Natural Gas Market Indicators

American Gas Association

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Reported Prices – oil prices surged more to their highest in nearly four months as US tensions with Iran increased in early January. The conflict tensions soon eased, and so have prices. Brent crude oil reached nearly $69 per barrel during the first week of January. By Monday, January 13, prices of Brent had fallen to $64.37 per barrel; West Texas Intermediate oil is trading at $58 per barrel. Meanwhile, natural gas commodities have found little support amid warmer-than-normal temperatures, which have brought Henry Hub trading lower again. Current spot prices are trading at $2.20 per MMBtu as of January 13.

Weather – the New Year began more mild than normal with temperatures 27.9 and 23.6 percent warmer-than-normal for the first two weeks of January. Temperatures across the country have been predominantly warmer-than-normal since the first of October. However, sporadic cold spells have kept the cumulative differential at only 7.4 percent warmer than the 30-year average. By January 11, 2020, all regions of the country have been warmer-than-normal since early October. This increase in temperatures across the country caused total demand to decline to 88 Bcf per day, mainly driven by declines in the residential and commercial sector consumption. However, demand has upside potential as temperatures are forecast to drop over the next few weeks.

Working Gas in Underground Storage – going back one month, the strongest net underground storage withdrawal for the early winter heating season was documented the week ending December 20, 2019, with 161 Bcf of working gas reductions to inventories. Since then, warmer weather has slowed the pace of withdrawals. The EIA storage report for the week ending December 27 showed a net pull of 58 Bcf. Most recently, the EIA report showed a withdrawal of 44 Bcf. Working gas inventories now stand at 3,128 Bcf, 19.8 percent above one year ago, and 2.4 percent above average.

Natural Gas Production – domestic natural gas production has begun the year flowing 91 to 92 Bcf per day. These volumes are somewhat weakened since the daily record high of 93.7 Bcf set in late November. Still, natural gas production is quite strong; lower-48 flows are five percent higher than this time one year ago.

Rig Count – the domestic oil and gas rig count fell 15 rigs for the first full week of January, bringing the total rig count to 781, of which 119 are gas-focused. That count was 83 rigs lower than the gas-directed drilling count one year ago. Rigs seeking oil at 659 are down 214 from one year ago. Canadian rigs total 203 for the same week in January, a significant gain of 118 rigs in operation from the previous week, and 19 rigs above year-ago levels.

Shale Gas – the EIA's Drilling Productivity Report shows growth and slowdowns in gas production across the major shale regions. The Bakken, Haynesville, Niobrara, and Permian all show expected increases in gas production for January 2020. Among these regions, the Permian leads the pack with a forecasted increase of 213 MMcf per day of natural gas production for January 2020 from one month earlier. However, the Appalachian, Eagle Ford, and Anadarko regions show small declines in gas production between December 2019 and January 2020.

Pipeline Imports and Exports – gas volumes from Canada have been ranging from 2.8 to 4.2 Bcf per day the past week, with flowing supplies averaging 3.8 Bcf per day early in 2020. Pipeline imports from Canada are 1.6 Bcf per day lower than this time last year. Imports into the Northeast are hovering just above or below zero; flowing gas is instead being directed toward the Midwest and Western US markets. Meanwhile, exports to Mexico are averaging 5.0 Bcf per day this January, an increase of four percent, or 0.2 Bcf compared to this time last year.

LNG Markets – shipments of LNG from the Unites States span the globe in today's international energy trade. According to the most recent figures released from the US Department of Energy, South Korea was the top overall destination for US LNG in October 2019, importing 42.2 Bcf during the month. Other shipments left the US for countries across Europe, Asia, and South America. Taking a step back, total US LNG export feedgas volumes are currently 8.4 Bcf per day on average this January, a remarkable 3.6 Bcf per day greater than one year ago.

Natural Gas Market Summary – short periods of biting cold in various regions of the US this winter have been overcome by mostly warmer-than-normal temperatures on average for the lower-48 states going back to the beginning of October 2019. The US gas supply portfolio—including LNG imports, pipeline gas from Canada, and underground storage—is in a strong position. Warmer conditions have led to modest storage withdrawals in recent weeks, and current working gas inventories remain well above the five-year average. Prompt-month pricing well below $2.50 per MMBtu since late November is evidence of the soft demand amid warmer temperatures and the overall strong supply position. However, winter is not over yet, and a cold event always has the potential to snap the market to attention. As always, the *Market Indicators* will be here to document these changes! Happy New Year.