NATURAL GAS MARKET INDICATORS

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Reported Prices – natural gas prices have stayed within a relatively narrow range through July. Prompt-month future trades at Henry Hub have ranged from as low as $1.64 to a high of $1.88 per MMBtu. Interestingly, this trend has remained consistent over the past six-months. Only once since February has the next-month contract closed above $2.00 per MMBtu (May 5). Throughout the global pandemic and the tumult of global energy markets, US commodity prices of natural gas have remained relatively stable and low-priced.

Weather – the 2020 Atlantic hurricane season has been hyperactive, since the formation of Tropical Storm Arthur in May ahead of the usual June 1 start to the season. So far there have been nine total named storms, including Hurricane Isaias, which formed south of Dominica on July 30. Isaias sets the record for the earliest 'I' named storm in the Atlantic basin, a record previously held by Irene which formed on August 7, 2005. In fact, according to AccuWeather, five of the first eight named storms this season are new record holders for the earliest-named storm for their letter. Turning to temperatures, this summer has seen a trend of warmer-than-normal temperatures in the lower-48 states through late July. The week ending July 25 posted temperatures 21.3 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 – underground storage injections of 37 Bcf for the week ending July 17 were followed by an injection of 26 Bcf one week later. The storage injection put US inventories at 3,241 Bcf, 15.3 percent above the five-year average, and 23.9 percent above 2019. Light storage inventory builds come as a result of impressive demand numbers from the power sector and a month of temperatures well above the average.

Natural Gas Production – natural gas production remains consistently below 2019 levels, but daily flows have stabilized between 86 to 88 Bcf per day since late May. The total levels of production continue to be lower than year-ago levels despite the fact that dry gas production in the Northeast and Midwest collectively is now above 2019 levels, in large part because production in the southern portion of the US is about 3.7 Bcf per day below 2019 levels.

Rig Count – the US continues to shed rigs, according to the latest Rig Count report from Baker Hughes. Oil rigs are up one rig for the week ending July 24 compared to the week prior but remain 77 percent below July 2019 counts. Similarly, natural gas rigs are down 60 percent from this same time last year. Total rigs in operation stand at 251, of which 181 are drilling for oil and 68 are gas-directed. With Canadian rig counts at 42, this puts the total North American rig count at 293, up eight rigs from one year ago.

Pipeline Imports and Exports – the US set a daily record for pipeline exports of natural gas to Mexico in July. The final segment of the Wahalajara pipeline in Mexico was "mechanically complete" in March, according to the state power company CFE. Flow data from Fermaca and reported by S&P Global Platts suggests utilization on Wahalajara has increased, which has boosted overall volumes of supplies flowing south of the US border. Meanwhile, imports from Canada at 3.9 Bcf per day this month are down about 20 percent from July 2019.

LNG Markets – lower-48 feedgas deliveries for LNG export have averaged 3.3 Bcf per day, almost half the level of volumes flowing during July 2019 and down from more than 9 Bcf in terms of daily flows at times in March 2020. According to S&P Global Platts, cargo cancelations during July and August are expected to be around 45 and 40, respectively. However, in perhaps a sign of a turnaround for LNG exports, S&P Global Platts also expects September cargo cancellations to be around 26.

Natural Gas Market Summary – US energy consumption in April 2020 fell to its lowest level in more than 30 years, primarily due to severe declines in petroleum and coal use, according to final data from the Energy Information Administration. Petroleum consumption collapsed largely because of the severe reduction in travel during the COVID-19 pandemic, while coal consumption fell because of declines in electricity use coupled with low natural gas prices. In contrast, natural gas use *grew*, influenced by colder weather and stay-at-home orders. In April 2020 total natural gas consumption rose 2 percent and residential gas use increased by 15 percent compared to April 2019. While global energy markets roiled in the immediate wake of the COVID-19 crisis, the North American natural gas market reliably delivered affordable energy when consumers needed it most.