Natural Gas Market Indicators

American Gas Association

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Reported Prices – June has brought about significantly weaker commodity prices as fears of a global economic slowdown begin to mount. Looking first to oil, Brent crude futures, the international benchmark for oil prices, has fallen to $61 per barrel, down more than $10 from only one month ago. Crude oil stockpiles showed a surprise increase in the Energy Information Administration data release for June 7, which added another bearish indicator to the market. Moving on to natural gas, the NYMEX futures strip has prompt-month Henry Hub prices trading at $2.40 per MMBtu, down more than $0.30 during the past month. Natural gas prices have not been this low since June 2016.

Weather – tracking the U.S. cooling season for the past six weeks, AGA Cooling Degree Day summary shows warmer-than-normal conditions for every week since May. Cumulatively, temperatures for the nation are observed to be 21.9 percent above normal for the same six weeks. As temperatures will continue to get warmer as summer officially begins, this could be a bullish signal to energy markets if warm temperature trends continue.

Working Gas in Underground Storage – total inventories of domestic working gas in underground storage have reached 2,088 Bcf for the week ending June 7, 2019. A net build of 102 Bcf (or nearly 15 Bcf per day) brings working gas to 10.0 percent above year-ago volumes and 9.9 percent below the five-year average. The US supply-demand balance has been such that April-May cumulative storage build set a record, according to S&P Global Platts.

Natural Gas Production – following the near-record high of 88 Bcf set during Memorial Day Weekend, domestic dry gas production has fluctuated between 85 to 87 Bcf per day—still a strong showing, and right in the range where production has been since February. Northeast natural gas production is currently 31 Bcf per day, up 3.5 Bcf per day compared with the past 30-day period last year.

Shale Gas – development of shale resources outside of the US have been slow and uneven, but there has been progress. This week, Exxon Mobil announced an expansion of its activities in the Vaca Muerta shale play in Argentina. Spanish for “Dead Cow”, Vaca Muerta has been a promising area of shale oil and gas development for many years. Exxon Mobil said on June 11 that it would develop at least 90 wells in the onshore shale play.

Rig Count – the total U.S. rotary rig count for the week ending June 7, was 975, according to Baker Hughes. Today’s drilling rig numbers reflect an 8 percent decline from year-ago levels. Drillers cut 11 oil rigs for the week compared to last, resulting in the lowest oil count since February 2018, as crude prices collapse to a four-month low. More than half of the total U.S. rigs are in the Permian Basin, where that total also decreased six to 446. Gas-directed drilling saw a weekly increase of 2 rigs ending June 7 at 186, though this count is still 6 percent lower than last year at this same time.

Pipeline Imports and Exports – pipeline imports from Canada are down 0.8 Bcf to 4.5 Bcf per day compared with June last year. Year-to-date volumes also trail 2018 by 0.9 Bcf per day. Pipeline exports to Mexico in June at 4.9 Bcf per day are running close to the same rate as the year-to-date average at 4.8 Bcf.

LNG Markets – data from S&P Global Platts shows that inflows of feedgas to the Corpus Christi LNG facility have surged in recent days and reached a record high of 0.96 Bcf per day set on Tuesday, June 11. Such activity suggests that Train 2 has begun taking significant deliveries as part of its commissioning process. These volumes may continue to ramp up considerably. Stepping back, the global LNG market set new records in 2018. The annual World LNG Report from the International Gas Union, released in April 2019, showed that the liquefied natural gas trade set a record for the fifth consecutive year, having grown 9.8 percent from 2017. More recently, the IEA gas 2019 report shows the positive turn for LNG project developers in 2019. As of February of this year, the total liquefaction capacity of proposed projects reached 845 MT per annum, with the majority of the projects happening in the US and Canada. With that said, feedgas for LNG export is averaging 2.4 Bcf higher than June 2018 at 5.2 Bcf per day, while year-to-date averages are also up 1.7 Bcf from 2018 to 4.8 Bcf per day.

Natural Gas Market Summary – earlier this decade, the International Energy Agency (IEA) asked whether we were entering a Global Age of Gas. The report suggested that more than a quarter of global energy demand would be met by natural gas by 2035. In fact, by 2018, natural gas accounted for 24 percent of global energy consumption, a share that continues to grow. It was a banner year. Data released this week by both the IEA and the BP Statistical Review of Energy showed that 2018 set a record global natural gas demand. North America led the way with the largest increase in gas demand, followed by the Asia-Pacific region where Chinese demand grew by more than 7 percent, according to the BP data. Why do we continue to see this growth? The low cost and versatility of natural gas make it a target fuel for industrial demand, power generation, and for use in homes and businesses. Natural gas reduces air pollution, lowers greenhouse gas emissions, and helps spur economic growth. North America and the US, in particular, is poised to meet the growing demand for natural gas, domestically and abroad. Meeting this opportunity will require new investments in infrastructure and supplies. The US market has worked well during the past decade to direct investment to allow for growth. The question now is whether the US political system will get in the way, or will the market be allowed to continue to function and rise to the challenge?