Natural Gas Market Indicators

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Reported Prices – the stock market fell about 700 points according to the Dow Jones Industrial average during the first week of March, and oil prices fell along with it. Oil have since recovered, with Brent and West Texas Intermediate oil trading at $67 and $58 per barrel, respectively. Natural gas prompt-month pricing remained stable at about $2.85 per MMBtu even with a relatively strong storage withdrawal at the end of February. Monthly and seasonal strips for Henry Hub natural gas futures remain very stable with a peak at $3.19 per MMBtu during the 2019-2020 winter but is below $3 otherwise through 2022.

Weather – the last two weeks of February were quite cold for the lower-48 states. After that, the three successive weeks ending March 9 were 12 percent, 13 percent, and 38 percent colder than normal; compared with the same weeks last year, these temperatures were 36 percent, 40 percent, and 43 percent colder—in other words, *much colder* than 2018. We now see that cumulative heating degree days for the 2018–2019 winter (October through February) is 8 percent colder than last year and only 0.2 percent warmer than normal. Measured by months, November 2018 was colder than normal, December and then January 2019 was warmer than normal, and now February was colder than normal once again. Regionally, only the East and West North Central and the Mountain regions have been colder than normal cumulatively this past winter. All others have been warmer.

Working Gas in Underground Storage – not surprisingly, the strongest net withdrawals from underground storage this winter heating season occurred between mid-January and the end of February 2019. Six of seven weeks in that period were triple-digit withdrawal weeks, with the strongest (-237 Bcf) registered for the week ending February 1. For the week ending March 8, a 204 Bcf withdrawal brings underground working gas inventories to 1,186 Bcf or 32 percent behind the five-year average. Current volumes are 23 percent lower than this point last year.

Natural Gas Production – domestic natural gas production year-to-date is 8.4 Bcf per day higher than one year ago. Daily dry gas production at 86.0 Bcf on average during March is 8.0 Bcf per day from 2018. Remember, these increases in production come at a time when natural gas reserves in the US are also at an all-time high and are now exceeding 438 Tcf (EIA, year-end 2017).

Shale Gas – in a recent announcement, Consolidated Edison Co. of New York has placed a moratorium on new gas service hookups on Long Island and in Westchester County. A Williams Pipeline project proposal to create the infrastructure to serve the area, and approved by the Federal Energy Regulatory Commission (FERC), has been thwarted by the state. Without the upstream capacity additions, Consolidated Edison has determined it cannot serve more customer growth during peak load requirements. The gas source for the Williams proposal would have been the Marcellus shale production, which has blossomed in the east and is in search of markets. Some business leaders, consumer groups, and labor organizations have criticized the state for impeding the pipeline, but others don't agree. Renewable energy options, conservation, and electrification of home heating are being touted as the long-term solution in place of natural gas service.

Rig Count – the natural gas rig count has shed 5 from since the beginning of the year and now sits at 193 rigs in operation. These declines have come from shale plays outside of the Marcellus and Haynesville, which have added 8 and 6 rigs respectively since the week ending January 4. Oil-directed drilling at 834 also reflects a pullback as operators have shed 43 rigs since the first week of January. The Permian has seen its drilling activity decrease by 22 rigs, the largest single-play decline.

Pipeline Imports and Exports – pipeline natural gas import volumes from Canada have bumped up to 4.9 Bcf per day for March 2019, but that volume is 1.0 Bcf per day less than flows one year ago in March 2018. Year-to-date daily averages have been 5 Bcf per day but are 0.4 Bcf lower when compared to the first two and a half months of 2018. On the flip side of that coin, pipeline exports to Mexico have been strong in early 2019 and are now 5 Bcf per day, which is 0.6 Bcf higher than the year to date 2018.

LNG Markets – according to recent reports, NextDecade Corp. has entered into a site lease agreement with the Brownsville Navigation District for another LNG export facility to be built in Texas. The 984-acre parcel of land would be home to the Rio Grande export terminal and may include up to six liquefaction trains. A final investment decision on the project is expected in the third quarter of 2019. Total US feedgas for LNG exports in March 2019 so far (5.2 bcf per day) exceeds that of one year ago by 2.0 Bcf per day, a 63 percent increase.

Natural Gas Market Summary – gas pricing in the longer-term market has the look of relative stability (just above and below $3 per MMBtu) according to NYMEX seasonal strips through 2022. Domestic natural gas production seems to have reached a plateau at about 85 Bcf per day and after a pre-winter inventory of about 3.3 Tcf, storage still remains above 1 Tcf as we progress through the final month of the winter heating season. This consistency points to supply and demand balance as we begin to point ahead to summer with its potential for cooling load demands and storage injections. All the while, domestic exports of natural gas have reached 10 Bcf per day.