



# Natural Gas Market Indicators

## Market Summary

- The May 26 EIA storage inventory report showed a net injection for the week ending May 20 of 80 Bcf, a significantly lower amount than historical injections for the third week of May.
- U.S. natural gas production averaged 94.5 Bcf per day over the last week of May, increasing 1.9 Bcf per day from May 2021.
- May saw price spikes as high as \$9.30 per MMBtu, driven by high demand for power burn, consistently high LNG exports, and lower-than-expected injections into storage. However, a bearish trend took over the last few days of May, with natural gas trading at \$8.15 per MMBtu on May 31.



Natural gas prices have stabilized at around **\$30 per MMBtu** at the Dutch TTF since mid-April.



Year-to-date average demand is **up 2.7 percent**, driven primarily by power burn



In May, New England was **675 percent** warmer than normal

## Weather

May was extremely warm when compared to history. The month was 42.2 percent warmer than normal and 26.9 percent warmer than 2021 as measured by heating degree days. The week ending May 14 was 88.2 percent warmer than normal and the week ending May 21 was 69.6 percent warmer than normal. The warmest regions of the country were New England, which was a sweltering 675 percent warmer than normal, and the Mid-Atlantic, which was 72.2 percent warmer than normal. NOAA's GFS ensemble model expects the hot temperatures in the south and east to subside over the next few days, with temperatures across the U.S. settling to cooler than normal over the first and second weeks of June.

## Demand

Domestic natural gas demand in the U.S. averaged 68.8 Bcf per day in May, a 3.5 percent increase from 2021. The majority of the additional demand came from power burn, which saw an increase of 9.1 percent from 2021. However, the last week of May saw a bearish trend, with domestic demand averaging 65.2 Bcf per day. Year-to-date average demand is up 2.7 percent. The increase has been driven primarily by power burn (up 4.5 percent). Residential/commercial demand is up 1.8 percent. S&P Global expects power burn demand to increase over the first two weeks of June while residential/commercial remains relatively stable.

## Production

May dry gas production averaged 93.9 Bcf per day, a 1.4 percent increase from May 2021. Production was particularly strong in late May, averaging 94.5 Bcf per day over the last week of May and reaching 95 Bcf on May 27. S&P Global forecasts production to remain around 94.7 Bcf per day over the first two weeks of June. However, several pipelines have announced plans to conduct extensive maintenance in June, potentially creating some transportation capacity constraints. Many of the pipelines with announced maintenance plans feed the Northeast and the Midwest. Pipeline operators in these regions have already announced nearly 2 Bcf of combined capacity impacts throughout the month.

## Pipeline Imports and Exports

Natural gas imports from Canada averaged 5.0 Bcf per day in May, a 16 percent year-over-year increase. The surge in imports has been driven by a bullish domestic demand and high prices. In contrast, May pipeline exports to Mexico remained flat year-over-year, averaging 6.2 Bcf per day.

## Reported Prices

On May 26, prompt-month future prices at the Henry Hub surged to \$9.30 per MMBtu, their highest level in more than 12 years. The price spike followed the release of the EIA's storage report, which showed a net injection significantly below historic injections for the third week of May. Despite the significant spike, prices closed the day at \$8.90 per MMBtu. The market remained bearish until June futures rolled off the board, closing at \$8.15 per MMBtu on May 31. Futures remain above \$8.00 per MMBtu through February 2023.

## Rig Count

The U.S. has added gas-directed rigs every week since September 2021, positively tracking the increasing prices in natural gas markets. However, the pace at which rigs have growing is languid compared to increases in natural gas prices. The U.S. added one rig for the week ending May 27. As of May 27, there are 151 gas rigs operating in the U.S., a 56 percent increase from the first week of September 2021. Over the same span, natural gas prices at Henry Hub have increased by 132 percent.

## LNG Markets

On March 28, the European Union announced a plan to eliminate about 90 percent of oil imports from Russia by year's end. Notably, the plan did not extend to natural gas imports. Russia provides about 40 percent of Europe's natural gas. As Europe expands longer-term intentions to wind down its reliance on Russian natural gas, many countries continue to position themselves as suppliers. The United States is leading the charge. In May, the U.S. continued to export LNG at near capacity, averaging 12.4 Bcf per day, even as S&P Global expects average exports over the first two weeks of June to increase to nearly 13 Bcf per day. A large portion of LNG cargoes leaving the U.S. are Europe-bound as natural gas prices in Europe remain reliably high. Natural gas prices have stabilized at around \$24 per MMBtu at the UK NPB and \$30 per MMBtu at the Dutch TTF since mid-April, following a period of extraordinary volatility precipitated by the war in Ukraine. These prices represent a significant premium that continues to be very attractive to LNG exporters. Nonetheless, U.S. LNG exports are not expected to grow too significantly in the near term as no significant additional U.S. LNG export facilities are expected to come online before 2024. Additionally, Central Europe lacks regasification capacity, limiting its ability to receive additional LNG imports and eliminate its dependence on Russian natural gas imports.

## Underground Storage

On May 26, the EIA reported a net injection into storage of 80 Bcf for the week ending May 20. The report fell short of the historical average over the second and third weeks of May by about 17 Bcf. Stocks are now 327 Bcf below the 5-year average, even if still within the 5-year range. Early estimates by S&P place the net injection for the week ending May 27 at around 71 Bcf, 27 Bcf lower than the fourth week of May 2021.

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