

Natural Gas Market Indicators



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Reported Prices – an attack on two oil installations in Saudi Arabia on September 14 has disrupted as much as 5.7 million barrels of crude oil production. According to a statement from Aramco, the scale of the disrupted volumes represent more than half of the Kingdom’s output and about 6 percent of global oil supply. Saudi inventories, as well as strategic reserves in the EU and US, may be used to help balance the market in the short term as details of the long-term impacts to oil production and global supplies become more clear. As of Tuesday, September 17, Brent Crude oil is trading at \$68 and WTI at \$62. In the US, natural gas prices rallied in early September. Prompt-month futures have risen to \$2.70 per MMBtu as of September 17, 2019, and contracts through early 2020 are trading as high as \$2.97 per MMBtu.

Weather – Hurricane Dorian and two more weeks of warmer-than-normal temperatures were the principal weather stories during the first half of September 2019. Summer conditions do not seem to be backing off as continued warm temperatures extend across the lower-48. Temperatures, as measured in cooling degree days, were 48.8 warmer than normal and 27 percent warmer than last year for the week ending September 14. Cumulative cooling degree days since May are now 16.4 percent warmer than normal. Persistent high temperatures this summer contributed, in part, to push natural gas for power burn to record levels.

Working Gas in Underground Storage – with less than two months remaining in the typical injection season, which usually ends as November opens, the volume of working gas in underground storage is 3,019 Bcf, only 2.5 percent below the five-year average. Strong levels of flowing gas supplies have helped support a robust injection season. EIA’s weekly natural gas storage report shows that current inventories are 15 percent more than year-ago levels for the week ending September 6, 2019.

Natural Gas Production – lower-48 daily dry gas production continues well over 2018 levels. For September, month-to-date averages are 7 percent higher than last year at 90.5 Bcf per day. In the EIA’s September 10, 2019, *Short-Term Energy Outlook* report, the EIA expects natural gas production to grow in late 2019 to average 91.4 Bcf for the year.

Shale Gas – future supply of natural gas in the US is at its highest level ever, according to a new assessment of US gas resources from the Potential Gas Committee. The report, *Potential Supply of Natural Gas in the United States* identifies that the US possesses a total mean technically recoverable resource base of 3,374 Tcf as of year-end 2018, an increase of 20 percent over the previous evaluation. The Committee’s report provides the highest resource assessment and largest two-year increase in absolute resources in the Committee’s 54-year history. Total shale gas resources evaluated for year-end 2018 accounts for approximately 62 percent of the country’s total potential resources.

Rig Count – the US rotary rig count declined 12 for the week ending September 13, bringing the US total to 886 rigs. The natural-gas directed count at 153 rigs is down seven from one week prior; compared with year-ago levels, gas-directed activity is now 18 percent lower. Oil-directed rigs shed five for the same week, bringing the total to 733 rigs or 134 rigs below year-ago levels. Canadian rigs continue their declining trend as well, dropping 13 rigs to 134 for the same week and down 92 rigs during the past year. Total North American rig activity now sits at 1,020 rigs, which is 261 fewer than this week in 2018.

Pipeline Imports and Exports – imports from Canada range between 4.0 to 4.6 Bcf per day in mid-September, having averaged 4.2 Bcf per day month to date, down 0.1 Bcf per day from last year. In contrast, pipeline exports to Mexico are up 0.5 Bcf per day on average in September to 5.4 Bcf per day.

LNG Markets – Freeport LNG shipped its first LNG cargo on September 3. As the sixth major natural gas liquefaction facility in the US to begin operations, Freeport LNG shipped 150,000 cubic meters of LNG, according to a news release reported by S&P Global. The second train at the facility is scheduled to begin service in January 2020, and Train 3 has an expected completion date of May 2020. Kinder Morgan’s Elba LNG facility was evacuated as a precaution in anticipation of Hurricane Dorian; no damages were reported. Finally, feedgas for LNG exports has averaged 6.0 Bcf per day in September, with volumes in the middle of the month reaching as high as 6.5 Bcf per day.

Natural Gas Market Summary – the market continues to operate at record levels. Dry gas production is flowing at 7.5 Bcf per day, or 9.2 percent higher year to date. US natural gas demand is setting a record pace in 2019 as well, up 4.4 Bcf per day or 5.1 percent higher year to date, with 45 percent of that total growth arising from domestic demand increases. The market has balanced itself with lower imports from Canada and a higher rate of injection of gas into underground storage. Even with consistently warmer-than-normal temperatures this summer, prices have remained relatively low, only now rising as high as \$2.70 per MMBtu as winter expectations shape market sentiment. Amid these records, future supplies of gas continue to exceed prior evaluations. At a rollout hosted by the American Gas Association, the Potential Gas Committee, which has been assessing the future supply of natural gas in the US since 1964, presented its biennial resource report, noting the highest-ever evaluation of US technically recoverable natural gas resources in the history of the organization. The new assessment, which is 20 percent higher from 2016, speaks to the role that innovation has played in how we assess and re-assess the future potential of US natural gas.

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