



NATURAL GAS MARKET INDICATORS

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Natural Gas Market Summary – typically, April is a transition month as the winter heating season ends and the warmer temperatures of spring begin to shift demand from space heating to air conditioning loads around the country. Storage injections build, and opportunities to turn to maintenance on pipeline systems start to take hold. This April, residential and commercial demand across the country has fallen nearly 14 Bcf per day over the past week, largely in the Northeast and Midwest. With production and storage levels remaining relatively stable, the weather-driven demand losses are partially offset by rising natural gas to power generation levels and increased exports to Mexico. As the months grow warmer, power generation requirements set the margin for gas demand and begin to influence gas prices going forward. The current Henry Hub strip shows gas futures between \$2.90 and \$3.20 per MMBtu through December 2022.

Reported Prices – declines in production have contributed to increasing future prices. May futures had been consistently trading below \$2.60 per MMBtu through mid-April but were trading at \$2.93 per MMBtu as of April 28, their last trade day. Longer-term strip futures, which less than two weeks ago had been trading below \$3.00 per MMBtu through December, are now trading above \$3.00 per MMBtu starting in July. Spot prices have also increased over the last two weeks, as the average spot price index closed at \$2.74 per MMBtu on April 28, a 13 cent day-over-day increase. Brent prices broke the \$67 per barrel barrier on April 19 before falling to \$65 on April 21. As of April 28, Brent prices rallied, closing at \$66.97 per barrel. WTI fared similarly over the last two weeks of April, briefly dropping to \$61.35 per barrel on April 21 before climbing back to \$63.70 by April 28.

Weather – final heating degree day data is in for the 2020 – 2021 winter heating season. From the first week in October through April 3, AGA reports six colder-than-normal weeks, 20 warmer-than-normal weeks, and one "no change" week. In the aggregate, the 2020-2021 winter heating season was 7.4 percent warmer than normal across the lower-48 states. Data from the National Oceanographic and Atmospheric Administration shows that only February was colder than normal, while all other months were collectively warmer than normal. The relatively coldest areas of the country were the Middle Atlantic and South Atlantic regions, while the most consistently warmer than normal states were in the Mountain and Pacific regions. AGA will begin reporting for the 2021 Cooling Degree Day season in May.

Working Gas in Underground Storage – the EIA announced an injection of 38 Bcf for the week ending April 16, 2021, followed by an additional 15 Bcf for April 23. Inventories in

underground storage stand at 1,898 Bcf, 2.1 percent lower than the five-year average but nearly 14 percent less than the corresponding week in 2020.

Natural Gas Production – several maintenance events limited production in the last days of April, contributing to increasing prices despite a steady reduction in consumption as temperatures across the lower-48 increase, and the Energy Information Administration's *Short-term Energy Outlook* prediction that total consumption will decrease in 2021 and again in 2022. Average gas production in April across the lower-48 was 91.1 Bcf, down 0.5 percent compared to April 2020. Average daily production in 2021 is 90.6 Bcf through April 28, down 2.7 percent year over year.

Rig Count – the domestic gas and oil rig count remained relatively steady in April. Total rigs in operation remain at 438 for the week ending April 23, down one rig from the week prior and 27 rigs lower than the same week one year ago. Oil-directed drilling is at 343 rigs in operation, while gas activities rest at 94 rigs, down 35 and 9 rigs respectively from this same time last year. While most basins have seen a decrease to relatively small increases in the number of operating rigs compared to April 2020, the number of rigs operating in Haynesville has jumped by 11, a 32 percent increase.

Pipeline Imports and Exports – Mexico's monthly power burn has averaged 4.1 Bcf per day this month to date, 400 MMcf per day above normal, according to S&P Global. Increased demand has resulted in higher US pipeline exports to Mexico. Cross border flows reached record highs of near 7.0 Bcf per day in mid-April, and averaged 6.2 Bcf per day for the month. The two-week temperature forecast shows temperatures rising to just below 80 degrees F by May 7, which could continue the trend of strong US exports to Mexico to help meet strong power generation demand. Meanwhile, month-to-date import volumes from Canada are 4.4 Bcf per day, up 0.6 Bcf per day compared with April 2020.

LNG Markets – US LNG exports remain strong as Asia and Europe look to replenish their inventories following a colder-than-expected winter. LNG exports averaged 11.5 Bcf per day in April, a 3 percent increase from March. The US continues to post near-record average daily LNG exports month over month, despite the end of the heating season in the northern hemisphere. US LNG exports to Europe have remained robust following the worldwide reduction in demand in the early stages of the Covid-19 pandemic, as the European gas market has seen prices climb above \$8.00 per MMBtu.

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