



# NATURAL GAS MARKET INDICATORS

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Edition 380

***Natural Gas Market Summary*** – Strong natural gas production and higher than average gas inventories, combined with warm temperatures, preceded significant drops in natural gas future prices for the week ending November 20. However, strong pipeline exports and a colder weather outlook by NOAA for the first two weeks of December contributed to a bullish market over the Thanksgiving week that resulted in partial price recovery.

***Reported Prices*** – the last two weeks of November followed the trend set in the early part of November: steep drops in prices followed mild increases and relative stability. January futures prices dropped 30 cents to around \$2.70 between November 13 and November 19. However, after three straight days of price increases during the shortened Thanksgiving week, January futures settled at \$2.90 by closing on November 25. As of November 30, January futures are trading at \$2.93 per MMBtu. The long term strip experienced a similar pattern but ultimately benefited from a strong Thanksgiving week. As of November 30, March futures are trading at \$2.86, and April futures are trading at \$2.75. November saw prices for both Brent and West Texas Intermediate rise by over 22%. The strong performance is not enough to offset a challenging year for the oil industry, which has resulted in a 26% year-to-date reduction in prices. Furthermore, oil is not expected to see any significant price increases in December and into 2021, as OPEC appears set to discuss extending production ceilings through March.

***Weather*** – the historic 2020 Atlantic Hurricane Season came to a close on November 30. The season included 30 named storms, many of which heavily affected gas production in the Gulf of Mexico. In the meantime, temperatures across the US continued to be warmer than normal through the end of November, but the 16-day GFS weather forecasts reported by NOAA and ECMWF predict two cold fronts to move across the US over the first week of December, leading to cooler average temperatures. So far in the heating degree day season, cumulative heating degree days since October have been 16.2 percent warmer than normal and 19.1 percent warmer than 2019. Looking ahead, the NOAA 8-14 day outlook expects the colder temperatures to affect the Southeast primarily.

***Working Gas in Underground Storage*** – the week ending November 13 saw small gas withdrawals in the Mountain and Pacific regions and moderate injections in the remaining regions, leading to a net gain across the lower-48 of 31 Bcf. The week ending November 20 saw a moderate withdrawal in the East of 19 Bcf, resulting in a stock of 3,940 Bcf. This stock is 8.9% above 2019 levels and 6.8% above the five-year average.

**Natural Gas Production** – US production grew substantially before and after the Thanksgiving holiday. On November 21, US production rose to an average of 91.7 Bcf per day in flowing supplies, its highest level since April 2020. Following the Thanksgiving holiday, production now sits at 90.6 Bcf per day as of November 30, according to preliminary estimates. This performance brings month-to-date averages of lower-48 dry gas production to 89.4 Bcf per day, 2 Bcf per day higher than October’s average. Of note, growth occurred across all regions. For example, Southeast production has surged 1.1 Bcf per day since October; Northeast rose 600 MMcf per day; and Texas production is up 500 MMcf per day. We will continue to monitor these production gains into the winter, where pullback may be likely as storage gas competes for space with production gas.

**Rig Count** – the number of rotary rigs in the United States increased by ten for the week ending November 25, 2020, a net gain of 20 since the previous *Market Indicators*. However, despite aggregate gas activity being at its highest level since May 2020, gas rigs remain 54 units (41 percent) down from year-ago levels. Meanwhile, oil-directed rigs rose by ten for the same week in November but are still down 64 percent from this time last year at 241 rigs.

**Pipeline Imports and Exports** – average pipeline natural gas import volumes from Canada in November were identical to November 2019 at 3.9 Bcf per day. The year-to-date average is 3.9 Bcf per day, a 0.5 Bcf per day reduction from the first 11 months of 2019. On the southern border, pipeline exports to Mexico have been strong in 2020 and are now 5.4 Bcf per day through November, a 0.3 Bcf increase from the first 11 months of 2019.

**LNG Markets** – significant uncertainty remains regarding the LNG export near-term outlook, given the start of the winter heating season and the rising uncertainty associated with the Covid-19 pandemic. However, this has not hampered progress in the development of liquefaction facilities. For example, according to S&P Global, Sempra’s Mexico LNG project secured an export permit and announced plans to begin LNG production in late 2024. Meanwhile, US LNG feedgas deliveries averaged 10.1 Bcf per day in November, an increase of nearly 40 percent above November 2019.

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