Natural Gas Market Indicators

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Reported Prices – domestic natural gas prompt-month pricing at Henry Hub fell to its lowest finish since May 2016 on January 24, 2020, likely influenced by forecasts for milder-than-normal weather in much of the nation. Current spot prices are trading at $1.91 per MMBtu as of January 29. Oil prices have seen losses as well, with both West Texas Intermediate and Brent crude contracts dropping to their lowest since October. By Monday, January 27, prices of Brent had fallen to $58 per barrel; West Texas Intermediate oil is trading at $53 per barrel. Meanwhile, Asia's spot LNG price (JKM) was assessed at $3.98 per MMBtu on January 23, according to S&P Global Platts.

Weather – warmer-than-normal temperatures in the lower-48 states continued their trend into late January. The week ending January 25 posted temperatures 6.3 percent warmer than the 30-year average. In aggregate, heating degree days have been 8.5 percent warmer than normal this winter (since October 1), and 3.9 percent warmer than last year. Every region has been warmer than normal since October. The regions range from 3.9 percent warmer in the Mountain region to 15.2 percent warmer in the South Atlantic and East South Central states.

Working Gas in Underground Storage – underground storage withdrawals of 92 Bcf for the week ending January 17 were followed by a withdrawal of 201 Bcf one week later. The storage pull left US inventories at 2,746 Bcf, 7.6 percent above the 5-year average, and 23.6 percent above last year.

Natural Gas Production – domestic natural gas production early in 2020 remained flat or slightly lower for January compared with one month prior. Lower-48 production fell below 90 Bcf per day for the first time since late July 2019. Even so, a dry gas production rate of 91.4 Bcf per day on average this month is 4.3 Bcf per day higher than the average production rate in January 2019—still, an extraordinary year-over-year increase. In Texas alone, year-over-year production is up 1.6 Bcf per day driven by strong growth in the Permian and Haynesville over the last 12 months, according to S&P Global.

Rig Count – the domestic oil and gas rig count fell by two during the week ending January 24, 2020. All the decrease was in gas-directed activity. Gas rigs now total 115, five fewer than last week, and 82 below year-ago levels. Oil rigs in operation totaled 676 for the week, three greater than one week ago and 186 below this time in 2019.

Shale Gas – gas from the Utica and Marcellus shale plays in the eastern United States is likely to be the principal driver in continued domestic production increases through 2050, according to the Energy Information Administration (EIA). The Reference Case projection from the EIA's *Annual Energy Outlook 2020* anticipates technological advancements and improvements in industry practices that will lower production costs and increase the volume of oil and natural gas recovery per well.

Pipeline Imports and Exports – pipeline import gas volumes from Canada have remained generally in the 4-5 Bcf per day range as the calendar year has ticked through month one. Average daily volumes to begin 2020 at 4.2 Bcf per day have been 1.3 Bcf per day less than January 2019. Of course, it was very cold late in January 2019, while 2020 temperatures for much of the country have been warmer thus far. Meanwhile, exports to Mexico have been steady, averaging 5.2 Bcf per day month-to-date, which is 0.3 Bcf higher (5.5 percent higher) than the first month of 2019.

LNG Markets – a generally weak global market has pushed LNG prices in Europe and Asia to near-decade lows. Mild temperatures have tempered demand and boosted domestic inventories. Meanwhile, US LNG exports continue to rise. Lower-48 LNG feedgas reached a new high of 9.3 Bcf on January 19, matched that level on January 25, and then surpassed the record three days later at 9.4 Bcf, according to preliminary estimates from S&P Global. US LNG feedgas has averaged over 9 Bcf per day for the week, the highest ever weekly average for LNG feedgas. Year-to-date volumes are 4 Bcf per day greater than one year ago.

Natural Gas Market Summary – over the short term, warmer temperatures have reduced overall domestic demand year over year. However, gas volumes to power generation are up nearly 9 percent from January 2019, and gas exports are growing as LNG feedgas reaches new highs. Over the longer term, the ingredients are present for continued growth in the natural gas market. The new *Annual Energy Outlook 2020* illustrates the scenario. EIA's Reference case projection shows US dry gas production increasing through 2050, a result of the continued development of tight and shale resources. Industrial and electric power demand drives domestic natural gas consumption. During the next decade, the US role as a net natural gas exporter is expected to become more firmly established. And inflation-adjusted natural gas prices in the Reference case remain below $4 per MMBtu through 2050.