Natural Gas Market Indicators

Market Summary

- U.S. domestic natural gas demand hit a record high for June.

- Overall demand is expected to rise as the Southwest, most of Texas, and the Northeast states in July could see record-breaking heat.

- Demand for long-term LNG contracts signed to end-users has surged and reached its highest point in five years.

U.S. domestic demand in June 73.8 Bcf per day.

Dry gas production, June 30: 94.6 Bcf per day.

Prices for ten-year LNG contracts over 2021 75%.
Weather
The third week of June was 12.3 percent warmer than normal, and 8.5 percent warmer than the same time in 2021 as measured by cooling degree days. The week ending June 25 was 9.9 percent warmer than 2021. In the same week, New England saw a 68 percent hike in the number of cooling degree days than in 2021, while the Middle Atlantic saw a 42 percent bump. According to the U.S. National Weather Service, the Southwest, most of Texas, and the Northeast states could see record-breaking heat in July.

Demand
Domestic demand for natural gas (excluding exports) averaged 73.8 Bcf from month to date, a 4.1 percent increase from 2021 levels and a record high for June. And the summer isn’t over. S&P Commodity Insights estimates that gas demand may hit record highs due to cooling demand and the surge in the price of coal, which may keep gas flows to power generation strong. Power burn in June has exceeded Platts Analytics' weather-normal estimate by about 0.3 Bcf per day, averaging a record-breaking 38.3 Bcf per day month to date. Weather-normal power burn is expected to be on par with the 2020 average of 42.6 Bcf per day during the peak demand months in July and August, which are usually the warmest months of the summer.

Production
Dry gas production for the second half of June averaged 94.6 Bcf per day, virtually unchanged from the month’s first half, and year-to-date growth remains flat. Nonetheless, production levels this month surpassed the all-time high compared to previous Junes. Similarly, the second quarter set an all-time record for highest production levels for any other Q2.

Pipeline Imports and Exports
Natural gas imports from Canada in June are stronger than any time in the past four years, averaging 5.5 Bcf per day month to date, up 20 percent from the same period in 2021. Exports to Mexico, on the other hand, averaged 6.3 Bcf per day, an 7 percent decrease for the month in 2021.

LNG Markets
Demand for long-term LNG contracts signed to end-users has surged and reached its highest point in five years. According to Wood Mackenzie, prices for ten-year LNG contracts are 75 percent over 2021. Following the Freeport LNG facility shutdown on June 8, total U.S. feedgas for LNG export averaged 10.6 Bcf per day, down about 2.6 Bcf or 20.3 percent from the 30-day average before the incident and 0.1 Bcf less than the June 2021 average.

Underground Storage
According to EIA, working gas in storage was 2,251 Bcf as of Friday, June 24, 2022. This reflects a weekly net injection of 82 Bcf. Stocks are 296 Bcf lower than this time last year and 322 Bcf below the five-year average of 2,573 Bcf. Total working gas is within the five-year historical range reported at 2,251 Bcf. This 82 Bcf increase is around 2 Bcf higher than some of the highest analyst predictions.

Rig Count
The U.S. added 13 new rigs for the week ending June 24; 10 were oil-directed, and three were gas-directed. Total U.S. activity is now at 753 rigs, a 60 percent increase from one year ago. During the same week in 2021, gas-directed rigs made up 98 of the 470 total rigs. Today, gas-directed rigs hold about the same proportion of total rigs as in 2021, 157 out of 753 total. Canada removed two gas rigs in the week ending June 24.

Reported Prices
On June 15, Henry Hub spot prices closed at $7.72 per MMBtu before tumbling 13.7 percent to $6.66 per MMBtu on June 28. This closing price represents a 74.3 percent increase since January 1 and a 77.6 percent increase since the same day in 2021. Immediately following EIA’s Weekly Natural Gas Storage Report, which was released on June 30, Henry Hub August 2022 futures tumbled from $8.54 per MMBtu down to $6.01 per MMBtu before a downward correction left prices settling at around $5.42 per MMBtu by June 30. Looking at petroleum markets, crude oil at the West Texas Intermediate marker is trading at $105.76 per barrel as of June 30. The AAA national average gasoline price is now $4.857 per gallon as of June 30.