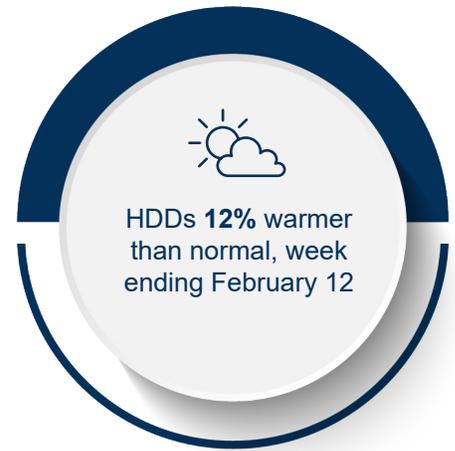




Natural Gas Market Indicators

Market Summary

- Henry Hub prices are trading just above \$4 per MMBtu, representing a steep discount to the \$25 prices called for in European and Asian markets.
- Feedgas to LNG exports reached new highs in February as Sabine Pass Train 6 entered commercial service and commissioning at Calcasieu Pass.
- Underground storage volumes had a strong pull in early February as overall capacity utilization sits at 49%.



Weather

From the middle of January, three weeks of colder-than-normal temperatures across the US turned toward the warmer side by February 12, 2022. Cumulative heating degree days totaled 12 percent warmer than normal and 27 percent warmer than 2021. Every region except the West South Central posted warmer than normal HDDs.

Demand

Total demand, having reached above 140 Bcf on a daily basis in late January, has eased below 120 Bcf per day by February 15 and has averaged 123.5 Bcf per day month to date. Domestic consumption excluding exports has lessened as power burn flows and residential-commercial demand declined with rising temperatures. Demand is forecast to stay below 120 Bcf per day for the remainder of February based on weather forecasts and reported by S&P Global Platts Analytics.

Natural Gas Production

Another cold event in early February temporarily disrupted flowing gas production as frigid conditions resulted in well-head freeze-offs. Texas natural gas production, led principally by the oil-rich Permian basin, fell nearly 15% or 4 Bcf per day compared with late January levels. Temperatures were not as severe as February 2021, and the impacts were less muted. However, as temperatures eased, Permian production has bounced back to record levels, now above 14 Bcf per day and above the previous all-time high set in June 2021, according to analysts from Platts Analytics. Total US lower-48 dry gas production is currently above 94 Bcf per day.

Pipeline Imports and Exports

Gas volumes from Canada averaged 6.7 Bcf per day month to date in February, up 0.2 Bcf per day from the January average and 6 percent above year-ago levels. Flowing exports into the Mexican market have averaged 5.5 Bcf per day in February, up 0.1 Bcf per day from February 2021.

LNG Markets

US flowing gas to liquefaction facilities is consistently at capacity. Total US LNG feedgas demand reached an all-time high of 13.34 Bcf per day on January 20, and the flows are expected to remain strong through 2022 as prices in Europe and Asia remain at a significant premium compared with Henry Hub. New capacity coming online may contribute to these flows. Sabine Pass Train 6 entered commercial service on February 4, and commissioning activities at Calcasieu Pass are progressing. Daily flows to liquefaction facilities are near that ceiling, currently around 13.1 Bcf per day on February 15. Platts Analytics does not expect much boost beyond the currently near-maxed out levels until all Calcasieu Pass trains enter commercial service later in 2022. Where are all the cargoes headed? According to Platts Analytics, in June 2021, about 60 percent of US LNG exports landed in the Asia Pacific. This month, Europe is taking over 70 percent.

Underground Storage

US gas inventories in underground storage fell 222 Bcf per day for the week ending February 4, a much steeper weekly drop compared with the five-year average of 151 Bcf. Below-normal temperature conditions across the lower-48 contributed to the strong pull. Current inventory is well within the five-year average range and only 9.3 percent below the five-year average. Storage capacity utilization across the country is at 49 percent.

Reported Prices

The price spread between Henry Hub and Europe and Asia continues. Fears of Russian conflict with Ukraine have contributed to European natural gas futures traded above \$27 per MMBtu in February, though prices have eased below \$25 as of February 15. Russia remains the single largest source of natural gas for Europe, and the threat of disruption to flowing supplies adds further constraints into an already tight market. Prices in Asia are currently \$25 per MMBtu, where competition for LNG remains strong. US natural gas futures for March delivery at Henry Hub call for \$4.33 per MMBtu. Due to pipeline constraints, New England gas prices continue to increase, leading to higher fuel oil used for electric power generation.

Rig Count

Higher commodity prices appear to be inducing operators back into the field. Since the first of the year, oil rigs have gained 36, and gas is up 12 as of February 11. With 516 oil rigs in operation, nearly 81 percent of total rig activity is dedicated to oil currently. With 118 gas-directed rigs in operation, the Marcellus and Haynesville have led the gains in gas-directed rigs, adding 6 and 3 rigs respectively since January 1.

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