Natural Gas Market Summary – variable temperatures and moderated supplies have influenced pricing for natural gas. Natural gas pricing has remained relatively stable at just below $3.00 per MMBtu, despite swings in temperature and production. LNG feedgas and pipeline exports continue to grow as temperatures warm and global consumption increases. Injections of gas into storage and inventories remain below average for this time of the year.

Reported Prices – June future prices ended their run on the board with a rally that saw prices rise just shy of $3.00 at $2.98 per MMBtu. As July futures became prompt month on May 27, prompt month prices hit $3.03 per MMBtu. Thus, as of June 1, all future prices through April 2022 remain above $3.00 per MMBtu. However, S&P Global Platts forecasted a significant drop in demand of more than 5 Bcf per day over Memorial Day weekend. As a result, S&P Global projects downward pressure on near-term future prices that might result in prompt-month futures dropping below $3.00 per MMBtu in the first week of June. S&P also expects warmer weather starting the second week of June, which might push prices above $3.00 again as air conditioning units come back online across the US. The oil markets saw some pronounced volatility over the last two weeks of June. WTI prices hit $66.27 per barrel on May 19 as demand spiked following the shutdown of the Colonial pipeline. On May 20, as the pipeline reopened, WTI prices plummeted to $62.05 before rallying once more to close at $66.32 per barrel on May 28. Brent followed a similar pattern, rising to $69.46 per barrel on May 17 before plunging to $65.11 per barrel on May 20. Brent prices closed at $69.63 per barrel on May 28.

Weather – the United States officially enters the 2021 hurricane season on June 1, but on May 22, the Atlantic basin saw Subtropical Storm Ana form near Bermuda. According to The Weather Channel, this storm marks the seventh consecutive year a named storm has formed before the official start of hurricane season. Looking at temperatures, the first four weeks of cooling degree data from the National Oceanographic and Atmospheric Administration (NOAA) point to conditions 10.6 percent warmer than normal in May and 14.1 percent warmer than this time last year. The West North Central and Pacific portions of the country have been cumulatively cooler than normal this May, but all other regions of the lower-48 states have been warmer. Of note, New England has been 250 percent warmer than normal early in the cooling season.

Working Gas in Underground Storage – the week ending May 21 saw a gas storage build of 115 Bcf, the first triple-digit injection of the season. This injection stands as the first inventory build in over a month above the historical five-year average, due to strong export demand and tepid production levels. Working gas volumes of 2,215 Bcf are running 14.7 percent less than the year-ago level of 2,596 Bcf and 2.8 percent less than the five-year average of 2,278 Bcf.
Natural Gas Production – natural gas production remains tepid across the lower-48. Mid-May production hit 91 Bcf per day, and analysts were hoping that momentum carried forward into June. However, the traditional shoulder season dip in production, which had been particularly pronounced this year, was intensified by unseasonably cool temperatures that limited the demand for natural gas. Year-to-date production levels remain 1.8 percent below year-ago levels. Production dropped below 91 Bcf during the last week of May, and S&P Global Platts expects lower production over the first weeks of June as forecasted drops in demand of as much as 5 Bcf per day over Memorial Day weekend are expected to result in lower prices and production in the near term.

Rig Count – oil rigs increased by 17, and gas rigs increased by two for a net increase in total rigs of 19. May 2021 marks the tenth month in a row of net rig increases in the US, as crude prices continue to soar and natural gas production in the lower-48 remains low towards the end of the shoulder season. At 457 total rigs, the number of rigs in service is 51 percent above year-ago levels and 87 percent above August 2020, when only 244 rigs were in service.

Pipeline Imports and Exports – the combination of LNG feedgas and pipeline exports to Mexico have averaged 17.1 Bcf per day this May, nearly 50 percent above May 2020. According to S&P Global Platts Analytics, overall pipeline exports to Mexico are 34 percent above 2020, due in part to a Mexican power load that has been steadily increasing year on year. Most of the pipeline gas from Mexico comes from Texas. Of the 6.3 Bcf per day flowing to Mexico from the US, 5.7 Bcf comes from Texas. Imports from Canada are also up, albeit not as much as exports. Gas flows from Canada averaged 4.4 Bcf per day during May 2021, which is 0.6 Bcf higher than last year.

LNG Markets – according to reporting from Bloomberg, European futures at the Dutch TTF marker increased above $9 per MMBtu after Russia announced it would not be purchasing interruptible capacity through Ukraine in June. The Russian decision sends a bullish signal to market participants. Asian spot LNG prices also climbed to $10.60 per MMBtu, suggesting a short-term tightening in the LNG spot market this summer, as LNG cargoes destined for India have been turned back due to COVID restrictions. However, strong LNG demand, particularly in North Asia, has appeared to absorb those cargoes. S&P Global Platts called LNG demand in North Asia “unprecedented,” especially in China, where post-COVID recovery has been robust in 2021. Back at home, US feedgas flows for LNG export reached 11.2 Bcf per day on May 23 and has averaged 10.8 Bcf per day in May 2021.

Notice

In issuing and making this publication available, AGA is not undertaking to render professional or other services for or on behalf of any person or entity. Nor is AGA undertaking to perform any duty owed by any person or entity to someone else. Anyone using this document should rely on his or her own independent judgment or, as appropriate, seek the advice of a competent professional in determining the exercise of reasonable care in any given circumstances. The statements in this publication are for general information and represent an unaudited compilation of statistical information that could contain coding or processing errors. AGA makes no warranties, express or implied, nor representations about the accuracy of the information in the publication or its appropriateness for any given purpose or situation. This publication shall not be construed as including, advice, guidance, or recommendations to take, or not to take, any actions or decisions any matter, including without limitation relating to investments or the purchase or sale of any securities, shares or other assets of any kind. Should you take any such action or decision; you do so at your own risk. Information on the topics covered by this publication may be available from other sources, which the user may wish to consult for additional views or information not covered by this publication.

Copyright © 2021 American Gas Association. All rights reserved.