In case you missed it, see the AGA Special Analysis: Why are natural gas prices on the rise? (April 21, 2022) https://www.ag.a.org/research/data/natural-gas-prices/

Market Summary

- In April, strong demand spurred by colder-than-normal temperatures built on strong consumption levels driven by higher power burn, industrial use, and LNG exports. Year-to-date gas demand is up 4.1 percent.

- Demand levels year-to-date and in April have exceeded supply growth. Dry gas production plus imports have boosted flowing gas supplies by 3.5 percent year-to-date.

- Colder weather has contributed to lagging working gas inventory builds, leading to a widening deficit relative to the five-year average.

On April 18, natural gas prices rose to their highest levels since 2008.

LNG exports are up 7 percent year over year.

On April 18 and 19 temperatures dropped to near-record levels in the lower-48.
Weather

Cooler-than-normal temperatures led to some late-season cold and boosted heating demand this April. Much of the country showed a weekly average departure from normal temperatures as of April 21, 2022, according to data from NOAA reported by the EIA. Temperatures dropped to near-record lows on April 18 and 19 for daily lower-48 average temperatures. NOAA’s GFS model expects temperatures through the first week of May to remain moderately cold, particularly across the northern US. The AGA does not officially calculate heating or cooling degree days in April. The cooling degree day report will return on May 9.

Demand

Lower-48 demand in April is up 2.8 Bcf per day (3 percent) above April 2021. The higher demand has primarily been driven by an increase of 1.8 Bcf per day in residential and commercial demand from April 2021, due to the late-season cold across much of the country. The additional residential and commercial demand accounts for nearly two-thirds of the total demand increase. Power burn is up 0.2 Bcf per day, and LNG export feedgas is up 0.8 Bcf per day.

Natural Gas Production

Total supply including pipeline imports has also grown this April, but notably, lags demand growth. Specifically, lower-48 production is up 0.7 Bcf per day in April 2022 compared with 2021, accounting for only 25 percent of the increase in demand. Onshore and offshore production combined has fluctuated between 93 and 94 Bcf per day for much of April but has dropped to between 91 and 92 Bcf per day in recent days.

Pipeline Imports and Exports

Adding to overall supplies, pipeline imports month-to-date from Canada are up 1.2 Bcf per day above April 2021. LNG sendout from import facilities in the Northeast and Gulf Coast-Texas is adding another 0.13 Bcf per day to the supply mix.

LNG Markets

The U.S. Department of Energy approved two LNG export facilities to increase authorized volumes of natural gas for export. Magnolia LNG in Lake Charles, Louisiana, which is not yet under construction, will increase its authorized volumes to 8.8 million tons per annum (mtpa), equivalent to 1.08 Bcf per day, up from 8.0 mtpa. Golden Pass LNG in Sabine Pass, Texas, which is under construction and has a scheduled online date in 2024, received approval for an annual export volume increase to 18 mtpa, equivalent to 2.57 Bcf per day, a 16 percent boost from previously authorized levels. LNG exports in April 2022 averaged 12.3 Bcf per day, up 7 percent from April 2021. The small year-over-year increase in LNG exports challenges the narrative that LNG exports are a primary driver of natural gas prices. Over the same period, natural gas prompt-month future prices more than doubled.

Underground Storage

Working gas inventories add to their deficit relative to the five-year average. Injections of 40 Bcf per day for the week ending April 22, 2022, stand below the five-year average of 53 Bcf per day. Current working gas levels in underground storage stand 21 percent below year-ago levels and 17 percent under the five-year average. Aggregate storage inventories are currently running a deficit below the five-year average in every region of the country.

Reported Prices

On April 18, natural gas prices rose to their highest levels since 2008. Contracts for next-month delivery reached $8.03 per MMBtu during trading and settled at $7.80 per MMBtu on the same day. Prices started the month around $5.50 per MMBtu and are currently trading at $7.35 per MMBtu for June delivery. Looking farther out on the futures strip, contract prices trade in the $7 range until the end of next winter, at which point contract prices drop to $5. Does this suggest the market sees the current supply-demand dynamics contributing to prices as only a transient issue? While the near-term higher pricing for U.S. natural gas exceeds levels seen in recent years, it stands in stark contrast to European and Asian prices. Prices at the Dutch Title Transfer Facility are $33 per MMBtu; the Japan-Korea Marker priced just below at $25 per MMBtu.

Rig Count

Two rigs, one directed to oil and one to gas, were added for the week ending April 22, 2022, bringing the number of drilling rigs to 695. Total U.S. activity has increased 59 percent year over year, and gas-drilling rigs have climbed by 50 to 144 during the past year, a 53 percent increase. The number of rigs operating is at its highest level since March 2020. The growth in rig activity serves as a leading indicator for future oil and gas production growth.

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