



# NATURAL GAS MARKET INDICATORS

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***Natural Gas Market Summary*** – This year, summer temperatures have been warmer than normal with gas volumes to power generation averaging 37.9 Bcf per day in July. Residential/commercial and industrial demand volumes are above 2020 levels, up 0.5 and 0.7 Bcf per day, respectively. The result is a draw-back in weekly storage injections as additional gas is needed to meet the increase in summer demand and LNG and pipeline export volumes. As the hurricane season continues and warmer forecasts appear likely to continue in the near term, cooling demand is likely to remain high and at the expense of storage injections. We will continue to track natural gas prices, which are currently trading above \$3.60 per MMBtu as of July 14.

***Reported Prices*** – Natural gas future prices remain high despite an uptick in daily production from early spring levels. Domestic and international demand shows no signs of slowing down. These conditions may be provoked in part by record exports and concerns about storage levels. On July 14, futures from August through February remained above \$3.60 per MMBtu, with January futures surging near \$4.00 per MMBtu. These prices are more than twice some of the prices experienced last year during the pandemic's peak. Spot prices also remain high. According to EIA, the national average spot price per MMBtu of gas for June was \$3.28, the highest average since October 2018, outside the \$5.35 per MMBtu average seen in February 2021 due to the extreme weather event. The first week of July saw 5 percent drops in Brent and WTI prices. However, the second week of July saw those prices partially recover. On July 14, Brent traded at \$74.50 per barrel, only 3.4 percent below the July 5 peak of \$77.16 per barrel, and WTI was trading at \$72.82 per barrel.

***Weather*** – Tropical Storm Elsa formed in the Atlantic in the early morning of July 1, setting the record for the earliest “E” named storm in the Atlantic basin. The record was previously held by Tropical Storm Edouard, which formed on July 6, 2020. Elsa packed 75 mph winds when it strengthened to a Category 1 hurricane near Barbados, but ultimately made landfall in the US as a Tropical Storm with sustained winds of 50+ mph and heavy rain. The storm caused flooding in several areas along the East Coast from Florida to Massachusetts. Thus far, this summer has seen a trend of warmer-than-normal temperatures in the lower-48 states. The week ending July 10 posted temperatures 8.6 percent warmer than the 30-year average, and the aggregate cooling degree days since May 1 have been 17.9 percent warmer than normal.

***Working Gas in Underground Storage*** – The week ending July 2 saw a storage injection of just 16 Bcf, bringing the total working gas inventory to 2,574 Bcf. This storage level is 6.9 percent lower than the five-year average of 2,764 Bcf but within the five-year historical range.

However, current working gas storage levels are 17.6 percent below the year-ago levels of 3,125 Bcf. Injections have remained low this year as high demand for gas for power burn persists and pipeline and LNG exports remain at near-record levels.

**Natural Gas Production** – Natural gas production has averaged 90.7 Bcf per day in 2021, 2.7 Bcf higher than the daily average through July 2020. Overall, production in June was robust with a daily average production of 91.5 Bcf, 3.1 Bcf higher than the S&P Global Platts prediction for June. S&P Global Platts expects production to remain around 90 Bcf per day through the beginning of July, as demand for power burn and exports remain high.

**Rig Count** – For the week ending July 9, the US had 101 gas rigs and 378 oil rigs in operation for a total of 479 rigs, the highest total in over a year. The number of gas and oil rigs in operation increased by two each between July 2 and July 9. This increase extends the nearly uninterrupted increase in rigs in operation that started in August 2020. Following the latest increase, the number of rigs in operation is now 53 percent above the year-ago rig count of 256.

**Pipeline Imports and Exports** – During the first two weeks of July, imports from Canada average 4.9 Bcf per day, hovering between 4.7 and 5.5 Bcf per day. Compared to last July, imports are up 0.7 Bcf per day, a 17 percent increase. Similarly, pipeline exports to Mexico have averaged 6.5 Bcf per day, up 17 percent year over year.

**LNG Markets** – European gas prices remain in record territory. The Dutch TTF hub, an important benchmark for European natural gas, hit €38 per MWh (\$13.37 per MMBtu), the highest level since records began according to reporting from Reuters. Low gas storage, high carbon market prices, some supply constraints, and active buying in Asian markets are contributing to the bullish run. In Asia, spot tenders for liquefied natural gas is around \$11.86 per MMBtu for third quarter delivery, according to analysis from Bloomberg New Energy Finance.

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