



NATURAL GAS MARKET INDICATORS

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Natural Gas Market Summary – warmer weather across the country and renewed production following the cold weather in February have contributed to relatively low natural gas spot and future prices despite some surges in demand in the West. Low prices have preceded increased pipeline and LNG exports. Warmer weather also preceded increased pipeline exports to Mexico, and high natural gas prices in Europe and Asia have been followed by record high LNG exports.

Reported Prices – the prompt-month futures contract has closed below \$2.84 per MMBtu for the entirety of March. It appears that record demand in February, while impactful to short-term cash markets, has left futures commodity contracts relatively unphased. The third and fourth weeks of March saw short-term future prices rally by about 10 percent, but by March 30, prices had dropped again, likely influenced by National Weather Forecasts for warmer-than-normal temperatures over the first two weeks of April. Future prices remain low also. The CME futures strip for every month through December 2021 shows contract prices below \$3 per MMBtu (noting that trading volume declines significantly after the October 2021 contract). On the cash market, every hub is posting spot prices below \$3 per MMBtu except for one (PG&E Gate at \$3.60 per MMBtu), according to the day-ahead price listing for delivery on March 30 posted by S&P Global Platts. In oil markets, crude oil prices continue to show strength. Brent crude futures have risen from \$48 per barrel in January to its current price of nearly \$62 per barrel. Oil prices are roughly at the same level as two weeks earlier despite the challenges introduced to global shipping trade resulting from the Suez Canal blockage.

Weather – as we enter the shoulder season in April, warmer-than-normal temperatures have dominated heating degree day totals for the current winter heating season, notwithstanding the extreme cold experienced in mid-February because the remainder of the heating season was warm. The traditional winter-heating-season degree-day accounting for November through March shows that from November 2020 through January 2021 temperatures were 8.5–20.9 percent warmer than normal. For the week ending March 27, temperatures were 26.7 percent warmer than normal, as colder temperatures in the Mountain and Pacific regions were offset by significantly warmer temperatures in the rest of the country.

Working Gas in Underground Storage – underground storage stocks declined by 47 Bcf for the week ending March 19, despite some relatively strong injections of 45 Bcf in the South Central Region. The withdrawals coincide with steady gas demand, primarily driven by the residential and commercial Sectors, and a considerable increase in pipeline and LNG exports.

As of March 19, working gas inventories stand at 1,746 Bcf, 13.1 percent below the same week in 2020 and 4.3 percent below the five-year average.

Natural Gas Production – US natural gas production remains stable and consistently above 92 Bcf per day. Lower-48 dry gas flows reached 93.2 Bcf, its highest level of 2021 on March 22, according to data from S&P Global Platts Analytics. During March of this year, domestic production averaged 92.4 Bcf per day – 0.7 Bcf below the March 2020 average.

Rig Count – the domestic oil and gas rig count in the United States increased by six rigs over the week ending March 26, with all of the increase resulting from oil-directed drilling. The total rig count in operation stands at 417, 92 of which are gas-focused. Despite the rise in oil rigs, according to the latest *Drilling Productivity Report* from the EIA, oil production is expected to decline in April, falling 46 thousand barrels to 7.5 million barrels from March levels. Nationwide, gas production across the major shale basins is projected to be 82.5 Bcf per day in April, 316 MMcf per day less than in March. EIA expects the Haynesville and Permian regions to be the only basins to see gas production gains in April.

Pipeline Imports and Exports – US pipeline exports to Mexico have reached their highest levels in months as US supply has fully rebounded from the mid-February freeze, and Mexican demand has increased as temperatures have become warmer. Consecutive weeks of pipeline exports above 6.0 Bcf per day in March 2021 increased the year-to-date average daily exports to Mexico to 5.5 Bcf, 0.3 Bcf per day higher than the 2020 average. At the same time, US pipeline imports from Canada continue to be stronger than in 2020. In March, the US imported an average of 4.5 Bcf per day, a 0.7 Bcf per day increase from 2020.

LNG Markets – March average daily LNG exports were 11.1 Bcf, according to preliminary reports from S&P Global Platts Analytics. This would represent a new monthly high for sendout, above the current record of 10.7 Bcf in December 2020. Consistently high prices in European and Asian gas markets are helping drive the record amounts of LNG exports. While shipping traffic has resumed through the Suez Canal, it is unclear how many LNG freighters were affected by the delays and if those delays may impact LNG prices going forward. Initial reports by Natural Gas Intelligence show that European prices fell following the dislodging of the Ever Given.

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