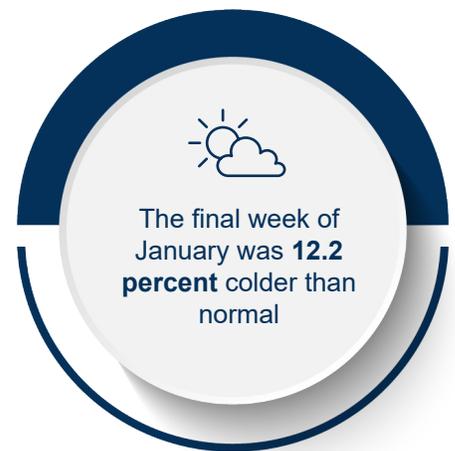




Natural Gas Market Indicators

Market Summary

- **Temperatures turned frigid over much of the US for the last two weeks of January, resulting in strong demand and increasing prices. The National Weather Service expects high temperatures in the teens as far south as north Texas towards the end of the week**
- On January 27, prompt month future prices experienced the highest daily percentage increase on record when February futures saw a 46 percent increase before rolling off.
- Colder temperatures in Europe and Asia, in addition to market wariness about the Russian – Ukraine relationship, have brought gas prices back up overseas despite a warmer than expected start to January. As a result, US LNG exports have averaged nearly 13 Bcf per day as January closes.



Weather

The final week of January was 12.2 percent colder than normal as measured by cumulative heating degree days. Temperatures were particularly cold in the East Central regions and the Middle and South Atlantic. Only the Pacific region saw temperatures warmer than normal. These cold temperatures were punctuated by a powerful winter storm that affected the Mid-Atlantic and the North East in particular. Most models predict a break from the cold temperatures halfway through the first week of February before an Arctic blast settles across the North and Central US. As a result, the National Weather Service's GFS model expects high temperatures towards the end of the week in the teens as far south as north Texas, with low temperatures dipping as low as -30 degrees in parts of Minnesota and single digits in North Texas. The GFS model predicts temperatures to remain colder than normal in the North and Central US through the second week of February.

Demand

The cold temperatures that have gripped much of the country have also resulted in high demand. In January, domestic demand averaged 112 Bcf per day, a 9 percent increase year over year. Demand was very high halfway through the last week of January, with domestic consumption excluding exports hitting 127.1 Bcf on January 26 and remaining above 115 Bcf per day over the next few days. Roughly three-quarters of the demand came from ResComm and Power Burn over that period. Warmer temperatures resulted in lower demand at the end of January at 108.6 Bcf per day. As temperatures drop once again across the US in the coming days, S&P Global Platts expects domestic demand to rise to an average of 117 Bcf per day over the next week.

Natural Gas Production

Dry gas production averaged 92.4 Bcf per day over the final week of January and hovered around 93 Bcf over the weekend and into the week of January 31. Supply is expected to keep up with the high demand over the coming weeks. S&P Global Platts expects dry gas production to average more than 93 Bcf per day through the first two weeks of February.

Pipeline Imports and Exports

Gas volumes from Canada have averaged 5.9 Bcf per day over the first two weeks of January. However, the average was closer to 6.2 Bcf per day over the second week of January as temperatures across the lower 48, particularly in the north and northeast, turned colder. Meanwhile, gas exports to Mexico have averaged 5.5 Bcf per day over the first two weeks of January.

LNG Markets

Midway through January, European gas prices were down as temperatures remained relatively warm and LNG imports reached near record highs. On January 24, Natural Gas Intel reported that certain cargoes were being offered at a discount at the Dutch TTF. However, temperatures have turned decidedly colder in Europe and Asia, and the markets have been wary of the escalating tensions between Russia and Ukraine. As a result, LNG prices and imports have recently increased again. A report by Nikkei found that the number of LNG carriers in and around Europe during the last week of January increased 70 percent from last year as Europe prepares for the possibility of being cut off from Russian gas. On January 31, Dutch TTF February and March contracts were trading above \$30 per MMBtu. Increasing European demand and cooler temperatures in Asia have impacted Asian LNG prices as well. On January 31, JKM prompt-month futures were trading at \$26.8 per MMBtu, a 17 percent increase week over week. The high prices and instability in European and Asian markets continue to be an incentive for US LNG exports, which continued to average nearly 13 Bcf per day over the last week of January despite increasing domestic demand.

Underground Storage

A cold second half of January resulted in a net withdrawal of 219 Bcf over the third week of January. Following the latest reported withdrawal, storage inventories remain 10.6 percent below year-ago levels but only 1 percent below the five-year average. As temperatures turned even colder over the last week of January, S&P Global Platts expects an additional withdrawal of around 250 Bcf through the end of the month.

Reported Prices

On January 27, natural gas prompt-month future prices at Henry Hub increased by over 46 percent, the highest daily percentage increase ever recorded. It is not unusual for futures that are about to roll off to rally, but prices, which had started the day trading at \$4.84 per MMBtu, rose as high as \$7.35 per MMBtu before closing at \$6.27. Of note, longer-term futures seemed to be unaffected by the unprecedented rally. March futures which are up nearly 40 percent since January 20 and were trading at \$4.86 per MMBtu on January 31, saw only a 7 percent increase on January 27. The longer-term increase in market prices is likely influenced by cold weather and strong demand, which has resulted in all futures trading above \$4.60 per MMBtu through February 2023. Spot prices also spiked on January 27, fetching \$6.27 per MMBtu, a 47 percent increase from closing on January 26. However, as of January 31, gas was trading at around \$4.90 in the spot market.

Rig Count

As of January 28, the number of gas rigs in operation sits at 115, the highest since January 24, 2020. The latest Baker Hughes rig report also shows four additional oil rigs in became operational between January 21 and 28, for a total of 610 oil and gas rigs in operation.

Please direct questions to Richard Meyer at rmeyer@aga.org or Juan Alvarado at jalvarado@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

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