcf per day, further increasing the year-to-date average to 10.6 Bcf per day.

Working Gas in Underground Storage

The first week of November showed minimal withdrawals from storage amounting to a net injection across the US. The resulting storage balance on November 5 was 3,618 Bcf. This net injection is not larger than the five-year average, ending an eight-week streak of larger than average injections that started in early September. The inventory deficit is now 3.2 percent below the five-year average, compared to 7.0 percent below the five-year average seen at the beginning of September.

Reported Prices

Prices have remained around the \$5.00 per MMBtu mark for a week, marking a significant drop from October when prices averaged \$5.50 per MMBtu and gas was regularly trading above \$6.00 per MMBtu. Future prices are now below \$5.00 per MMBtu through the end of the heating season. Spot prices have closely tracked prompt-month future prices, averaging \$5.50 in October according to the EIA's Short Term Energy Outlook.

Rig Count

The number of rotary rigs operating in the United States hit 556 on November 12, Baker Hughes reported. The latest rig count shows a week-on-week gain of 6 drilling units, bringing the total to its highest level since April 9, 2020. US gas-directed rigs finished the week at 102, a gain of two from the week prior. Rigs seeking oil saw a jump of 4 for the week totaling 454 rigs. Against the year-ago figure of 312, there are 78 percent more US rigs in operation at this time.

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