



# NATURAL GAS MARKET INDICATORS

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***Natural Gas Market Summary*** – spot prices surged, and natural gas production rebounded ahead of Hurricane Zeta. September and October saw four storms lash the Gulf of Mexico, leading to supply constraints that increased natural gas spot prices throughout October. The increase in natural gas prices may have also triggered a rise in gas production, notably as the curtailments in the Northeast were potentially lifted. October also saw continuing gas injections into storage, sustaining a trend that is expected to result in over 4 trillion Bcf in storage by the end of the injection season.

***Reported Prices*** – between the middle of July and early September, December future prices experienced a 23 percent increase in prices to around \$3.20 per MMBtu, a three-year high. Since then, December future prices have remained relatively stable, consistently trading between \$3.00 and \$3.35 per MMBtu and hovering around \$3.30 going into November. Prices in the long-term strip remain at comparable levels as well. As of this writing, February 2021 futures are trading at \$3.36 per MMBtu, and March 2021 futures are trading at \$3.23. In contrast, spot prices increased 92 percent in October, rising from \$1.06 on October 1 to \$3.07 per MMBtu on October 27. The dramatic increase in prices is partly due to the cooler weather in parts of the country and some supply constraints ahead of Hurricane Zeta. Turning to the oil markets, Brent and West Texas Intermediate prices have experienced 10 percent reductions in the last two weeks. Going into November, Brent is trading at \$38.36 per barrel, and WTI is trading at \$36.26 per barrel.

***Weather*** – Hurricane Zeta made landfall near Cocodrie, Louisiana, at 4:00 pm on October 28. Zeta is the 27<sup>th</sup> named storm and the sixth storm named under the Greek letter naming system in the 2020 hurricane season, tying the 2005 hurricane season for the most named storms in history. Zeta is also the record-setting fifth major storm to make landfall across the Louisiana coast this hurricane season. Eleven storms, including six hurricanes, made landfall in the contiguous United States this season, breaking the record of nine established in 1916 and the most since 1985. Nonetheless, the 2005 hurricane season is still considered the most active hurricane season ever due to an unnamed tropical storm formed in October 2005. The National Hurricane Center retroactively identified the storm after the hurricane season had ended and decided that the storm should have been named but was not. Turning to temperatures, the week ending October 24 was 20 percent warmer than normal. As a result, October has cumulatively been 22 percent warmer than normal so far, continuing a year-long trend of warmer than normal temperatures.

***Working Gas in Underground Storage*** – as the storage injection season starts winding down, natural gas storage across the United States continues to approach 4 trillion cubic feet following a two-week increase of 78 Bcf for a total nationwide stock of 3,955 Bcf as of October 23. Storage inventories are 8 percent above the five-year average. As the winter season begins, the injection rate has slowed. But they haven't stopped. Storage injections can typically occur

as late as early November. As such, storage inventories are likely to reach the 4 trillion milestone by the end of the storage injection season.

**Natural Gas Production** – according to S&P Global Platts, flowing gas supplies have rebounded, remaining consistently high since October 14. Northeast production appears to be a key contributor to that growth with combined production from the Marcellus and Utica shales of about 33 Bcf. Two key dynamics may be driving the high Northeast volumes. First, more than half of the gains are in highly-constrained areas of Northeastern PA, where storage is less limited by proximity to demand centers. This suggests that production is rising in response to demand. Second, in early September, EQT announced a second-round of curtailments of 425 MMcf per day due to low gas prices. While those curtailments ended in mid-October, resulting in increased production, during its Q3 earnings call, EQT did not dismiss the possibility of further curtailments.

**Rig Count** – Baker Hughes reported the number of active US rigs rose by nine to 296 for the week ending October 30. Rigs seeking oil rose by ten to 221, following increases in each of the last five weeks. Meanwhile, gas-directed rigs sit at 72, decreasing one from the week prior. Against the year-ago figure of 822, the latest total US rig count is down by 526 drilling units, of which 470 are oil rigs, and 58 are gas.

**Pipeline Imports and Exports** – US exports of natural gas to Mexico continue to grow in today's energy trade. According to the most recent EIA data, Mexico remains the top destination for US natural gas exports. According to EIA, Mexico has been the largest overall importer of natural gas from the US ever since it surpassed Canada in 2015. According to S&P Global Platts data, a new section on the Wahalajara pipeline completed in June 2020 increased year-to-date average daily exports to Mexico to 5.9 Bcf, 0.8 Bcf per day higher than the 2019 average. Exports continue to average 5.9 Bcf per day in October, a nine percent increase over October 2019. Meanwhile, Canada's pipeline imports have averaged 3.7 Bcf per day month-to-date, ten percent below last year.

**LNG Markets** – On October 25, US LNG feedgas demand for export rose to 9.4 Bcf per day. Four days later, demand rose once again to 9.6 Bcf per day, according to preliminary estimates from S&P Global Platts, marking the strongest LNG feedgas demand since April 1. The increases also denote the first time in six months that volumes have surpassed 9 Bcf per day. The strength of LNG feedgas is driven by offshore facilities rebounding after the shutdowns due to Hurricanes Laura, Sally, and Delta. This recent rise in feedgas deliveries brings October month-to-date averages up to 7.8 Bcf per day, more than 18 percent above October of 2019. Similarly, year to date volumes of LNG feedgas demand exceed last year's levels by nearly 25 percent at 6.6 Bcf per day.

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