



Natural Gas Market Indicators

Market Summary

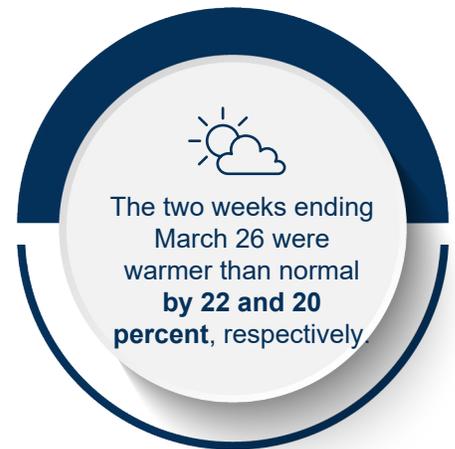
- The month of March began with prompt-month futures trading around \$4.50 per MMBtu and will end with the same contract closing one dollar higher at \$5.55 per MMBtu as of March 31.
- Compared to a year-ago, total demand in March 2022, including exports, was 4 percent or 3.9 Bcf per day higher than in March 2021, with domestic demand increasing two-thirds of the incremental increase.
- Monthly average feedgas flows for LNG export were 12.8 Bcf per day and climbed to 13.7 Bcf briefly on March 19.
- The season's first net injection of natural gas into storage took place the week ending March 25 and totaled 26 Bcf.



\$
European future prices remain high, with May contracts at the Dutch TTF calling for **\$39.28 per MMBtu**.



The late March cold snap boosted total US domestic demand to **105.4 Bcf per day** by March 28



The two weeks ending March 26 were warmer than normal by **22 and 20 percent**, respectively.

Weather

We've rounded the turn and entered the final stretch of the US winter heating season. The two weeks ending March 26 were warmer than normal by 22 and 20 percent per week, respectively. Actual temperatures then dropped below normal to close out the month. The cold will add a late-season boost to the HDD seasonal totals, which we will report the final HDD totals in the next edition. Overall, temperatures are on the rise. However, the next two weeks show a pocket of potential below-normal temperatures from the Midwest to the northern coast of the Gulf of Mexico and the Pacific northwest. The western US below Oregon to California and as far east as New Mexico show higher probabilities of warmer-than-normal temperatures.

Demand

The late March cold snap boosted total US domestic demand (sans exports), reaching 105.4 Bcf per day by March 28 before consumption flows dropped again. Consumption spiked in the Northeast and Midwest regions, reaching 49 Bcf per day. According to the S&P Global Platts outlook, total US demand is set to decline as the shoulder season before summer sets in, temperatures ease further, and demand approaches 80 Bcf per day by mid-April. A year ago, total demand in March 2022, including exports, was 4 percent or 3.9 Bcf per day higher than in March 2021, with domestic demand increasing two-thirds of the incremental increase.

Natural Gas Production

Average dry gas production of 93.8 Bcf per day in March was boosted by a late-month increase in daily flows that climbed above 94 Bcf per day and reached 95 Bcf on March 28.

Pipeline Imports and Exports

Imports from Canada are currently flowing around 5 Bcf per day and have averaged 4.9 Bcf per day during March, an increase of about 9 percent. Exports to Mexico are higher, averaging 5.5 Bcf per day in March, a decline of 5 percent.

LNG Markets

The Biden Administration and the European Union announced the formation of a joint Task Force on Energy Security. The purpose is to bring more US LNG to Europe, lower the carbon intensity of natural gas, permit and finance more US LNG export facilities, ensure strategic gas storage supplies, reduce European gas demand, and promote hydrogen. US LNG exports will play a key role in serving European gas demand, with the EU looking to import 15 billion cubic meters (bcm) in 2022 and securing 50 bcm through 2030. The question remains how much slack is there for US LNG exports to meet the 2022 obligations given existing contracts, near maxed-out LNG export capacity utilization, and the fact that a lot of US LNG has already been diverted to Europe because of higher prices. The European energy crisis may be spurring new investment in long-term US projects. Tellurian announced on March 28 it would begin construction on its Driftwood LNG project. According to Natural Gas Intel, the approved first phase would bring 11 million metric tons year (mmt) of LNG of the proposed 27 mmt. In March, monthly average feedgas flows for LNG export were 12.8 Bcf per day and climbed to 13.7 Bcf briefly on March 19.

Underground Storage

The season's first net injection of natural gas into storage took place the week ending March 25 and totaled 26 Bcf. Working gas stocks will start the refill season with 1.4 Tcf in place, 20 percent below year-ago levels and 15 percent below the five-year average.

Reported Prices

The month of March began with prompt-month futures trading around \$4.50 per MMBtu and will end with the same contract closing one dollar higher at \$5.55 per MMBtu as of March 31. A modest seasonal spread on the futures strip indicates a next-winter premium that should contribute to the market directing gas into storage. By contrast, European futures remain severely elevated, with May contracts at the Dutch TTF calling for \$39.28 per MMBtu. Importantly contracts for summer delivery remain higher than winter, which indicates the immediate near-term need but may disincentivize storage rebuilds based on seasonal price arbitrage. For crude oil, US prices at the West Texas Intermediate are \$103 per barrel, while European Brent crude calls for \$108 per barrel.

Rig Count

The gas rig count went unchanged for the week ending March 25, residing at 137 rigs in operation. Oil rigs added 7, bringing that count to 531. Total rigs in operation in the US at 670 is up 60 percent from the same week one year ago.

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