

Natural Gas Market Indicators



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Reported Prices – crude oil prices have continued to moderate the first half of August 2019 with West Texas Intermediate at \$55 per barrel and Brent at \$58 per barrel. At the same time, natural gas hit a year low closing at \$2.07 per MMBtu in the first week of August. Spot prices are currently slightly higher trading at \$2.15 per MMBtu for September Henry Hub contracts.

Weather – temperatures continue their sweltering trend into the beginning of August. Every week since June has been warmer than normal per the National Oceanic and Atmospheric Administration’s cooling degree data. In total, temperatures are 13.5 percent above (warmer than) the 30-year normal since May. For the week ending August 10, all regions, except the West North Central, posted warmer than normal totals, which brought the US average 12.5 percent warmer than the same-week normal. Warmer temperatures bring increased demand for natural gas as power generation increases to meet cooling demand. Averaging 42 Bcf per day, consumption of natural gas in the power sector is leading the increase in overall natural gas demand in 2019, accounting for 57 percent of the year-to-date incremental increase in domestic lower-48 gas consumption over 2018.

Working Gas in Underground Storage – the EIA noted an injection of 55 Bcf for the week ending August 2, followed by another injection of 49 Bcf for the week ending August 9, bringing inventory levels to 2,738 Bcf. This summer season of strong injections dipped below the five-year average pace during the hottest days of July as gas flows diverted to power generation, but balances adjusted back into an above-average territory in the first half of August as temperatures moderated. As of mid-August, stocks are running 3.9 percent below the five-year average and 15.0 percent above 2018 storage levels.

Natural Gas Production – US production continues to set new daily production records as the year progresses, reaching an all-time high at 90.9 Bcf per day set on Sunday, August 11. The recent production records have seen support from strengthening production in the Marcellus and Haynesville, both basins reaching new highs. Stepping back, dry gas production year-over-year is running a remarkable 10 percent above the same period in 2018, averaging 90.3 Bcf per day for August.

Shale Gas – the August edition of EIA’s *Drilling Productivity Report* shows that new-well oil and gas production per rig is expected to increase for all major shale basins between July and August. More than half of the month-to-month increase in total gas production tracked in the major basins will come from the Appalachia region. Meanwhile, given the lower commodity prices environment, gas drillers announce continued capital discipline and identification of the best productive zones to target the development of the most economical resources. For example, in Pennsylvania, some gas drillers have shifted from the dry gas region in the northeast part of the state, to the liquids-rich counties in and around Pittsburgh.

Rig Count – the domestic oil and gas rig count fell by eight rigs for the week ending August 9, bringing the total rig count to 934. Of the total US rigs currently in operation, 169 are gas-focused, and the remaining 764 are targeting oil. Both oil- and gas-directed rigs are down from year-ago levels, from 869 and 186, respectively.

Pipeline Imports and Exports – pipeline imports of natural gas from Canada have been 4.0 Bcf per day this August, which is 0.9 Bcf per day less than August 2018, according to S&P Global. Meanwhile, US exports to Mexico have averaged 5.3 Bcf per day this August, 0.3 Bcf per day greater than this time last year.

LNG Markets – according to the EIA, citing shipping data from Bloomberg, eight US LNG shipments carrying a total volume of 29 Bcf left the US during the first seven days of August; five from Sabine Pass and one each from the Corpus Christi, Cove Point, and Cameron LNG terminals. In the previous week, 11 LNG ships totaling 39 Bcf departed the US. Despite LNG cargoes to China falling, LNG company Cheniere says it remains confident about expansions and efforts to land long-term world deals with plans to complete Train 2 at the company’s Corpus Christi terminal in the coming weeks. Taking a step back, US total LNG export feedgas volumes are currently 4.4 Bcf per day on average this August and 5.0 Bcf per day year-to-date, the latter number of which is 1.8 Bcf per day greater than one year ago.

Natural Gas Market Summary – the dog days of summer continue to cause increased demand for natural gas around the US. As air conditioners work overtime, natural gas flows to power generation have reached record levels. LNG feedgas demand has further bolstered domestic consumption, leading to record levels of natural gas demand. On top of that, daily natural gas production is at all-time highs. All of these factors balance such that even with the warmer-than-normal summer temperatures, natural gas injections into underground storage are nearly 15 percent higher than last year. And the market response? Henry Hub pricing has traded below \$2.50 per MMBtu all summer.

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