NATURAL GAS MARKET INDICATORS

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Natural Gas Market Summary – natural gas future prices have dropped steadily since mid-February as temperatures increase across the US. Price drops have been driven, in part, by lower than expected withdrawals from storage and the first storage injection of 2021. Nonetheless, inventory totals remain below the five-year average following the largest ever withdrawl on record for February. Low prices and recovered production have contributed tofeedgas flows for LNG exports recovering from declines during the extreme cold weather event in February. Daily gas deliveries to LNG facilities have been consistently higher than March 2020. Global LNG supply is estimated to rise by 8 percent in March as compared to March 2020 levels.

Reported Prices – gas future prices have fallen continuously through March 15 after peaking above $3.00 per MMBtu in mid-February. April futures were trading slightly above $2.50 per MMBtu following sharp reductions in gas demand, lower-than-expected withdrawals from storage as measured by EIA analyst expectations prior to the storage report's release, and a warming trend across all major weather forecasts. Longer-term futures have fared similarly, with June and July futures trading at $2.61 and $2.63 per MMBtu respectively, a 6 percent reduction since the start of the month. WTI and Brent oil prices have continued to climb to $64.61 and $68.24 per barrel. However, the first two weeks of March have seen more price variability than recent months with Brent prices climbing to just shy of $70 and dropping on two occasions, and WTI prices twice climbing slightly above $66 and subsequently dropping.

Weather – following the severe low temperatures in early to mid-February, temperatures have been milder throughout much of the US. This week a strong weather system has brought large amounts of rain and snow to large sections of the Rockies and Plains, but high temperatures in the coldest areas have remained in the 30s. The heating degree days reflect the milder temperatures, as cumulative HDDs for the week ending March 13 were 21.4 percent warmer than normal across the US, with colder than normal temperatures only present in the Pacific region.

Working Gas in Underground Storage –Gas demand declines across the country by more than 6 Bcf per day week-over-week. Residential and commercial customers accounted for almost all of the declines. As a result of lower demand and strong production, the week of March 8 saw the first daily injections of gas into underground storage of 2021, according to S&P Global Platts Analytics. Currently, working gas inventories are 1,793 Bcf following a withdrawal of 52 Bcf for the week ending March 5. At 1,793 Bcf inventory totals are 7.3 percent below the five-year average and fall behind year-ago levels by 12.5 percent. According to the latest Short-Term Energy Outlook, the EIA estimates that February inventory withdrawals were 829 Bcf, the largest withdrawal on record for February. EIA forecasts that natural gas inventories will ultimately end the 2021 injection season, which typically runs through October, at nearly 3.7 Tcf, which is 2 percent less than the five-year average.

Natural Gas Production – despite the winter storm that is currently making its way across the US, natural gas production has remained fairly steady. According to S&P Global Platts, for the week ending March 15 production has averaged about 92 Bcf per day, only 3.1 Bcf per day lower than year ago levels, as only production in the Rockies has been affected. While demand has been slightly high at 106.9 Bcf per day on March 15, S&P Global expects demand to trend below 100 Bcf per day by the end of the week.

Rig Count – oil drilling activity increased by one rig during the week ending March 5, but lost another rig the following week. As a result, as of March 12, oil rigs in operation in the US remain at 309. There are 92 gas seeking rigs in operation, 15 below the 107 gas rigs in operation one year ago. Total US rig activity sits at 402, substantially below the 792 rigs in operation during the same week in 2020.

Pipeline Imports and Exports – pipeline natural gas import volumes from Canada are up from this time last year with current monthly volumes at 4.8 Bcf per day compared to 3.7 Bcf per day in March 2020. Pipeline exports to Mexico have recovered strongly since mid-February, and are now 5.4 Bcf per day year-to-date, 0.2 Bcf higher than over the same period in 2020.

LNG Markets – total feedgas deliveries to the six major operational LNG export terminals in the US have recovered following the disruptions to US LNG trade precipitated by extreme weather last month. Daily gas deliveries from pipelines connected to export facilities have consistently been 10 – 11 Bcf per day through mid-March, 2.6 Bcf per day higher than March 2020. According to *Global LNG Monthly: March* from Bloomberg New Energy Finance (BNEF), global LNG supply in March is estimated to rise to 32.5 million, an 8 percent increase from February as US supply recovers from the deep-freeze and the potential commissioning of Corpus Christi Train 3.