American Gas Association

NATURAL GAS MARKET INDICATORS

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Natural Gas Market Summary – the first two weeks of November saw much more variability in the natural gas market. October saw increases in prices, growing gas production, and storage withdrawals. However, those increases became substantial decreases as temperatures soared and 16-day GFS weather forecasts reported by NOAA and ECMWF predicted higher than average temperatures across the US. However, pipeline and LNG imports and exports remain strong as the natural gas market ventures into a heating season that is expected by NOAA to be colder than last year's overall.

Reported Prices – warmer-than-normal temperatures during the first two weeks of November fueled a seven-day fall in prices for December futures and the long-term strip. On November 2, December futures were trading at $3.76 per MMBtu. By November 9, prices had dropped to $2.86. Since then, December future prices have been more up than down, trading above $3.00 on November 13 as temperatures across the US began to drop again. Similarly, February and March futures were trading above $3.00 per MMBtu on November 13, following a significant slump in the first week of November. Ultimately, future prices are expected to remain low as 16-day GFS weather forecasts show higher-than-normal temperatures across the US. In contrast, Brent and West Texas Intermediate prices have been bullish in November, rising by over 8 percent to $42.89 and $40.30 respectively between November 2 and November 9. Increasing prices are likely due, in part, to the normalization of inventories and consumption following a challenging year.

Weather – following the formation of subtropical storm Theta on November 10, the 2020 hurricane season is officially the most active in history. With less than a month remaining in the season, Theta becomes the 29th named storm surpassing the 2005 record of 28 named storms. None of the storms since Hurricane Zeta have had a significant impact on gas production or prices. However, temperatures across the lower-48 remain higher than normal, adding a bearish pull on natural gas prices. While temperatures have been colder in the South and the East than in the rest of the country as measured by heating degree days, short-term temperatures across the US are expected to remain higher than normal in the foreseeable future.

Working Gas in Underground Storage – the last week of October saw withdrawals amounting to 79 Bcf across the US, resulting in a balance of 3,919 Bcf on October 31. Following modest injections and minimal withdrawals over the first week of November, estimated stocks as of November 6 were 3,927 Bcf. This estimate is within the five-year historical range and 176 Bcf above the five-year average.

Natural Gas Production – US production reacted to increases in residential and commercial demand. The strong response was driven by demand in the Northeast over the last week of October and into November. However, Northeast production also contracted by 2 Bcf per day in the second week of November in response to bearish natural gas prices. Due to the recent declines, the month to date average for Northeast November production has fallen to 32.1 Bcf per day, in line with the October average. Year to date natural gas production is 1.7 Bcf below the yearly aggregate production seen over the same period in 2019. Daily dry gas production has clocked in at 88.4 Bcf per day, which is also 6.1 Bcf per day lower than November 2019.

Rig Count – the number of rotary rigs operating in the United States hit 300 on November 6, Baker Hughes reported. The latest rig count shows a week-on-week gain of four drilling units, bringing the total to the highest level since May 29. US gas-directed rigs finished the week at 71, a loss of one from the week prior. Rigs seeking oil saw a jump of five for the week totaling 226 rigs. Against the year-ago figure of 817, there are 63 percent fewer US rotary rigs in operation at this time.

Pipeline Imports and Exports – imports from Canada during the first two weeks of November grew from 2.1 to nearly 4.5 Bcf per day by November 12. As imports remain above 4 Bcf per day, the monthly average for daily imports through November 12 is 3.6 Bcf per day. However, compared to November 2019, imports are down 21.4 percent. South of the US border, exports to Mexico have remained strong with a month-to-date average of 5.3 Bcf per day, which is 0.1 Bcf higher than in 2019.

LNG Markets – US LNG exports have rebounded despite spending the majority of 2020 depressed due to disruptions from COVID-19 and an overactive Atlantic Hurricane Season. The latest EIA Short-Term Energy Outlook shows that the United States exported 7.2 Bcf per day of LNG in October, an increase of 2.3 Bcf per day from September, and the largest month-on-month increase since US LNG exports began in 2016. The EIA also forecasts that US LNG exports will be above pre-COVID levels this November, averaging 8.5 Bcf per day. The first half of November has already seen average month-to-date volumes of LNG exports to feedgas of 10.3 Bcf per day, 43 percent above the first half of November 2019.