



NATURAL GAS MARKET INDICATORS

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Natural Gas Market Summary – Strong power burn and export demand coupled with PHMSA-mandated supply constraints in TETCO that are expected to last through the fall are relevant factors in the bullish natural gas market present since the beginning of June. As temperatures across the country are expected to remain warmer than normal, long-term strip future prices remain above \$3.00 per MMBtu through the beginning of 2022.

Reported Prices – Prompt month future prices continued to rally over the first two weeks of June reaching \$3.30 per MMBtu on June 14, a 10 percent increase since June 1. The prolonged rally in prices coincided partially with reports from the Texas Eastern Transmission Co. (TETCO) that a 20 percent pressure reduction required by PHMSA in early June, could remain in place through the fall. The high prices also coincide with strong power burn as temperatures across the country remain relatively high. The long-term strip is currently trading above \$3.00 per MMBtu through February 2022. The oil markets have remained bullish as well. Over the past three weeks, Brent prices have increased 12 percent and WTI prices have increased 14 percent. On June 14, prices per barrel hovered around \$73 for Brent, the highest prices since April 2019, and \$71 for WTI, the highest prices since September 2018.

Weather – Since May 1, the US has experienced conditions 22.2 percent warmer than normal and 2.1 percent warmer than 2020. The week ending on June 12th, was particularly warm, with conditions 58.1 percent warmer than normal. These temperatures have been driving a sustained demand for gas for power burn throughout the country, as there has been an increase in cooling degree days from normalized conditions in all regions except the Pacific. During the cooling season, significant percentage changes are a result of comparing a relatively small number of cooling degree days. For example, New England continues to experience cooling degree days 525 percent warmer than normal. Similarly, the Middle Atlantic, East North Central, and West North Central are 195 percent, 178.6 percent, and 129.7 percent warmer than normal, respectively. NOAA has predicted that the New England, Mid Atlantic, East North Central, West North Central, Mountain, and Pacific regions will be warmer than normal through the end of June, and expects that only the East South Central region will be cooler than normal.

Working Gas in Underground Storage – The week ending June 4 saw a storage injection of 98 Bcf, bringing the total working gas inventory to 2,411 Bcf. This storage level is within the five-year historical range, but is 13.7 percent below the year-ago levels of 2,794 Bcf, and 2.2 percent below the five-year average of 2,466 Bcf.

Natural Gas Production – Average natural gas production in 2021 remains below 90 Bcf per day, which is about 1.3 Bcf per day lower than this time last year. However, June production has averaged 91 Bcf per day, which is 4.4 Bcf per day higher than the average daily production over the first two weeks of June 2020. S&P Global Platts expects production to remain near 91 Bcf per day through the end of June, as demand for power burn and export remains high and supply constraints keep prices relatively high.

Rig Count – Baker Hughes reports that the number of gas rigs in operation fell by one for the week ending June 11, 2021, a net loss of two since the previous *Market Indicators*. Despite the week's decline, the gas rig count is up 23 percent, or 18 rigs, compared to this same time last year. Meanwhile, oil-directed rigs rose by six for the same week in June, and now stand at 365 units, up 83 percent, from year-ago levels. As a result of these recent changes, there are 461 total working domestic rotary rigs in operation, the highest number since the end of April 2020.

Pipeline Imports and Exports – Natural gas pipeline exports to Mexico hit a record high of 7.2 Bcf per day on June 10 as warm weather drove seasonal power loads. The Sur de Texas pipeline, which went into service in 2019, is responsible for supplying a significant amount of the incremental loads, according to S&P Global Platts. Consecutive weeks of pipeline exports above 6.5 Bcf per day in June 2021 increased the year to date average daily exports to Mexico to 5.9 Bcf, 0.8 Bcf per day higher than the 2020 average. At the same time, US pipeline imports from Canada continue to be stronger than in 2020. Thus far in June, the US imported an average of 4.5 Bcf per day, a 0.7 Bcf per day increase from 2020.

LNG Markets – International LNG spot prices often reach yearly lows in May, but according to the latest data released by the EIA, this year prices climbed to highs typically only seen in winter months. Anticipation of high demand for summer electricity in Asia and the effort to build back low inventories in Europe following an unusually cold winter, have supported higher global demand and LNG prices. In the latest Short-Term Energy Outlook released on June 8, the EIA estimates that as a result of strong demand, US LNG exports will be high and average more than 9.0 Bcf per day during the remainder of 2021. Here at home, the amount of gas flowing to US LNG plants fell this week to its lowest level since the extreme cold this February constrained in part by maintenance at LNG facilities. Since the low on June 7, levels have rebounded and feedgas volumes are averaging 9.8 Bcf per day this June, 5.6 Bcf per day above June 2020.

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