



# Natural Gas Market Indicators

## Market Summary

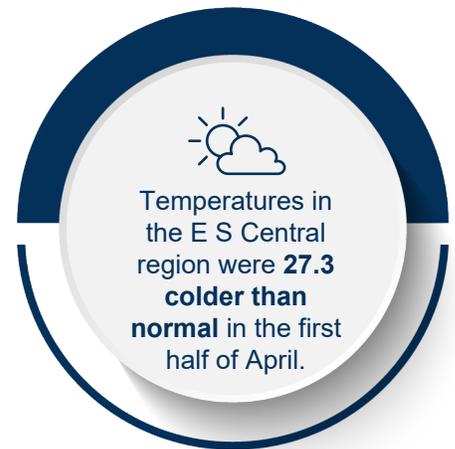
- **Natural gas future prices have climbed steadily since the beginning of the month, increasing by more than 25 percent. Most analysts believe the increasing prices are the market's response to low storage numbers and flat production that has not always kept up with strong shoulder season demand.**
- Demand has been strong over the first two weeks of April, driven primarily by residential and commercial demand's response to relatively cool temperatures across large portions of the US.
- Net injections into storage have been relatively small, driving speculation that storage could be low to start the 2022 winter heating season.



**\$**  
As of April 14, futures through March 2023 are trading **above \$7.00 per MMBtu.**



**S&P Global predicts storage stocks will begin the heating season at 3.5 Tcf.**



Temperatures in the E S Central region were **27.3 colder than normal** in the first half of April.

## Weather

The US is now comfortably within the shoulder season, and yet temperatures have been colder than normal in large sections of the country as measured by heating degree days. For the week ending April 8, the East South Central and West North Central regions experienced the coldest temperatures, 27.3 percent and 13.2 percent colder than normal respectively. NOAA's GFS model expects temperatures to remain cool over the next week, particularly in the West North Central, northern Mountain, and Pacific regions. These low temperatures could continue to drive strong natural gas demand over the next few weeks.

## Demand

Lower-than-normal temperatures have resulted in a jump in demand across the US. April 2022 demand has averaged 75 Bcf through April 14, a 7 percent year-over-year increase. Demand for the week of April 7 ranged between 70.8 Bcf on April 12 to 77.4 on April 8. The marked fluctuations are driven primarily by residential and commercial demand as cold fronts move across the country temporarily displacing the warmer spring temperatures. Demand for power burn has so far remained stable, averaging just under 25 Bcf per day through the first two weeks of April. However, S&P Global has been monitoring a recent significant increase in coal prices that has pushed up the implied price for gas-to-coal switching. Thus, S&P Global expects that, should coal prices remain high, demand for gas for power burn may be strong over the summer as coal struggles to drive gas demand destruction.

## Natural Gas Production

Despite a recent dip in daily dry gas production, average production remains at 93.6 Bcf per day through the first two weeks of April, and 92.7 Bcf per day year to date. These numbers represent a slight increase in production year over year, even if they also represent a reduction in production from late 2021. Production in late 2021 was particularly strong. For example, on April 13 the EIA issued a report citing record dry gas production in the Haynesville in the second half of 2021.

## Pipeline Imports and Exports

Imports from Canada remain strong and steady at about 5.5 Bcf per day in April 2022, a 38 percent increase from April 2021. Exports to Mexico also remain strong at 6 Bcf per day, a 1.5 percent decrease year over year.

## LNG Markets

LNG prices remain high overseas, with prompt-month future contracts for gas closing on April 13 at \$33.59 per MMBtu at the TTF and \$32.93 at the JKM. These prices continue to support strong LNG exports from the US, which have averaged 12.5 Bcf per day in 2022. S&P Global has begun to see some European demand destruction for gas as temperatures rise and consumers react to the high prices. However, with limited production and supply, prices are not expected to fall substantially in the short term. On the supply side, Norway has ramped up dry gas production to supply the European mainland and several countries have announced plans for new regasification facilities. None of those facilities are expected to come online for at least two years. While Europe retains some unused capacity for regasification, most of that capacity is located in the Iberian peninsula and the UK, providing little relief for some of the most energy starved countries in Central and Eastern Europe. Nonetheless, several countries continue to increase liquefaction in response to demand, led primarily by the US but with additional strong players in Trinidad and Tobago, Norway, and Peru.

## Underground Storage

The week ending April 8 saw a 15 Bcf net injection into storage, a relatively low number that barely puts a dent into the substantial deficit in storage versus the five-year average. As of April 8, storage inventories remain at 1,397 Bcf, 17.8 percent below the five-year average for April 8 of 1,700 Bcf. Despite a continuing outlook from S&P Global that stocks will begin the 2022 heating season at about 3.5 Tcf, downside risk continues to mount as production remains fairly flat and projections for high demand over the summer become more prevalent. However, the upper bound of the S&P's storage outlook range remains at around 3.9 Tcf should demand remain flat from last year and assuming robust production continues into the summer.

## Reported Prices

On April 13 May futures settled at \$6.99 per MMBtu. Prices continued to climb on April 14 remaining above \$7 throughout the day. These prices represent a 25 to 30 percent increase from April 1, when prompt month futures settled at around \$5.70 per MMBtu. The long term strip reveals a similar pattern, with prices remaining comfortably above \$7 per MMBtu for futures through March 2023. Many independent analysts believe the bullish market is being driven by flat production combined with higher than normal demand in the shoulder season, expectations of high demand in the summer, and trepidation over the low storage numbers. We will continue to monitor prices to see whether the recent increases represent a longer-term trend or a temporary spike driven by market speculation.

## Rig Count

Oil rigs are up 15 and gas rigs are up 5 over the past two weeks. While the number of gas rigs in operation continues to grow, up 50 percent year over year, the growth in gas rigs in operation lags the growth in natural gas prices, which are up nearly 200 percent from last year. Historically there has been a six month lag between prices and rigs.

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