

Natural Gas Market Indicators



January 11, 2019

Edition 336



Reported Prices – as equities fell in the stock market during December 2018 so did oil and natural gas commodity prices. By Christmas Eve, domestic crude has fallen below \$45 per barrel and Brent was below \$54; though those respective indices have since gained \$6 each. Prompt-month natural gas futures have fallen since early December from the mid-\$4s per MMBtu at Henry Hub to \$3.00 per MMBtu now.

Weather – beginning in early November, five straight weeks of colder-than-normal temperatures were followed by four weeks of warmer-than-normal temperatures in the lower-48 states. In aggregate, heating degree days have been 3.8 warmer than normal this winter since October, and 1.1 colder than last year. Most regions of the country have posted heating degree days indicating above normal temperatures during this period; the exceptions are the West North Central and West South Central, which have been colder.

Working Gas in Underground Storage – let's go back one month. The strongest net underground storage withdrawal for the early winter heating season was documented the week ending December 14, 2018, with 141 Bcf of working gas reductions to inventories. That left storage volumes for the lower-48 states about 20 percent lower than the same time last year and nearly 21 percent lower than the five-year average. Since then, warmer weather has slowed the pace of withdrawals. The EIA storage report for the week ending December 28, 2018, showed a net pull of only 20 Bcf. The following week, the EIA report showed an 87 Bcf drawdown. Working gas inventories now sit 7 percent below one year ago and 15 percent below average. In other words, inventories are trending back toward normal.

Natural Gas Production – domestic natural gas production has begun the year flowing 83–85 Bcf per day. These volumes are somewhat weakened since the record high of 87.0 Bcf set in late November. Still, natural gas production is quite strong; lower-48 flows are 15 percent higher than one year ago. Note that this comparative number is influenced by the extreme cold last January, which at the time led to some production freeze-offs.

Shale Gas – PetroChina increased its shale gas output 40 percent in 2018. The Chinese oil and gas producer reported 151 billion cubic feet produced last year in the southwestern province of Sichuan. Indeed, the overall volumes are small, but the growth is notable. In general, the prospects of shale gas production overseas are shaped differently than in the United States. Unique geology, laws and regulations, and existing infrastructure in place have all played a role. Still, the prospects are real; so are the implications. With the continued rise of international trade of natural gas, additional domestic production from various foreign shale plays could shift future international gas market dynamics. We will keep an eye on this.

Rig Count – rig activity looks unchanged if we compare today’s count to a month ago. Oil rigs totaled 877 and gas 198 for the week ending December 7, 2018. Four weeks later, the totals are the same. During that period, oil gained and then fell again, while gas remained largely flat, only deviating by one rig for one week. However, lower commodity prices may incentivize different producer behavior as the New Year unfolds. Oil prices have fallen, and natural gas commodity has fallen to \$3 per MMBtu.

Pipeline Imports and Exports – activity in the pipeline imports section show that gas volumes from Canada have been steady around 5 Bcf per day, with flowing supplies averaging 5.2 Bcf per day early in 2019. Pipeline imports from north of the border are 1.1 Bcf per day lower than this time last year, which of course was during one of the colder periods in recent US history. Imports into the Northeast are hovering just above zero; flowing gas is instead being directed toward the Midwest and Western US markets. Now to the US south where exports to Mexico are averaging 4.8 Bcf per day this January, an increase of 14 percent or 0.6 Bcf.

LNG Markets – the number of vessels in the global LNG fleet increased by a record 12 percent in 2018, according to reporting from S&P Global Platts. By the end of 2018, there were 536 LNG vessels in operation. The rapid growth reflects increased trade in global LNG, which has risen steadily over the past few years. Meanwhile, in December, Cheniere sought permission from the Federal Energy Regulatory Commission to begin testing of the second LNG liquefaction train at its Corpus Christi export terminal in Texas—just weeks following the first shipment of LNG from the facility and train number one. In other words, more US LNG capacity is about to come online. Total US feedgas for export has averaged 4.9 Bcf per day this January, just about double (+2.4 Bcf per day) from this time last year.

Natural Gas Market Summary – the natural gas market has settled down after a month of warmer-than-normal temperatures eased demand and brought gas storage inventories closer to average levels. Production has slowed and is no longer setting successive records week after week, but it is still strong. The entire US gas supply portfolio—including LNG imports, pipeline gas from Canada, and underground storage—looks robust. Natural gas traders, who pushed natural gas prices to the high \$4/MMBtu range in November, are now calling for less than \$3 for a February 2019 contract. However, the winter is not over yet! A cold event always has the potential to snap the market to attention quickly.

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 in relation to 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 © 2019 American Gas Association. All rights reserved