



# NATURAL GAS MARKET INDICATORS

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Edition 390

***Natural Gas Market Summary*** – production levels were relatively low over the first two weeks of May, as routine maintenance is completed in gas pipelines during the shoulder season. However, LNG and pipeline export demand has remained strong, while gas to power generation has increased. These market forces have combined to put upward pressure on future prices, which for the most part remain above \$3.00 per MMBtu and have resulted in lower-than-average gas injections into storage.

***Reported Prices*** – natural gas future prices have remained relatively strong through the first two weeks of May, with prompt future prices consistently hovering around the \$3.00 per MMBtu mark. Similarly, longer-term futures are trading above \$3.00 per MMBtu at least through the first quarter of 2022 as US LNG demand remains robust while year-to-date production remains, on average, more than 2 Bcf per day lower than in 2020. Spot prices have also remained relatively strong, with average prices declining by only 1 percent over the first two weeks of May despite dwindling winter weather across the lower 48. Brent prices scratched the \$70 per barrel threshold on May 12 before dropping to around \$68.73 per barrel by May 14, behavior that might have been driven in part by the cyberattack on the Colonial pipeline. WTI prices also reflected the prudent market reaction to the cyberattack, with prices briefly reaching \$66.08 per barrel on May 12 before dropping to \$65.41 per barrel by May 14.

***Weather*** – May is underway, and so is AGA's weekly cooling degree day (CDD) report. Typically mild temperatures during the cooling season mean that minor deviations in the cooling degree day count can lead to significant percentage changes. Still, variations from normal have differed substantially by region. For example, New England has been normal the first two weeks of May. In contrast, over the same two-week period, the South Atlantic has been cumulatively 67 percent warmer than normal, and the Pacific region has been 46 percent cooler than normal. For the week ending May 1, a cumulative total of 15 cooling degree days (CDDs) across the lower-48 was higher than the 30-year average of 11 CDDs, resulting in temperatures 36.4 percent above normal. For the week ending May 8, temperatures were 28.6 percent warmer-than-normal as the US posted 18 CDDs as a whole.

***Working Gas in Underground Storage*** – the week ending April 30 saw a storage injection of 60 Bcf, followed by an additional injection of 71 Bcf one week later. Total inventories now stand at 2,029 Bcf, which is 15.7 percent below year-ago levels and 3.4 percent below the five-year average. Storage injections have been lower than average (the five-year average build for this week is 82 Bcf), resulting in an expanding gap between current storage

numbers and the five-year average. The limited storage injection is likely driven by a combination of low production, increasing gas to power generation demands, and robust US LNG exports.

**Natural Gas Production** – pipeline maintenance events are common during the shoulder season, a trend that continues this year. Several maintenance events across the US since mid-April have led to lower production levels. Year-to-date average production across the US remains at 89.7 Bcf per day, 2.7 Bcf per day lower than 2020. According to S&P Global Platts, average daily production is expected to remain below 91 Bcf through the end of the month.

**Rig Count** – the domestic oil and gas rig count rose by eight to 488 for the week ending May 7, its highest total since April 2020. Similarly, US gas rigs rose by seven for the week, the highest weekly gain since December 2008. Gas rigs in operation sit at 103 and are 29 percent higher than year-ago levels. Rigs seeking oil rose by two to 244 for the week and now stand 18 percent higher than year-ago levels.

**Pipeline Imports and Exports** – according to S&P Global Platts Analytics, Mexico's electricity load has increased by more than 20 percent between the end of April and the beginning of May. In 2020, current levels of power sector load in Mexico were not experienced until the first week of July. Higher demand levels in Mexico have led to increase demand for US pipeline exports to Mexico. Cross border flows have averaged 6.2 Bcf per day this month and remain near the record levels of around 7 Bcf per day reached in the middle of April. Meanwhile, month-to-date import volumes from Canada are up 0.9 Bcf per day compared with May 2020. Daily averages for imports from Canada have stayed consistent at 4.6 Bcf per day in May, generally fluctuating by only 0.2 Bcf per day.

**LNG Markets** – demand for US LNG by Europe and Asia remains strong, as their reserves are built up following an uncommonly cold winter. However, as domestic production remains low during the shoulder season, LNG exports remained flat this week at around 10 Bcf per day, 1 Bcf lower than the average in April and early May. As production increases with the onset of the cooling season, LNG feedgas is expected to bounce back to full production at 11 Bcf per day.

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