Natural Gas Market Indicators

AGA
American Gas Association

December 16, 2019
Edition 358

Reported Prices – as the first week of December 2019 brought warmer-than-normal temperatures across most of the country, natural gas prices at Henry Hub traded lower once again. January contracts are currently calling for $2.36 per MMBtu, down more than 30 cents since the middle of November. US oil prices have ranged between $55 – $60 per barrel during the past month, with current prices of West Texas Intermediate oil just above $59 per barrel. The current price for Brent crude is $65 per barrel.

Weather – in the eleven weeks between the beginning of October and mid-December 2019, the nation saw seven weeks of warmer-than-normal temperatures in the lower-48 states and four weeks of colder-than-normal conditions. The aggregate deviation from the norm has been 0.9 percent colder-than-normal. So far, every month of the current winter heating season has been slightly warmer than last winter heating season.

Working Gas in Underground Storage – underground storage net withdrawals for the week ending November 22 amounted to 28 Bcf. A withdrawal of 19 Bcf followed one week later, and 73 Bcf was the total pull for the most recent week ending December 9. Total inventories are now at 3,518 Bcf, 0.4 percent below the five-year average and 20.3 percent above last year. The EIA reported in its Short-Term Energy Outlook an expected storage withdrawal of 1,900 Bcf for the winter withdrawal season (November through the end of March), which is less than the five-year average. A draw down of this size would leave inventories at almost 1,900 Bcf, eight percent above the five-year average, to begin the following injection season.

Natural Gas Production – dry gas production remains strong. At 88.4 Bcf per day, year-to-date dry gas production is 8 percent higher than 2018, which was a record year itself. The past thirty-day average for dry gas production in the Northeast is up 8 percent, while southeast onshore production is up 5 percent during the same period. Projections from the Energy Information Administration via its Short-Term Energy Outlook shows production growth to continue into 2020, up to an average of 95.1 Bcf per day.

Rig Count – the domestic oil and gas rig count in the United States stayed steady for the week ending December 6, with decreased activity centered on gas-directed drilling offset by an increase in oil-directed drilling. The total rig count in operation stands at 799, 129 of which are gas-focused. The gas count is 69 rigs lower than the same week last year. Rigs seeking oil is 206 fewer than this week in 2018. Up north, Canadian rigs total 153 for the week, a gain of 15 rigs in operation from the previous week, and 21 rigs below year-ago levels.

Shale Gas – on December 12, Chevron Corp. announced its approval of a $5.7 billion offshore development project in the US Gulf of Mexico. The Anchor project shows that the Gulf of Mexico still has attractive investment opportunities, according to S&P Global. The project will be built about 140 miles off the coast of Louisiana and have a capacity of 28 MMcf of natural gas per day, as well as 75,000 barrels of oil per day. The project will export through existing gas subsea networks.

Pipeline Imports and Exports – imports from Canada are averaging 3.8 Bcf per day during December, which is 0.5 Bcf per day lower than the average in December 2019. On the export side, the US is currently flowing 5.6 Bcf per day of pipeline gas to Mexico—0.6 Bcf per day higher than one year ago. The combination of LNG feedgas and pipeline exports to Mexico reached an all-time high of 13.7 Bcf per day on December 12 according to S&P Global.

LNG Markets – US exports of LNG set two consecutive records in October and November 2019. LNG exports averaged 5.8 Bcf per day with 52 exported cargoes in October and 6.3 Bcf per day with 55 exported cargoes in November, according to Bloomberg data, reported by the EIA. Daily average US LNG export volumes are on track to reach 7 Bcf per day by early 2020 as new liquefaction units come online. In early December, Cameron LNG began flowing feedgas to the second of its three liquefaction trains, Freeport LNG's second train began LNG production, and the same Freeport facility began commercial operation of its first liquefaction train.

Natural Gas Market Summary – after dipping below 100 Bcf per day, natural gas demand climbed above 108 Bcf on December 11 as homes and businesses tried to beat the cold. Including exports, daily lower-48 natural gas consumption reached nearly 123 Bcf for the day. At the same time, total US LNG feedgas reached an all-time high of nearly 8.4 Bcf per day on December 9 as both Cameron and Freeport facilities ramped up activities associated with each project's respective second train. On the supply side, flowing production is trending slightly lower at 90.8 Bcf as of December 13 in part to modest Northeast and Southeast production declines. After posting six consecutive months of gains, Northeast production is trending flat to slightly lower month over month. However, record-high production in 2019 and expectations for healthy growth through 2020 means that supply will keep pace with demand. Amidst all of these market conditions, Henry Hub spot pricing for natural gas is trading at $2.32 for January.