

Natural Gas Market Indicators



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Reported Prices – domestic and international crude oil prices continue a steady increase throughout the month. West Texas Intermediate and Brent crude oil futures are trading at \$55 and \$61 per barrel, respectively. These prices reflect increases of \$2 per barrel each since the last Market Indicators. Here at home, natural gas futures prices at Henry Hub have been living near or above \$2.30 per MMBtu for the second half of October. On October 29, the forward view of natural gas trading ranged from \$2.54 to \$2.72 per MMBtu for the five months of November 2019 through March 2020. Across the country, one's local view of prices may vary, shaped by various factors, including local demand and possible infrastructure constraints. For example, in the east, the cash price on Transco Zone 6 (New York) is trading at a 44 cent discount to Henry Hub. In East Texas at Waha, natural gas is calling for a -\$1.40 discount. Farther west, PG&E Malin trades at a 31 cent premium, while the Northwestern Canadian Border cash price at Sumas is currently \$1.54 higher than Henry Hub.

Weather – earlier this month, the National Oceanographic and Atmospheric Administration (NOAA) released their *Winter Outlook* predicting warmer-than-normal conditions for much of the US this winter. The NOAA media release for the *Outlook* states that “although below-average temperatures are not favored, cold weather is anticipated and some areas could still experience a colder-than-average winter.” This is relatively similar to last year’s seasonal outlook, where above-average expectations did not preclude a polar vortex event during late January 2019. Looking backward, heating degree days in aggregate have been 8.5 percent warmer-than-normal in the lower-48 since October 1. Most regions of the country have posted heating degree days indicating above-normal temperatures during this period and range from 6.9 percent warmer in the Pacific region to 32.9 percent warmer in the South Atlantic. The exceptions are the West North Central, West South Central and Mountain regions, which have been colder.

Working Gas in Underground Storage – storage volumes finally pushed above the five-year average for the week ending October 11 with an injection of 104 Bcf. Inventories made additional gains with injections of 87 Bcf and 89 Bcf posted for the weeks ending October 18 and October 25, respectively. Working gas stocks at 3,695 Bcf are 17.8 percent above 2018 and 1.4 percent above the five-year average. It appears the country will enter this winter heating season in a robust position for gas stocks in underground storage.

Natural Gas Production – new production records for US dry gas seem to be set every week—the latest coming on October 27 and reaching 92.6 Bcf for the day. That record was surpassed one day later, hitting 92.7 Bcf on October 28. With dry natural gas production averaging 91.5 Bcf per day in October 2019, domestic gas is six percent higher than this time last year. Northeast production also reached a record high on October 27 at 36.0 Bcf per day. Month-to-date production in this region has come in at an average of 35.5 Bcf per day—nearly 10 percent above October 2018.

Rig Count – oil and gas rigs fell once again, this time shredding 21 from the count for the week ending October 25. The total United States rig count now stands at 830, 133 of which are gas-directed. Oil rigs are down 20 percent from year-ago levels; gas rigs have dropped 31 percent since October 2018.

Shale Gas – natural gas production in the Haynesville and Marcellus shale basins continues to rise despite a drop in the rig count in both areas. The Marcellus basin has seen the number of rigs decline by 25 percent from this time last year, while the 30-day average production is up nearly 12 percent compared with the same period in 2018. The number of rigs in the Haynesville has dropped by 12 percent from their peak in March and essentially flat year-over-year for the week ending October 25; However, Haynesville 30-day average production is up nearly 6 percent from this time last year.

Pipeline Imports and Exports – imported gas volumes from Canada have been steady between 3.5 to 4.0 Bcf per day, with flowing supplies averaging 3.9 Bcf per day month-to-date in October. On the other hand, pipeline exports to Mexico have been averaging 5.5 Bcf per day month-to-date in October, which is 0.6 Bcf higher than this same time in 2018.

LNG Markets – shipments of LNG from the United States span the globe in today's international energy trade. According to the most recent data released from the EIA, Japan was the top destination for US LNG in August 2019, importing 21.1 Bcf during the month. Other shipments left the US for countries across Europe, Asia, and South America. In August, volumes of 17.2 Bcf left the US for Spain, 13.7 Bcf shipped to Mexico, and 10.3 Bcf departed for Brazil. Beginning February 2016 through August 2019, South Korea has been the top overall importer of US LNG, according to S&P Global, importing 542 Bcf during that time. Overall, US LNG feedgas for export has averaged 6.6 Bcf per day this October, which is 3.3 Bcf per day or more than 100 percent greater than October 2018.

Natural Gas Market Summary – the American Gas Association hosted its annual Winter Heating Outlook to showcase its expectations for the upcoming winter heating season on October 24. One key difference of AGA's Outlook is its focus on how natural gas utilities plan and prepare to meet the winter heating demand of their customers, and what natural gas utilities see in terms of their expectations for demand and customer bills. On average, residential natural gas bills are expected to be around 2 to 4 percent lower than the previous winter based on AGA's survey of members. Contributing factors include NOAA's expectations for a warmer-than-normal winter and EIA's Short-Term Energy Outlook price of natural gas that is \$2.56 per MMBtu on average this winter, which is \$0.80 lower than last year. The bottom line: Natural gas will continue to be the lowest-cost energy option for home heating.

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