NATURAL GAS MARKET INDICATORS

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Due to the holidays, the *Natural Gas Market Indicators* will not be published at month-end December 2020. We will resume publication again on January 15, 2021.

Thank you again for your interest in our market summary. See you in 2021.

Natural Gas Market Summary – temperatures have consistently remained above normal across the lower-48, resulting in lower-than-expected gas use. Thus, despite strong natural gas production numbers, limited withdrawals from storage have kept natural gas prices low. In contrast, temperatures around the globe trended colder over the first two weeks of December driving strong pipeline exports and record-breaking LNG exports. Over that time period, LNG exports routinely averaged more than 11.2 Bcf per day.

Reported Prices – January 2021 futures closed at $3.43 per MMBtu on October 30. However, as forecasted temperatures remained higher than expected, prices began to drop. On December 8, prices bottomed out at $2.37, a 31 percent loss over five weeks. Since then, prices have partially recovered, closing at $2.68 on December 14. Nonetheless, EIA expects natural gas prices to remain moderate due to the higher-than-expected storage levels that resulted from the higher temperatures. Accordingly, EIA updated its January spot price forecast from $3.42 per MMBtu to $3.10. Long term strip prices have also declined. On December 14, March and April futures closed at $2.66, a two-week reduction of 7 percent and 3.5 percent, respectively. In contrast, oil prices have continued to rally over the first two weeks of December. After a strong November that saw oil prices rise by over 20 percent, on December 14 West Texas Intermediate traded at $46.77, and Brent traded at $50.05, a 1.1 percent and 1.6 percent increase, respectively, since December 1.

Weather – following several weeks of relatively warm temperatures, colder weather systems are expected to bring lower temperatures to much of the US. Based on heating degree days, temperatures have been 15.4 percent warmer than last year year-to-date and 14.4 percent warmer than normal year-to-date since the beginning of October. In particular, November was 20.9 percent warmer than normal, a trend that resulted in low gas consumption. However, following a cold-weather system that affected the Eastern US on December 14, NOAA expects two additional storms to affect the Northwest and East starting December 16. As a result, the 16-day GFS weather forecast from NOAA and ECMWF predicts colder-than-normal temperatures through the end of the week across the US. Longer-term forecasts from the 16-day GFS show warmer-than-normal temperatures across the lower-48 on the week of December 21, followed by colder-than-normal temperatures in the Northeast immediately preceding the new year.

Working Gas in Underground Storage – warm temperatures across the US have resulted in lower-than-expected gas withdrawals. The week ending November 20 saw net withdrawals of 1 Bcf following an injection of 14 Bcf in the South Central Region. The week ending December 4 saw net withdrawals of 91 Bcf driven by moderate withdrawals from the East, Midwest, and South Central regions. Nonetheless, gas in storage remains 8.7 percent above 2019 levels and 7.2 percent above the five-year average.

Natural Gas Production – dry natural gas production is now routinely reaching 89 Bcf per day and is often surpassing 90 Bcf per day, according to S&P Global. At 89.6 Bcf per day, year-to-date, dry gas production is only two percent lower than 2019's record setting production. Thirty-day average dry gas production in the North is up 2.8 percent, and down 9.4 percent in the South. Moreover, projections from the Energy Information Administration via its Short-Term Energy Outlook forecast production in 2021 to average 87.9 Bcf per day.

Rig Count – the number of gas rigs in operation increased by four for the week ending December 11, 2020, a net gain of two since the previous Market Indicators. Gas rigs are down 39 percent to 50 units from year-ago levels, and aggregate gas activity remains below the 2020 year-to-date high of 123 rigs. Meanwhile, oil-directed rigs rose 15 for the same week in December. While oil rigs are still down 61 percent from this time last year, they are up 50 percent since their cyclical low in August. As a result of these recent increases, total working domestic rotary rigs in operation stand at their highest level since mid-May 2020 at 338.

Pipeline Imports and Exports – gas volumes from Canada have been ranging from 4.1 to 6.1 Bcf per day the past week, with flowing supplies averaging 5.2 Bcf per day in the last month of 2020. Pipeline imports from Canada year to date are 0.4 Bcf per day lower than this time last year at 3.9 Bcf per day. Meanwhile, exports to Mexico are averaging 5.5 Bcf per day this December, an increase of 4.6 percent, or 0.2 Bcf compared to December 2019.

LNG Markets – US LNG feedgas has made major gains this December, surging on December 2 to 11.3 Bcf per day, surpassing 11 Bcf per day for the first time ever according to S&P Global. Three days later, US feedgas demand rose to nearly 11.5 Bcf per day. The following week volumes reached 11.6 Bcf per day. The surge occurred as global temperature forecasts trended colder. EIA reports that for the week ending December 9, twenty-two vessels departed the US carrying 81 Bcf of LNG. Overall, US LNG feedgas for export has averaged 11.2 Bcf per day since December 1, a 43 percent year-over –year increase. On the import side, according to the latest Global LNG Monthly: December from Bloomberg New Energy Finance (BNEF), global LNG imports totaled 29.8 million metric tons in November, up 6.4 percent from October.