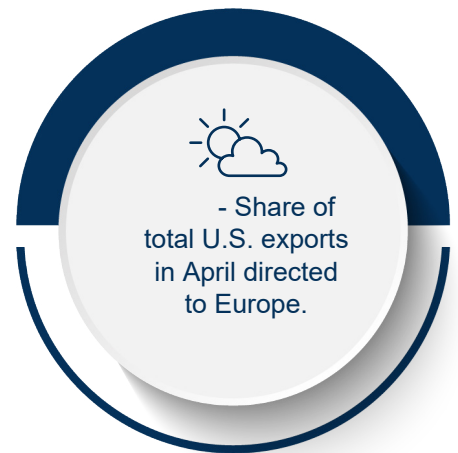
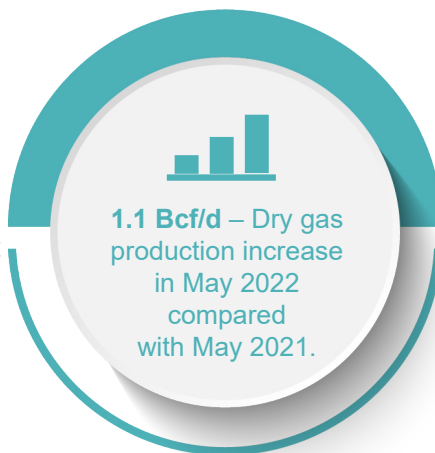
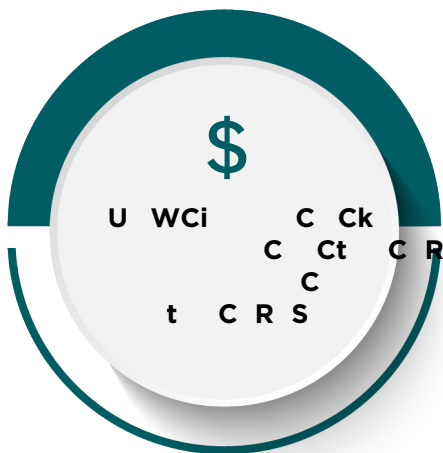




Natural Gas Market Indicators

Market Summary

- **U.S. natural gas dry production has been robust over the last few weeks, particularly when compared with year-ago levels.**
- Demand in May 2022 is up 3.5 Bcf per day from 2021 due primarily to higher gas flows to the power sector to meet electricity demand. April demand, by contrast, was boosted when the residential-commercial sector drove consumption gains due to colder temperatures.
- The European Union is working quickly to rebuild its storage inventories before next winter and to guard against potential Russian disruptions, and the US is the top importer of LNG into Europe.



Weather

Following a particularly cold April and start to May as measured by heating degree days, temperatures picked up, particularly across the south where temperatures have remained consistently in the 80s and 90s. NOAA's GFS model expects temperatures to remain relatively cool in the north over the next two weeks and for temperatures to drop in the south over the next 6 to 7 days.

Demand

The U.S. Energy Information Administration reported that natural gas consumed in the U.S. electric power sector set a January record in 2022 at 31.6 Bcf per day. This high-water mark reflects the ongoing role that natural gas plays in meeting electric power needs during peak winter and summer months. More recently, demand in May 2022 is up 3.5 Bcf per day from 2021. Most incremental demand results from higher gas flows to the power sector to meet electricity demand, as well as LNG feedgas for export. April demand, by contrast, was boosted when the residential-commercial sector drove consumption gains due to colder temperatures. This month, Texas power burn accounts for nearly one-half of the additional electricity generation demand as temperatures are now high, boosting cooling loads. S&P Global expects about 2.3 Bcf of power burn demand over the coming week. Meanwhile, temperatures across most of the north continue to rise following the cool early spring. Residential and commercial natural gas demand is down 0.8 Bcf from year-ago levels to an average of 17.9 Bcf for the first two weeks of May. S&P Global expects residential-commercial demand to drop further to about 14.3 Bcf per day over the next two weeks.

Natural Gas Production

U.S. natural gas dry production has been robust over the last few weeks, particularly when compared with one year ago. May production is up to 93.7 Bcf from the same month the previous year, increasing 1.1 Bcf per day. This increase in production continues the year-to-date upward trend in production, which is now up 2.8 Bcf per day from 2021. The Midcon and Southwest are driving about a third of the supply increase. The increasing production, which is up 0.6 Bcf per day over the second week of production, contrasts with a drop of 1.2 Bcf in domestic demand over the same period.

Pipeline Imports and Exports

Over the last two weeks, strong imports from Canada have supported the increasing domestic demand. Canadian imports are up 0.9 Bcf per day in May compared to last year, averaging 5.8 Bcf per day for the year. However, as temperatures heat up south of the border, Mexican demand for U.S. natural gas has also been strong, averaging 6.3 Bcf per day in May.

LNG Markets

The European Union is working quickly to rebuild its storage inventories before next winter and to guard against potential Russian disruptions, and the US is the top importer of LNG into Europe. Europe accounted for 64 percent of all US LNG exports in April, according to data reported by Reuters. Prices for natural gas in Europe continue to trade at a premium compared with Asia, and have been successful in pulling LNG volumes away from other markets. Back at home, U.S. feedgas for LNG export has remained strong at 12.1 Bcf per day month to date, up 9 percent from May 2021.

Underground Storage

The EIA's latest weekly natural gas storage report shows a net injection of 76 Bcf into storage. Following the newest injection report, stocks continue to be within the five-year average range but are 376 Bcf below year-ago levels and 312 Bcf below the five-year average. The pace of injections has quickened, however. The 76 Bcf net injection was 6 Bcf higher than the net injection over the same week in 2021.

Reported Prices

On May 5, prompt-month futures prices at the Henry Hub closed at \$8.78 per MMBtu, the highest closing price since 2008. While bull markets appear to have become the norm lately, a four-day bear market between May 5 and May 9 has led to a retreat in prices. Prompt-month prices are trading at \$7.86 per MMBtu as of this writing on May 16. The spot price market has been less variable than the futures market, but the Henry Hub spot price the Henry Hub saw a 16 percent drop between May 9 and May 10.

Rig Count

The U.S. added six oil and three gas-directed rigs for the week ending May 13. Following those additions, the running count of oil rigs is up 60 percent from year-ago levels, and the running count of gas rigs is up 49 percent. Generally, higher natural gas prices induce a greater number of rigs in operation. Historically there is a lag between a sustained increase in commodity prices and a rise in operating gas rigs. In recent months, the pace at which rigs have been added has been slower compared with prior periods during the last decade following price increases. The slower return of rigs may be due to investor or operator restraint, constraints in supply chains, higher labor costs or shortages, adherence to previously announced plans, or even constraints due to lack of takeaway infrastructure.

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