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Energy Market Report

Report Date: February 5, 2016

Report Week: January 27, 2015 to February 3, 2016

Questions?
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News Tracker:

-Natural gas prices generally fell this Report Week (Wednesday, January 27, to Wednesday, February 3), with more dramatic declines in the northeastern United States. The Henry Hub spot price fell from $2.24 per million British thermal unit (MMBtu) to $2.06/MMBtu to start and finish the Report Week, respectively.

-At the New York Mercantile Exchange (Nymex), the price of the near-month (March 2016) natural gas futures contract fell from $2.189/MMBtu to start the Report Week to $2.038/MMBtu to end the Report Week.

-Working natural gas in storage decreased by 152 billion cubic feet (Bcf), declining to 2,934 Bcf as of Friday, January 29. The net withdrawal from storage resulted in storage levels 20% above a year ago and 18% above the five-year (201115) average for this week. Temperatures for the storage report week averaged just less than 36°F, about 3°F above the normal level for this time of year and 2°F below the level reported last year at this time.

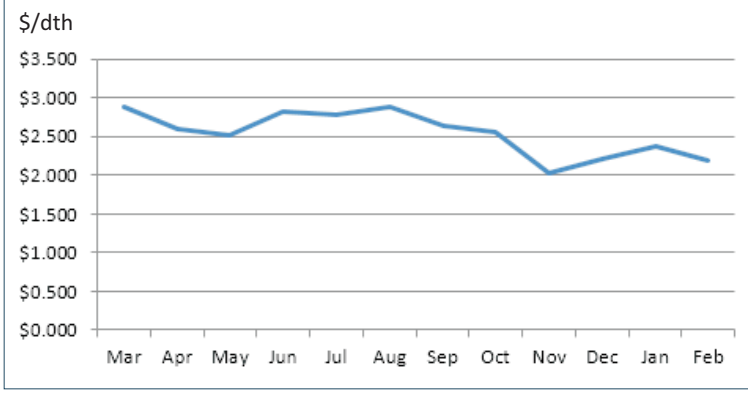
- Dry natural gas production rose 0.8% week over week and is 0.5% greater than the same week last year, according to Bentek data. Bentek also noted that production from the Northeast (which includes the Marcellus and Utica formations) has been at record levels in recent weeks. U.S. imports of natural gas from Canada fell 12.2%. Declines in imports in the West and Northeast offset a slight increase in imports to the Midwest. LNG sendout declined by 31.1%.

-The total oil and natural gas rig count declined by 18 units, with 619 units in service for the week ending Friday, January 29, according to data from Baker Hughes Incorporated. The oil rig count decreased by 12 units to 498, and the natural gas rig count fell by 6 units to 121. This is the fourth consecutive double-digit weekly decline and the lowest recorded natural gas rig count in the Baker Hughes dataset, which goes back to 1987.

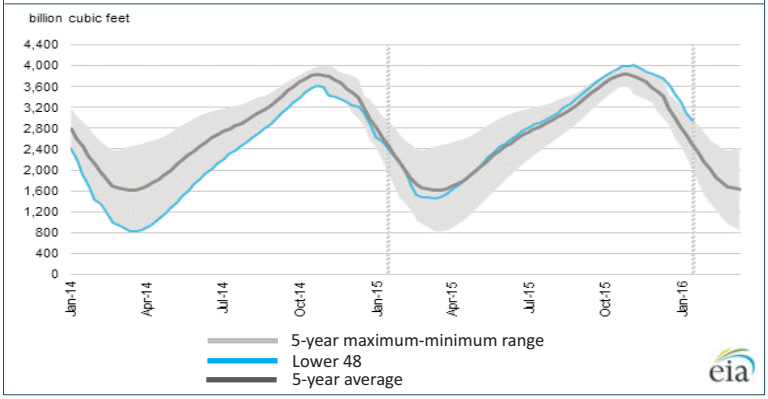
-The natural gas plant liquids (NGPL) composite price at Mont Belvieu, Texas, rose by 9.0% to $3.67/MMBtu for the week ending Friday, January 29. The spot prices of all liquids products increased this week, with ethane up 7.2%; propane, 9.5%; butane, 13.6%; isobutane, 14.2%; and natural gasoline, 4.7%. Despite this week's increase, prices are still relatively low.

Excerpted from eia

Monthly NYMEX Natural Gas Settle Price: Mar 2015 - Feb 2016:



Working nat. gas in underground storage as of January 29, 2016



Forward 12-month NYMEX natural gas strip price - Mar16-Feb17:

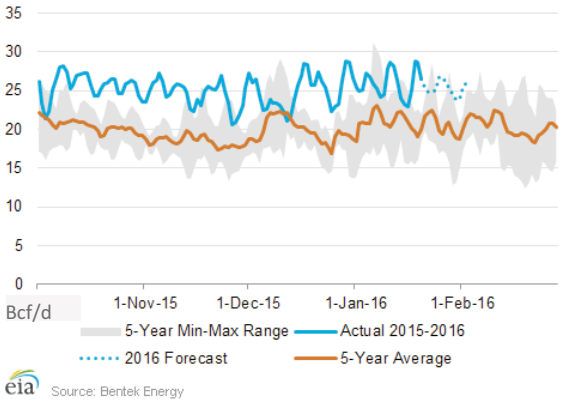
Process Load-weighted $2.384/dth (w/w = -$0.028)

Typical Heat Load-weighted $2.430/dth (w/w = -$0..31)

Consumption of natural gas for power generation at record highs:

Since January 1, consumption of natural gas for electric power generation (power burn) has averaged 26.0 billion cubic feet per day (Bcf/d), 24% greater than the five-year average and 3% higher than the five-year maximum. While power consumption is typically highest in summer to meet air-conditioning demand, about 39% of all households in the United States rely on electricity as their primary heating source. In the Southeast, where most of the homes use electricity for space heating, natural gas is a relatively large share of the generation mix. However, the growth in power burn this month has occurred despite electricity-weighted heating degree days that were close-to-average nationally and in the Southeast region. Low natural gas prices and growth in natural gas power generation infrastructure are the main drivers in the consumption growth. This is a continuation of a trend, with 2015 being a record-high year for power burn, according to preliminary Bentek data. Bentek estimated that power burn averaged 26.4 Bcf/d in 2015, 6.8% greater than the next-highest annual average, in 2012. Nationwide, natural gas-fired generation has been rising, as coal has declined as a share of total generation. In 2015, coal plant retirements accelerated as the Environmental Protection Agency's (EPA) Mercury and Air Toxics Standards (MATS) rules were implemented. Through October 2015, around 11 GW of coal-fired generation was retired, although this generation was likely already running at a reduced capacity factor, meaning that those plants were active for fewer hours a day than before.

Natural gas consumed for electric power generation, October 2015 - February 2016



"I always wanted to see what's on the other side of the mountain." -Clyde Tombaugh[1]

[1] "Clyde Tombaugh Biography - Academy of Achievement," 2015