AGA
American Gas Association

NATURAL GAS MARKET INDICATORS

February 16, 2021
Edition 384

Natural Gas Market Summary – several states across the Midwest and South continue to experience historically low temperatures that have impacted the entire gas supply chain, from production and gas in underground storage to exports. Several days have seen natural gas demand at or near record levels – the total aggregated demand of 301.5 Bcf for February 14 and 15 was a new record for a two-day period – resulting in enormous spikes to spot prices and upward pressure on future prices. The weather has also resulted in decreased gas production due to freeze offs across much of Texas and the Rockies, and large withdrawals from underground storage, putting further pressure on prices. The widespread cold temperatures are expected to last through at least the third week of February.

Reported Prices – the cold weather impacting most of the country over the last week impacted spot and future prices. As of February 12, Natural Gas Intelligence (NGI) reported spot prices spiking as high as $600 per MMBtu in Oklahoma. Friday trading saw NGI's national average spot prices rise from under $10 to over $60 per MMBtu. The cold weather has also impacted future prices. On February 15, March futures broke the $3.00 barrier for the first time since November 2020. The long-term strip increased to near or above three dollars for the first time since November as well. As of February 15, May futures were trading at $2.96, and longer-term futures were consistently trading above $3.00. Oil prices continued their nearly uninterrupted upward trend since late October 2020. Over the first two weeks of February, WTI and Brent were trading above $60 per barrel for the first time since January 2020 ($60 and $63, respectively, as of February 15.)

Weather – historically cold weather impacts much of the US, with widespread high temperatures from the Midwest to Texas remaining below 30 degrees and dropping into the minus 30s and below overnight. For the week ending February 13, heating degree days were 25.6 percent colder than normal and nearly 40 percent colder than this time last year. The GFS 16-day forecast expects temperatures to remain significantly colder than normal for most of the US through February 20, before they begin to trend warmer through the end of the month. Despite the recent cold temperatures, cumulative heating degree days since October 2020 remain 9.2 percent warmer than normal.

Working Gas in Underground Storage – during cold spells, the US's natural gas underground storage infrastructure, the largest in the world, functions to help meet significant demand increases. Between January 25 and February 5, working gas inventories lost 363 Bcf as bitter cold began to descend across the US from Texas to New England. The first week of February 2021 saw 171 Bcf withdrawn from storage, 37 percent above the five-year average draw for the same week of 125 Bcf. The combination of extremely cold weather with robust export demand has flipped the stockpile from year-ago levels from a surplus to a deficit, while the percent change over the five-year average flatlined. As of February 15, underground storage inventories sit at 2,518 Bcf, 0.4 Bcf lower than one year ago and 6.4 percent above the five-year average. Stockpiles have consistently remained above the five-year average since the start of 2020, but the recent increase in heating demand and LNG exports could erase the surplus by the end of the withdrawal season.

Natural Gas Production – dry gas production through February 10 was consistent, albeit slightly down, from year-ago levels. However, the cold temperatures across the US since then have had noticeable effects on production. Freeze offs centered primarily in Texas contributed to a sizeable national production decline of 10 Bcf per day on February 15 and 16. Production is particularly low in the South region, which experienced day-to-day declines of 4.9 Bcf and 1.4 Bcf between February 14 and 16. The decline in production is likely to affect prices in the near term, but according to S&P Global Platts, production has historically recovered fairly quickly following declines due to cold temperatures.

Rig Count – the domestic oil and gas rig count rose by five in the second week of February, bringing the total rig count to 397, 90 of which are gas focused rigs. Total rigs in operation have now risen for 12 straight weeks, for a total net increase of 87 rigs. Despite the consistent rise, total rigs in operation are 50 percent below year-ago levels.

Pipeline Imports and Exports – pipeline exports of natural gas to Mexico have remained stable even during the recent cold spell. In February 2021, pipeline exports averaged 5.7 Bcf per day year to date, 0.7 Bcf per day higher than one year ago. Similarly, imports of natural gas from Canada have averaged 5.8 Bcf per day in February so far – 1.1 Bcf per day higher than in February 2020.

LNG Markets – LNG feedgas for export has steadily declined over the past seven days, reaching 9.9 Bcf per day on February 12, down 11.3 Bcf since February 7. The majority of this decline can be attributed to the Sabine Pass facility, which was forced to shut down operations at one production unit due to high fog and visibility issues. Similar conditions affected export operations at Sabine Pass, Corpus Christi and Cameron LNG facilities in January as well, leading to several weather-related closures. Still, the EIA estimates that the US exported a total of 9.8 Bcf of LNG per day last month. Looking ahead, the EIA is forecast in its latest *Short-Term Energy Outlook* that US LNG exports will average 9.2 Bcf per day in 2022, surpassing the amount of natural gas exported via pipeline for the first time ever.