

NATURAL GAS MARKET INDICATORS

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Natural Gas Market Summary –

- The Atlantic Hurricane Season continues as Nicholas became the 14th named storm of the season. The storm had only minor impacts to power and offshore gas production, but had relatively large impacts to LNG export facilities.
- Over the last two weeks, gas supplies have been strained by low production levels and high demand for cooling, which has been a factor in continued relatively low injections into natural gas storage.
- Competition for natural gas supplies have led to record prices for Asian and European natural gas, with indexes in both markets trading above \$20 per MMBtu.

Weather – Hurricane Nicholas formed earlier this week, moving ashore in Texas as a category one hurricane that was downgraded to a tropical storm on Tuesday, September 14. According to the National Hurricane Center, Nicholas' rainfall led to flash flood watches and severe weather along the coasts of Southern Louisiana and Southeast Texas. NOAA's cooling degree data shows US temperatures for the week ending September 11 were 7.0 percent cooler than normal. Cumulative temperatures since the beginning of the cooling degree day season are 15.9 percent warmer than the 30-year normal.

Demand – Total US natural gas demand fell by 1 percent for the week ending September 11 when compared to the previous week, according to data from S&P Global. The decline in natural gas consumed for power generation, which fell by four percent week over week, accounted for almost all of the decline in total consumption. This September, natural gas to power generation is averaging 34.4 Bcf per day, 1.5 Bcf below September 2020. At the same time, residential and commercial natural gas demand is 21.0 Bcf per day, down 0.1 Bcf compared to this time last year. Industrial natural gas demand is averaging 11.4 Bcf per day this month, 0.4 Bcf per day less compared to last September.

Natural Gas Production – Unlike Hurricane Ida which shut down nearly all offshore production in the Gulf of Mexico, Hurricane Nicholas did not impact offshore production. Daily dry natural gas production remained consistently between 88 and 90 Bcf over the first half of September, falling to 87.9 Bcf per day on September 14, according to preliminary estimates from S&P Global Platts. As a result, average daily dry gas production year-to-date is now 90.1 Bcf, consistent with the year-to-date average in 2020. On a regional level, the year-to-date average dry gas production in the North is up 4.1 percent compared with the same period in 2020; Southeast onshore production is down 3.3 percent, and production in the West is down 1.5 percent compared to January through September 2020.

Pipeline Imports and Exports – Imports from Canada are down slightly compared to the end of August as the shoulder season results in lower aggregate demand. Daily natural gas

pipeline imports from Canada averaged 4.6 Bcf per day in the first half of September 2021, 0.8 Bcf (22.1 percent) per day above imports in September 2020. Meanwhile, pipeline exports to Mexico averaged 6.1 Bcf per day during the first two weeks of September 2021, the same as the average in September 2020.

LNG Markets – Feedgas for LNG exports fluctuated due to the effects of the ongoing Atlantic Hurricane Season on operations. Unlike Hurricane Ida, Hurricane Nicholas impacted US LNG export facilities. On September 14, all three LNG trains were offline at the Freeport LNG facility. US LNG feedgas deliveries totaled nearly 11.4 Bcf per day before the storm made landfall, suggesting almost full utilization of US LNG terminals, according to S&P Global Platts. As a result of the storm shutdowns, LNG feedgas fell to 9.3 Bcf per day on September 14. The average feedgas for LNG export is 10.7 Bcf per day this September, which is 5.2 Bcf per day higher than one year ago.

Working Gas in Underground Storage – Inventories of working gas in underground storage increased 52 Bcf for the week ending September 3. At 2,923 Bcf, working gas totals are 16.8 percent below year-ago levels and 7.4 percent below the five-year average. The EIA's September Short-Term Energy Outlook forecasts storage to begin the winter heating season on November 1 at 3,570 Bcf, 4.9 percent below the five-year average and 9.1 percent below the 2020 level when natural gas inventories were near record highs.

Reported Prices – Across the pond, Dutch futures contracts at the TTF market ended at \$21.46 per MMBtu on Monday, September 13, up from their low of \$5.51 per MMBtu in early March. The surge in European gas prices comes amid tighter inventories, declines in production flow from Russia, and competition with Asian LNG buyers. UK and European power prices have similarly surged, with the UK setting new records as of September 14. Back at home, natural gas prices surged to their highest level in eight years as supply/demand balances intensified alongside a fast-developing hurricane season. Due to the narrowing of the market, natural gas contracts for October delivery are currently trading at \$5.27 per MMBtu. As of September 15, January 2022 futures are trading at \$5.60 per MMBtu, and February futures are trading at \$5.37 per MMBtu. September also saw prices for oil rise, as West Texas Intermediate is trading at \$72 per barrel, and Brent crude is trading at roughly \$75 per barrel.

Rig Count – The United States rig count is almost double where it was this time last year, according to the latest rig count reported by Baker Hughes on September 10. Total US rigs stand at 503, up by six week-on-week and by 249 year-on-year. Of the 503 rigs in operation, 401 are oil-directed rigs, and 101 are seeking gas. Canada has also seen increases in rig operation over the past year. Canada's current rig count stands at 143, nine less than the previous week but 152 more than this same week last year. It remains to be seen whether the upward pressure on prices will result in faster growth in the number of gas seeking rigs.

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