American Gas Association

NATURAL GAS MARKET INDICATORS

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Reported Prices – Brent crude futures have risen by more than 80 percent over the last two months, according to Reuters—the fastest increase at any point for more than 25 years—as the market rebounds from its worst crisis in decades. State and local governments are acting to respond to another recent surge in COVID-19 cases, and slowdowns in economic activity could be bearish for petroleum demand. Currently Brent crude is trading at $41.52 per barrel as of June 29, and West Texas Intermediate is trading at $39.10 per barrel. Domestic natural gas prompt-month pricing at Henry Hub fell to nearly $1.50 per MMBtu on June 25 after a strong injection week for underground storage. Current spot prices are trading at $1.60 per MMBtu as of June 29. Looking ahead, contracts through November 2020 remain below $2.00 per MMBtu but rise to $2.80 per MMBtu for the winter 2021 season.

Weather – summer has officially arrived—finally—and brought with it warmer weather. Temperatures measured by cooling degree days are 13.7 above (warmer) than the 30-year normal since May. For the week ending June 27, all regions, excepts the West North Central, East South Central, and West South Central, posted warmer than normal totals, which brought the US average 16.9 percent warmer than the same-week normal. The warm-up in temperatures across the eastern US for the week brought increased demand for natural gas as power generation increases to meet cooling demand, rising nearly 6 Bcf per day compared to the week prior, with most of the power generation gain being concentrated in the Northeast and Southeast cell regions. Averaging 35.6 Bcf per day month to date, consumption of natural gas in the power sector is running 2.0 Bcf higher than the same week in 2019.

Working Gas in Underground Storage – a storage injection of 120 Bcf for the week ending June 19 brought total inventories of working gas in underground storage over 3.0 Tcf, a level typically not reached until August. Current inventories are 32.5 percent higher than year-ago levels, and 18.3 percent above the five-year average. If weekly storage builds maintain a near 100 Bcf on average pace, stocks will be poised to hit capacity in September, a month ahead of the typical end to injection season in October, according to S&P Global.

Natural Gas Production – dry natural gas production has remained steady between 86 and 87 Bcf per day during the second half of June as we transition into summer. Average daily dry gas production year-to-date at 90.8 Bcf is running 1.0 Bcf per day higher than the same period in 2019, and 3.9 Bcf per day lower than June 2019.

Rig Count – the number of active rigs in operation in the United States continues to fall. At 265 rigs total, the US has lost 702 rigs since last year, a fall of 73 percent. The week ending June 26 saw a loss of one rig week-over-week, the smallest week-over-week decrease that has occurred since the oil crash began. The US breakout for the week shows the only rig loss coming from oil-directed drilling, falling one to 188 rigs in operation, 605 less than this week last year. Rigs directed toward natural gas stayed steady at 75 for the week, but are down from a total of 173 one year ago.

Pipeline Imports and Exports – US exports to Mexico surpassed the all-time high of 5.9 Bcf per day logged on June 10 to reach 6.1 Bcf per day on June 25, as demand in Mexico continues to increase. Exports to Mexico have averaged 5.5 Bcf per day this June, 0.2 Bcf per day greater than this time last year. Pipeline imports of natural gas from Canada have been 3.6 Bcf per day this June, which is 0.8 Bcf per day less than June 2019. Year-to-date imports from Canada averages are running 0.7 Bcf per day less than the first six months of 2019 at 3.8 Bcf per day.

LNG Markets – US LNG exports remain depressed even though there's been a modest improvement in the economics of shipping cargoes. More than 40 US LNG cargos for August loading were canceled by buyers, according to S&P Global. There were similar levels of cancellations for July, which followed dozens of cargo cancellations for June. Feedgas deliveries to the six major US LNG terminals operating in the US have hovered around 4 Bcf per day lately, a sharp decline from levels that exceeded 9 Bcf per day in late March. Currently, month-to-date flows of US natural gas feedgas for export have averaged 4.1 Bcf per day this June, 1.4 Bcf per day *lower* than June 2019.

Natural Gas Market Summary – warm temperatures and robust supplies have influenced low domestic and international pricing for natural gas. Henry Hub prompt month futures dropped as low as $1.60 per MMBtu during the past month. Futures contracts farther out on the seasonal and calendar-year strips only reach as high as $2.83 per MMBtu through March 2022, according to NYMEX. West Texas Intermediate pricing is approaching $40 per barrel for the week. Still, it appears that operators have stopped shedding rigs at the aggressive pace that has come to define the recent oil crash with the loss of only one rig in operation on the week ending June 26. Lower-48 production volumes remain steady at 87.0 Bcf per day throughout the end of June. As temperatures continue to warm, total demand is up 1.5 Bcf per day heading out of the weekend on Monday, June 29, according to preliminary estimates from S&P Global. Now that summer has officially started, we will continue to track the demand impacts if warmer trends continue in the coming months.