Energy Insights

Natural Gas Market Indicators

Market Summary

Strong natural gas production and the first net withdrawal from gas inventories coincided with significant drops in natural gas future prices for the week ending November 30.

- Temperatures colder than last year contributed to elevated heating needs over the Thanksgiving week that resulted in higher domestic consumption compared to 2020.
- Similarly, temperatures around the globe trended colder over the last two weeks of November driving strong pipeline and LNG exports.

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Prompt month futures at Henry Hub closed at $4.60 per MMBtu on November 30, the **lowest price since August 31.**

Domestic natural gas consumption is **up 10 percent month-to-date** compared with November 2020.

Temperatures from October 1 through November 27 have been **1.3 percent colder than in 2020.**

Weather

The winter heating season is starting off on a colder foot compared with 2020. The US has posted average heating degree days in excess (colder) for every week starting in November. Cumulatively, temperatures from October 1 to through November 27 have been 1.3 percent colder than in 2020. However, compared with normal, conditions are in fact quite a bit warmer. Over the same period, cumulative HDDs for the US as a whole have been 17.2 percent lower (warmer) than the 1991-2010 normal. On a final note, November 30 represents the official end to the 2021 Atlantic Hurricane season. The 2021 season produced 21 named storms including 7 hurricanes, 4 of them major. In particular, Hurricane Ida led to severe disruptions to energy infrastructure. The protracted recovery means natural gas production was still rebounding from the event in November, which saw production levels continue to rise towards pre-event levels.

Demand

The colder weather compared with last year has boosted residential, commercial, and power burn demand in November relative to 2020. Domestic consumption at 86.4 Bcf per day is up 10 percent month-to-date compared with November 2020. Industrial demand levels are higher by 0.5 Bcf per day, or 2.2 percent for the same period. Milder temperatures in 14-day weather forecast, particularly in the Western US, suggest a moderating demand outlook through December 5, according to S&P Global Platts Analytics.

Natural Gas Production

US production is up steeply from only one month ago. The market appears to be reacting to the higher pricing environment established in the fall. Aggregate lower-48 dry gas production flows were consistently above 95 Bcf per day during the last week of November. Driving the gains is increased production from the Eagle Ford, Permian, Haynesville, and Offshore (continued recovery from Hurricane Ida). US production is set to average 94.2 Bcf per day, according to S&P Global Platts Analytics. The growing production flows are located in both wet and dry shale basins located near demand centers, particularly export markets.

Pipeline Imports and Exports

November saw pipeline exports to Mexico average 5.6 Bcf per day, continuing a trend of strong pipeline exports this year. Average daily exports year to date remain at 6.0 Bcf per day, an 11 percent increase from 2020 numbers. Those export numbers are balanced out by pipeline imports from Canada, which averaged 5.1 Bcf per day in November, and have averaged 5.1 Bcf per day year to date, a 17.6 percent increase from 2020 numbers.

LNG Markets

LNG exports averaged 11.8 Bcf per day over the second half of November, 11.2 percent above the year-to-date average. Strong exports continue to be fueled by European and Asian prices. Dutch TTF prompt month prices increased by 20 percent between November 14 and November 30 ultimately closing at $30.92 per MMBtu. Asian markets also saw prices increase by nearly 17 percent over the last two weeks of November, ultimately closing at $36.25 per MMBtu. Temperatures continue to drop across Europe and northern Asia and gas flows from Russia remain inconsistent. Additionally, electricity prices across Europe remain at historic highs. The combination of these factors are unlikely to lead to decreasing gas prices any time soon.

Working Gas in Underground Storage

According to EIA, working gas stocks ended the injection season 3 percent below the five-year average following a series of large injections into storage starting in September. The week ending November 19 saw a net withdrawal from storage of 21 Bcf, as a small net injection in the South Central region was offset by larger net withdrawals in the East and Midwest regions.

Reported Prices

Natural gas prices continued to trend downward over the second half of November. On November 30 prompt month future prices at the Henry Hub closed at $4.60 per MMBtu, the lowest price since August 31, and a 30 percent drop since October 5. Longer term futures experienced similar drops in prices based on expectations of a relatively warmer outlook from several weather services. Spot prices have also trended low, trading at $4.51 per MMBtu on November 30 after they averaged $5.50 in October.

Rig Count

The number of rotary rigs in the United States increased by six for the week ending November 24. This marks a record of 16 consecutive months of natural gas and oil rig additions, according to Reuters. US oil rigs rose six to 467 this week, while gas rigs were unchanged at 102 for a third week in a row. Since the start of the year, the oil rig count is up 75 percent, while the number of active gas rigs is up around 23 percent. As a result, total working domestic rotary rigs in operation stand at 569.

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