AGA American Gas Association

NATURAL GAS MARKET INDICATORS

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Natural Gas Market Summary – Record setting temperatures in certain regions of the US have resulted in high natural gas demand for power burn. Demand has also been strong in Mexico and across Europe and Asia. US prices and production have benefited from the high demand, as spot prices surged and production remained robust. However, higher than normal gas consumption has also resulted in lower than normal injections into storage. The amount of gas in underground storage through June 30, 2021 is the lowest storage level over the first six months of the year since at least 2016.

Reported Prices – Natural gas prices surged to their highest levels in 29 months as supply tightened in response to increased cooling, export, and industrial demand. As a result, natural gas spot prices are currently trading at $3.89 per MMBtu, a 31 percent increase since the beginning of June when contracts were trading at $2.98 per MMBtu. According to Reuters, Brent crude futures rose starting on June 23, climbing above $76 per barrel to its highest level since late 2018. West Texas Intermediate futures also settled at their highest level since October 2018, at $74 per barrel. Brent has gained more than 45 percent this year, driven in part by supply cuts led by the Organization of the Petroleum Exporting Countries (OPEC). OPEC will meet on July 1 to discuss the unwinding of last year's output cuts, as easing coronavirus restrictions boost worldwide demand. In anticipation of the meeting, on June 28 Brent and West Texas Intermediate futures fell to one-week lows of $74 and $72 per barrel, respectively.

Weather – Temperatures in certain areas of the US have been very hot, even for this time of the year. The Pacific Northwest has suffered the effects of a "heat dome" that has resulted in several broken records. According to the National Weather Service, Portland saw temperatures reach 112 degrees on June 27, breaking the high temperature record of 108 degrees that had been set on June 26. Temperatures in Seattle also broke the record on June 28 when it hit 107 degrees, completing the first three-day span in triple digits in Seattle history. Cumulative cooling degree days for the week ending June 26 show that the Pacific Region was 55.2 percent warmer than normal. While nationwide cooling degree days were only 1.7 percent higher than normal for the same week, the persistent heat along both coasts has driven the high demand for natural gas power burn. Meanwhile, June yielded three named tropical storms for only the fifth time in recorded history. One of the named storms was Tropical Storm Claudette, which formed in the Gulf of Mexico and made landfall in Louisiana, before cutting across the Southeast US and moving into the Atlantic.

Working Gas in Underground Storage – The week ending June 18 saw a storage injection of just 55 Bcf, bringing the t0tal working gas inventory to 2,482 Bcf. This storage level is within the five-year historical range, but this past week's injection is 34 percent lower than the five-year average injection of 83 Bcf. As a result, current working gas storage levels remain 17.1 percent below the year-ago levels of 2,995 Bcf, and 5.1 percent below the five-year average of 2,636 Bcf. The low injections are partly the result of high demand for power burn as temperatures in many regions remain high, and pipeline and LNG exports remain at near-record levels.

Natural Gas Production – Following several weeks of low production over the shoulder season, production picked up in June averaging 91 Bcf per day. Strong June production has resulted in an increase in average natural gas production year-to-date to around 90.8 Bcf per day, which is 2.7 Bcf per day higher than this time last year. S&P Global Platts expects production to remain around 91.5 Bcf per day through the end of June, as demand for power burn and exports remains high.

Rig Count – For the week ending June 25, the US had 98 gas rigs and 372 oil rigs in operation for a total of 470 rigs, the highest total in over a year. The number of gas rigs in operation increased by two between June 11 and June 25, while the number of oil rigs in operation increased by seven over the same time period. This increase extends the nearly uninterrupted increase in the number of rigs in operation that started in August 2020. Following the latest increase, the number of rigs in operation is now 77 percent above year-ago levels.

Pipeline Imports and Exports – On June 18, US pipeline exports to Mexico hit 7.4 Bcf, breaking the record high of 7.2 Bcf set only a week earlier on June 10. S&P Global Platts expects this record-setting trend to continue as demand in Mexico shows no signs of decreasing any time soon. Average exports to Mexico in June are 6.8 Bcf per day, 1.3 Bcf per day greater than June 2020. Over the same period, pipeline imports of natural gas from Canada have averaged 4.5 Bcf per day, which is 0.6 Bcf per day more than June 2020. Year-to-date imports from Canada are averaging 5.0 Bcf per day through June 30, 0.8 Bcf per day higher than the first six months of 2020.

LNG Markets – The strong prices in end-user markets in Asia and Europe continue to incentivize robust LNG export activity. European gas prices are surging amid low inventories and high carbon prices. Dutch TTF futures reached 36.2 € per MWh or $12.89 per MMBtu on July 1, an all-time high according to BloombergNEF. The spread between the Dutch TTF and Henry Hub is the widest on record. Carbon futures in Europe have also surged, which has created and incentive for European power generators to turn to natural gas. Similarly, Asian spot prices for LNG continue to rise as a warmer than usual summer across the northern hemisphere leads to increased air conditioning usage, and consequently, gas demand for power burn. At home, total US LNG feedgas broke 11 Bcf per day on June 23, its highest level in more than three weeks. The rebound was due, in great part, to the resumption of deliveries to the Sabine Pass and Cameron LNG facilities following their maintenance closures. S&P Global Platts analytics reports feedgas deliveries to US liquefaction facilities are operating at around 90 percent utilization. All told, LNG feedgas volumes are averaging 10.0 Bcf per day this June, a 144 percent increase from this time last year.