

Natural Gas Market Indicators



August 29, 2019

Edition 351



Reported Prices – natural gas contracts for September currently trade at \$2.26 per MMBtu. As Brent has crept up to \$60 per barrel, West Texas Intermediate is above \$55 per barrel. For natural gas, the forward seasonal strip rises to nearly \$2.60 per MMBtu for January 2020 but falls back into the \$2.30s for summers of 2020 and 2021—a continuing reflection of supply strength into next year.

Weather – as we approach the heart of the normal hurricane season, we are watching Tropical Storm Dorian in the Atlantic. At the time of this writing, Tropical storm conditions are expected, and hurricane warnings are in place for Puerto Rico. High wind and rain appear likely in Florida into Labor Day Weekend. Turning to temperatures, since the beginning of cooling degree day season in May, all but two weeks have been warmer-than-normal for the four months since. The week ending August 23 posted 25.4 percent warmer-than-normal temperatures, leaving the cumulative total of cooling degree days at 14.7 percent warmer than the average since the beginning of May. Every region of the country saw more cooling degree days than normal for this period, though New England and the Middle Atlantic regions were significantly warmer-than-normal at 92.9 and 58.5 percent, respectively.

Working Gas in Underground Storage – this summer’s strong injection season is bringing underground storage stocks closer to the five-year average. The addition of 60 Bcf to working gas inventories for the week ending August 23 pushed total storage volumes to 2,857 Bcf nationwide—3.4 percent below the five-year average and 14.6 percent ahead of the same week in 2018.

Natural Gas Production – with another *Natural Gas Market Indicators* comes another production record. Lower-48 dry gas production reached a new daily high of 91.3 Bcf on Monday, August 19, according to data from S&P Global. Month-to-date production for August 2019 is running 9.2 percent greater than August 2018 at 90.4 Bcf per day. The thirty-day average production in the Marcellus basin is 14 percent above this time in 2018. Utica production is up 12 percent during the same period, and Haynesville has climbed 10 percent.

Shale Gas – monthly dry gas shale production reached 68.5 Bcf per day in July 2019, according to EIA. The Marcellus basin accounted for 21.9 Bcf per day or 32 percent of a total produced shale gas. The next largest basins by volume are the Permian (9.8 Bcf per day), the Haynesville (8.5 Bcf per day), the Utica (7.5 Bcf per day), and the Eagle Ford (4.5 Bcf per day). The remaining shale basins in the US account for 16.2 Bcf per day of shale gas production in July 2019.

Rig Count – the US continues to shed rigs, according to the latest *Rotary Rig Count* report from Baker Hughes. Oil rigs have seen a steady decline since hitting a nearly-four-year high November 2018,

having dropped nearly 15 percent since that time. Natural gas rigs are down 18 percent or 36 rigs since the beginning of the year after having shed the majority total decline since June. Total rigs in operation stand at 916, of which 754 are drilling for oil and 162 gas-directed. With Canadian rig counts at 139, this puts the total North American rig count at 1,055, down 218 rigs from one year ago.

Pipeline Imports and Exports – month-to-date Canadian imports total 3.9 Bcf per day, a 1.0 Bcf per day or 19 percent decline from August 2018. Monthly Canadian import volumes have been running steadily behind year-ago levels since April 2018, a reflection of continued strong US natural gas production. Currently, imports from Canada into the Northeast are, in fact, *exports*, as S&P Global reports 0.72 Bcf per day on net flowing into Canada out of the Northeast region. However, these volumes are more than offset by greater imports into the Midwest and West regions. Meanwhile, exports to Mexico at 5.4 Bcf per day for the month are running 7 percent higher than this same time last year.

LNG Markets – the US LNG market is continuing to grow as several LNG projects reached milestones within the past two weeks. On August 19, the Cameron LNG facility began commercial operations. Another major project, Freeport LNG, began production, becoming the sixth US natural gas export terminal. And the Calcasieu Pass LNG export project moved to a Final Investment Decision. Meanwhile, finalized numbers for the second quarter of 2019 show Latin America as the top destination for US LNG, according to data from the Department of Energy. Latin America has proven a critical outlet this year for US LNG as the ongoing trade war between Beijing and Washington discouraged shipments to China. Regional shipments to Europe, Latin America, and Asia were roughly split. All of this while US LNG exports feedgas demand reached a new high of 6.8 Bcf per day on August 25.

Natural Gas Market Summary – weekly temperatures in August have alternated between hotter and colder than 2018, though every week has been warmer than the 30-year normal. Warm temperatures and lower natural gas prices have helped support an overall demand increase during August of 2.7 Bcf per day above August 2018. For the same period, volumes to power generation are up 2.2 Bcf per day; industrial demand is up 0.2 Bcf per day; residential-commercial consumption is now 0.2 Bcf per day higher. Exports to Mexico and LNG feedgas remain stronger than ever, up 4.7 Bcf per day compared to this month last year. Meanwhile, supplies are increasing. Record levels of production flowing into the market have more than offset declines in Canadian imports. Storage inventories are well above last year's inventory level, though totals are slightly below the five-year average. Amid these various records, supply and demand balances are driving a market rationalization for \$2.25 per MMBtu prices at Henry Hub.

NOTICE

In issuing and making this publication available, AGA is not undertaking to render professional or other services for or on behalf of any person or entity. Nor is AGA undertaking to perform any duty owed by any person or entity to someone else. Anyone using this document should rely on his or her own independent judgment or, as appropriate, seek the advice of a competent professional in determining the exercise of reasonable care in any given circumstances. The statements in this publication are for general information and represent an unaudited compilation of statistical information that could contain coding or processing errors. AGA makes no warranties, express or implied, nor representations about the accuracy of the information in the publication or its appropriateness for any given purpose or situation. This publication shall not be construed as including, advice, guidance, or recommendations to take, or not to take, any actions or decisions in relation to any matter, including without limitation relating to investments or the purchase or sale of any securities, shares or other assets of any kind. Should you take any such action or decision; you do so at your own risk. Information on the topics covered by this publication may be available from other sources, which the user may wish to consult for additional views or information not covered by this publication.

Copyright © 2019 American Gas Association. All rights reserved.