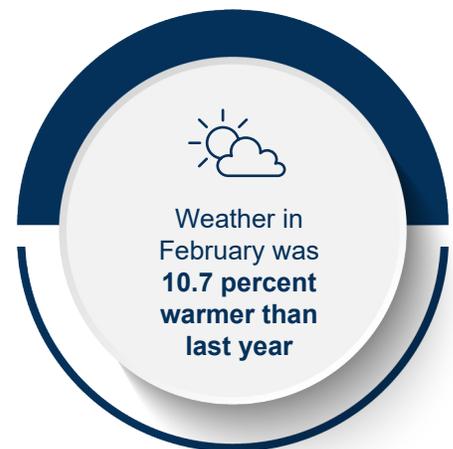
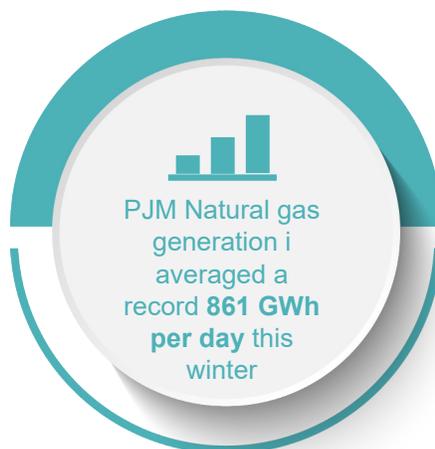
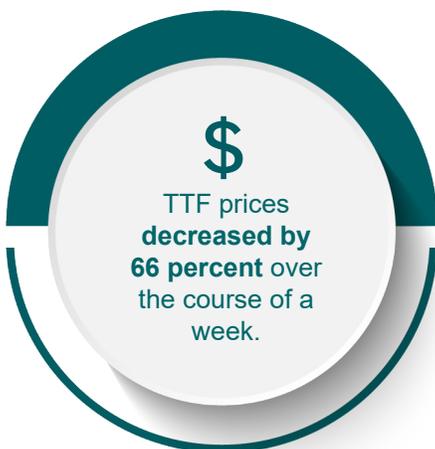




Natural Gas Market Indicators

Market Summary

- **Total demand over the first two weeks of March was strong as cold weather gripped much of the US. Demand is expected to increase by 2 percent in 2022 over 2021 numbers.**
- European natural gas prices remain incredibly volatile, shedding 66 percent at the TTF over a week. However, prices remain over 40 percent higher than before the start of the war in Ukraine.
- As the withdrawal season closes, storage inventories are at the bottom of the 5-year range. EIA expects stocks to begin the 2022 withdrawal season 4 percent below the 5-year average despite robust production.



Weather

The mercury had moved downward for the week ending March 12. Temperatures in the United States were 31.5 percent colder than last year and 6.9 percent colder than normal. The cold was concentrated in the western half of the US as colder-than-normal temperatures were posted in the northern Midwest, Mountain, and Pacific regions. For February, the weather in the United States was 10.7 percent warmer than last year and 0.4 percent colder than normal. However, the mercury is on the rise, and US forecasted temperatures are expected to rise and remain above normal levels through at least March 24 with the principal above-normal temperatures east of the Rockies.

Demand

Total US demand rose briefly to 118 Bcf per day on March 12 with the recent cold, but as of March 14, demand collapsed again below 100 Bcf per day. March-to-date exports account for 18.3 Bcf per day or 17 percent of lower-48 demand flows; domestic demand including pipe loss accounts for 89.7 Bcf, with a total demand of 108 Bcf per day. Residential and commercial demand accounts for 34 percent of March demand month-to-date; the power sector 24 percent; and industrial demand 23 percent. According to S&P Global Platts, natural gas generation in the PJM region averaged 861 GWh per day this winter, up 24 GWh per day from the previous record set during the 2019-2020 winter. The short-term energy outlook (STEO) expects total domestic natural gas consumption to average 84.6 Bcf per day in 2022, increasing 2 percent from 2021. The EIA forecasts that increasing residential, commercial, and industrial consumption will grow enough to completely offset any gains from the increased use of renewables for electric generation.

Natural Gas Production

Dry gas production in February dipped to 95.3 Bcf per day from the historically high production levels of around 95.9 Bcf per day posted in January. According to the STEO, the decrease in production can be partly attributed to several temporary freeze-offs across the US. Nonetheless, production remains high when compared to history. Year-to-date production is up 5 percent from 2021, month-to-date production is up 2.5 percent from March 2021, and S&P Global expects daily dry gas production through the end of March to average 3.8 Bcf more than over the same period in 2021. The EIA is forecasting solid dry gas production to continue, averaging 96.7 Bcf per day in 2022 and 99.1 Bcf per day in 2023.

Pipeline Imports and Exports

Pipeline imports from Canada and exports to Mexico remain consistent with year-ago levels. Over the first two weeks of March, imports averaged 5 Bcf per day, a 0.3 Bcf increase from 2021, and exports averaged 5.6 Bcf per day, a 0.1 Bcf reduction from 2021.

LNG Markets

LNG exports averaged 10.9 Bcf per day in February, a reduction from January when exports averaged 11.2 Bcf per day. According to the EIA, the reduction in exports can be attributed to heavy fog days in the Gulf of Mexico that limited exports from the Sabine Pass on several days. However, according to the STEO, the US is expected to continue to set LNG export records in 2022, averaging 11.3 Bcf per day, a 16 percent increase from 2021. As has been the case for over a year, exports have been high as natural gas supply in Europe and Asia remains tight, driving natural gas prices up. The War in Ukraine has recently exacerbated the bullish trend; however, the market has been most affected by volatility. While natural gas sought prices in Europe as high as \$110 per MMBtu on March 7 (before closing slightly above \$72 per MMBtu), it closed at \$36.85 per MMBtu on March 14, a 66 percent decrease in one week. Still, prices at the TTF remain 44 percent higher than the pre-Ukraine War year-to-date average of about \$25 per MMBtu. The good news is that prices have decreased significantly over the second week of March as gas flows through Ukraine remain steady. With increasing temperatures in the region and a steady stream of LNG cargoes reaching European shores, inventories are slowly catching up to the five-year average.

Underground Storage

US natural gas stocks stand at 1,519 Bcf as of March 4, roughly 16 percent below the five-year average but within the five-year historical range. Industry analysts at S&P believe that the cold temperatures that affected large portions of the US over the first two weeks of March likely resulted in large draws that will leave inventories nearly at the bottom of the five-year range as the injection season approaches. As a result, the EIA predicts stocks will end the 2022 injection season 4 percent below the 5-year average. Historically, the last net withdrawal from storage occurs over the third week of March.

Reported Prices

The steady demand for natural gas in the US has kept prompt-month future prices in the \$4.25 to \$5.00 per MMBtu range at the Henry Hub. On March 14, April futures closed down 1.5 percent at \$4.65 per MMBtu, as most forecasts predict mild conditions across the US for the final two weeks of March. Long-term strip prices above \$5 per MMBtu remain on board for months during the 2022-2023 heating season, but prices remained relatively stable over the first two weeks of March despite the cold temperatures. The expected warmer temperatures have also impacted spot prices. On March 14, Natural Gas Intel's Spot Gas National Average dropped 12 percent to \$4.25 per MMBtu.

Rig Count

Gas rigs are up 5 for the week ending March 11 and up 43 year over year, as production continues to be driven by steady domestic demand and LNG exports. As of March 11, 80 percent of the rigs in operation in the US are oil-directed, and 20 percent are gas-directed.

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