



NATURAL GAS MARKET INDICATORS

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Natural Gas Market Summary – warmer-than-normal temperatures once again contributed to increased consumption of natural gas for power generation this summer. In its latest *Short-Term Energy Outlook*, the Energy Information Administration estimates that natural gas consumption from the electric power sector in August 2020 averaged 41.0 Bcf per day, the second-highest level of demand on record for August. The increase in usage contributed to a rise in natural gas spot prices of 53 cents to \$2.30 per MMBtu in August 2020, the first monthly increase year-over-year since April 2019. In the meantime, the record-breaking hurricane season continues to put pressure on the natural gas supply and demand.

Reported Prices – despite anticipated production decreases in the wake of Hurricane Sally, natural gas prices have declined in the past week, offsetting some of the increases seen in late August and early September. As of September 14, futures contracts for October 2020 delivery at Henry Hub are trading at \$2.30 per MMBtu, and Henry Hub futures in the long-term strip remain moderate at \$3.35 per MMBtu for January 2021. Similarly, oil experienced slight declines in prices as well. As of September 14, West Texas Intermediate is trading above \$37 per barrel, and Brent crude is trading at roughly \$39 per barrel.

Weather – Hurricane Sally and two more weeks of warmer-than-average temperatures were the top weather stories for the first half of September 2020. Louisiana is still recovering from Hurricane Laura, but the Gulf Coast is bracing for Hurricane Sally to make landfall on September 15. The National Hurricane Center projects large storm surges and hurricane conditions in parts of Louisiana, Mississippi, and Alabama. The record-breaking 2020 hurricane season has already produced 20 named storms, including seven hurricanes. As such, 2020 is already the second most active hurricane season on record, only trailing the 2005 Atlantic Hurricane season, which included 27 named storms and 15 hurricanes. Concurrently, summer conditions and warmer-than-average temperatures remain present across the lower-48. While temperatures, as measured in cooling degree days, were 15.0 percent cooler than last year for the week ending September 12, they were nonetheless 18.6 percent warmer than average. As a result, cooling degree days since May are 19.1 percent warmer than average.

Working Gas in Underground Storage – working gas in underground storage saw an injection of 70 Bcf for the week ending September 4, a net increase of two percent from the previous week. With less than eight weeks remaining in the typical injection season, the volume of working gas in underground storage is 3,525 Bcf, 13.1 percent above the five-year average, and 2 percent above the five-year maximum level for the same week.

Natural Gas Production – daily dry natural gas production remained consistently above 87 Bcf over the first half of September, with daily peaks reaching above 88 Bcf per day. As a result, average daily dry gas production year-to-date is now 89.8 Bcf, 0.7 Bcf per day lower than in 2019. On a regional level, the month-to-date average dry gas production in the North is up 1.8 percent compared with the same period in 2019; Southeast onshore production is down 12.2 percent, and production in the West is down 5.7 percent compared to September 2019.

Rig Count – the number of rotary drilling rigs operating in the United States fell by two to 254 for the week ending September 11, even as a rebound in the price of crude prompted some producers to resume drilling. The latest report from Baker Hughes shows a loss of one oil and one gas-directed rig to 180 and 71 rigs in operations, respectively. In the past year, the US rig count has decreased by 71 percent from 886 rigs in for the week ending September 11, 2019. Of the 632 units lost over the past year, 533 were oil rigs, and 82 were gas.

Pipeline Imports and Exports – imports from Canada are down as the shoulder season results in lower aggregate demand. Daily natural gas pipeline imports from Canada averaged 3.4 Bcf per day in the first half of September 2020, 0.8 Bcf (19.3 percent) per day below imports in September 2019. In contrast, pipeline exports to Mexico increased by 0.7 Bcf per day to 6.1 Bcf per day year over year.

LNG Markets – according to S&P Global, on September 3, the Federal Energy Regulatory Commission passed an environmental review on a proposal to bring the Kenai LNG plant back online in Alaska. The aim is to use the facility as a limited-use import facility with an LNG production capacity of 1.6 million tonnes per annum. The environmental review approval brings the facility one step closer to becoming active for the first time since fall 2015. On September 13, S&P Global also reports feedgas volumes of 7.6 Bcf for the lower-48, the highest level since May. The increase is, in part, the result of the resumption of production following the effects of Hurricane Laura. Average feedgas for LNG export is 5.3 Bcf per day for September, which is 0.7 Bcf per day lower than one year ago.

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