American Gas Association

NATURAL GAS MARKET INDICATORS

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Natural Gas Market Summary –

- The US natural gas market prepares to enter the winter heating season with a portfolio of natural gas supplies that includes strong natural gas production, imports, and growing storage inventories.
- Even with natural gas futures prices at $5.50 - $6.00 per MMBtu, which is high for the September shoulder season compared with recent years, natural gas pricing remains relatively low compared with history.
- Current pricing trends reflects a tighter market as production growth in the short term has lagged increases in natural gas demand, principally as flows for export have increased.
- Storage inventories, while below the five-year average, continue a strong refill pace, especially in the Midwest and Northeast markets served by natural gas utilities. Flexible salt dome storage in the South has shown a slower refill pace, and likely reflects the near-term demand needs for exports and a forward curve that incentivizes use over storage in the near term.

Weather – Over the last two weeks, temperatures were warmer than normal across the lower-48. US temperatures for the week ending September 25 were 24.1 percent warmer than normal and cumulative temperatures since the beginning of the cooling season have been 17.3 percent warmer than normal. However daily highs remained in the 70s and 80s for much of the country.

Demand – Mild weather across the lower-48 has led to a total average domestic demand for September 2021 of 68.4 Bcf per day, about 1.0 Bcf per day lower than September 2020. Total demand, however, remains substantially higher than in 2020 as LNG and pipeline exports show no signs of slowing down given the extrodinary pricing environment in Europe and Asia, and amid higher demand from Latin America. As we enter the shoulder season and temperatures begin to cool, residential and commercial demand is likely to grow. However, the EIA projects average US daily natural gas consumption in 2021 will average 82.5 Bcf per day, a 0.9 percent reduction from 2020.

Natural Gas Production – Dry natural gas production, while flat through most of 2021, remains around 90 Bcf per day through September. Average production in the second half of September (16-30) is up 1% compared to the first half of September (1-15). Offshore production was slow to recover from the effects of Hurricane Ida but continues to grow and contributes to the overall total. According to data from S&P Global Platts, one month after Hurricane Ida, average daily offshore production volumes in the Gulf are 2.4 Bcf per day, down around 200 MMcf per day from pre-storm levels.

Pipeline Imports and Exports – Pipeline exports to Mexico have averaged 6.1 Bcf per day in 2021, nearly a 13 percent increase from 2020. The consistently high demand for natural gas south of the border has been one of the primary driver of national demand this year. Similarly, imports from Canada have averaged 5.0 Bcf per day in 2021, a 19 percent increase from 2020.

LNG Markets – US LNG exports have averaged 10.5 Bcf per day in 2021. The US continues to export LNG at near capacity, as concerns in Europe and Asia about gas availability and energy security shapes those markets. While US LNG exports represent less than 7 percent of total gas consumption in Europe, extremely high prices make European markets an attractive place to sell gas despite increasing prices at home. As of September 29, TTF future prices through the end of the heating season remain above $26 per MMBtu, a 370 percent increase in prices since early March. Similar bullish markets are also present in Asia. For example, future prices at the JKM reached around $30 per MMBtu as of September 29.

Working Gas in Underground Storage – With approximately one month left in the traditional injection season, natural gas storage across the United States continues to rise beyond 3 trillion cubic feet following an injection of 76 Bcf for the week ending September 17. The total nationwide stock now sits at 3,082 Bcf. Despite substantial injections in recent weeks, storage inventories remain 6.9 percent below the five-year average. However, storage injections typically occur as late as early November. As such, the EIA forecasts inventories to reach 3.5 trillion cubic feet by the end of the storage injection season.

Reported Prices – Production that has struggled to keep pace with booming demand, bullish markets across the globe, and storage levels below the 5-year average have resulted in the highest natural gas prices in nearly a decade. On September 29 prompt month futures at the Henry Hub settled at $5.52 per MMBtu after having hit the $6.30 per MMBtu mark earlier in the month. Future prices have remained consistently above $5.00 per MMBtu through the end of the heating season. A lot of national attention has been paid to the surging natural gas prices in the last two weeks of September, but prices remain low compared to history. Price behaviour throughout the winter will largely depend on temperatures and might be impacted by unforseen events. However, the latest EIA short term energy outlook foresees average monthly prices increasing slightly through January and declining thereafter. Oil prices were volatile but ultimately increased slightly over the last two weeks of September. As of September 29, WTI was trading at $74.79 per barrel and Brent was trading at $78.40 per barrel.

Rig Count – Baker Hughes reported the number of active US rigs rose by nine to 521 for the week ending September 24. Rigs seeking oil rose by ten to 421, following increases in each of the last two weeks. Meanwhile, gas-directed rigs sit at 99, decreasing one from the prior week. The latest total US rig count is up 260 units from 2020. Of those, 238 are oil rigs, and 24 are gas rigs.