Natural Gas Market Indicators

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Reported Prices – one week ago, Saudi Arabia announced its intent to increase crude oil production as part of a price war with Russia. Since then, the oil market has tumbled as rapidly unfolding events related to the coronavirus disease (COVID-19) pandemic brings the prospects of a significant global economic slowdown. Today, global oil indices trade below $30 per barrel. At home, US natural gas futures have traded mainly within a narrow range below $2 per MMBtu. Between February 18 and March 13, the prompt-month future has closed at a price between $1.68 and $1.98 per MMBtu.

Weather – weather continues to be the primary driver of domestic natural gas demand at the moment, with most of the decline in US gas consumption materializing in the residential and commercial sectors amid warmer temperatures. The two weeks ending March 7 and March 14 were 40 percent and 26 percent warmer than the same period in 2019. Residential and commercial gas deliveries are down 30 percent month-to-date compared with 2019, and overall demand is down 15 percent for the same period.

Working Gas in Underground Storage –working gas inventories at 2,043 Bcf are 12.5 percent above the five-year average and 63.8 percent ahead of stocks at this time last year. The three weeks ending March 6 showed a withdrawal rate slightly less than the five-year average, which contributed to a widening gap between actual inventory stocks and the average. The most significant regional deviations from the five-year average this winter heating season have come in the East and Midwest regions, which are 20.7 and 24.8 percent, respectively, above.

Natural Gas Production – natural gas production remains steady. Lower-48 dry gas flows at 91.9 Bcf per day year-to-date are 5 percent higher than 2019, a record year itself. Month-to-date dry gas volumes are slightly higher at 92.2 Bcf per day. Expectations from the Energy Information Administration via its *Short-Term Energy Outlook* show dry natural gas production averaging 95.3 Bcf per day in 2020, which would be an addition of 3.0 Bcf per day from 2019. EIA expects output to fall slightly into 2021 to an average of 92.6 Bcf per day.

Rig Count – oil drilling activity increased during the past two weeks, despite declines in global oil prices. The total US rig count stands at 792, with oil activity accounting for 683 of those rigs. The Permian basin alone added ten rigs since mid-February. However, the count likely doesn't reflect the recent sharp declines in global oil pricing. Meanwhile, in the two top gas plays, the Marcellus and the Haynesville, the number of gas rigs operating increased by five since mid-February. However, declines in other basins meant that overall gas rigs fell by three since mid-February.

Pipeline Imports and Exports – natural gas imports from Canada averaged 3.5 Bcf per day so far this month, a 29 percent drop compared with 2019. Exports to are up 8 percent from 2019 levels at 5.4 Bcf per day month to date.

LNG Markets – It's unclear how unfolding events in the global oil market will affect the US LNG sector or the prospect for future export projects. In the near-term, oil-linked contracts add downward pressure to LNG prices already pulled down by a global supply glut. Declines in demand due to slowing economic activity could add additional bearish pressure. But how long will this pricing environment continue? How long would it take for these factors to affect investments in new LNG export capacity? Time will tell. The macro trends notwithstanding, LNG activity at the moment in the US remains high. Month-to-date flows of feedgas for LNG have averaged 8.0 Bcf per day, just below the year-to-date average of 8.5 Bcf per day.

Natural Gas Market Summary – events related to COVID-19 are evolving rapidly. The cumulative number of confirmed cases in the US grows by the day. To slow the spread of the virus, the US federal, state, and local governments issued official guidance that mass events and large community gatherings be limited. The impacts of the COVID-19 on human health and the economy may be significant, and the potential extent of those effects is reflected, in part, in the continual roiling of global markets. As of this writing, the Dow Jones Industrial Average has fallen more than 9,000 points as fears of an economic recession mount. Global energy markets have undergone similar turmoil. Crude oil prices tumbled below $30 per barrel as declines in petroleum demand run into increasing levels of production stemming from Saudi Arabia's price war with Russia.

Here at home, the *Natural Gas Market Indicators* will continue to focus on North American natural gas market topics and related items while mindful, of course, of the broader impacts taking place to people and businesses. Right now, evidence of significant disruption in the US natural gas market remains limited. Production remains steady, and natural gas prices have traded in a low but relatively narrow range. Gas deliveries to end-users have yet to show a decline in weather-adjusted demand, according to analysis from S&P Global Platts. However, as people, businesses, and governments utilize "social distancing" to curb the spread of COVID-19, the potential for impacts to US natural gas demand could increase. We will track developments and report them here. In the meantime, stay safe and be well.