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Energy Market Report

Report Date: February 26, 2016

Report Week: February 17, 2016 to February 24, 2016

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News Tracker:

-Natural gas prices fell substantially at most market locations this Report Week (Wednesday, February 17, to Wednesday, February 24), with the biggest declines in the Northeast. The Henry Hub spot price fell from $1.91 per million British thermal unit (MMBtu) last Wednesday to $1.79/MMBtu yesterday.

-At the New York Mercantile Exchange (Nymex), the price of the near-month (March 2016) natural gas futures contract fell from $1.942/MMBtu to start the Report Week to $1.778/MMBtu to close the Report Week.

-Net natural gas withdrawals from storage totaled 117 billion cubic feet (Bcf) for the week ending February 19. Working gas levels for the previous week, February 12, were revised downward by 5 Bcf. Working gas stocks are 2,584 Bcf for the report week ending February 19. Working gas stocks are 31% and 29% above the year-ago and five-year (2011-15) levels, respectively. If withdrawals from storage follow the five-year average for the remainder of the heating season, working gas stocks will total 2,186 Bcf on March 31, the traditional end of the heating season. This would mark only the second time that working gas stocks finished the heating season above the 2,000-Bcf threshold. The previous high for the end of the heating season occurred in 2012, when working gas stocks totaled 2,473 Bcf on March 31, 2012.

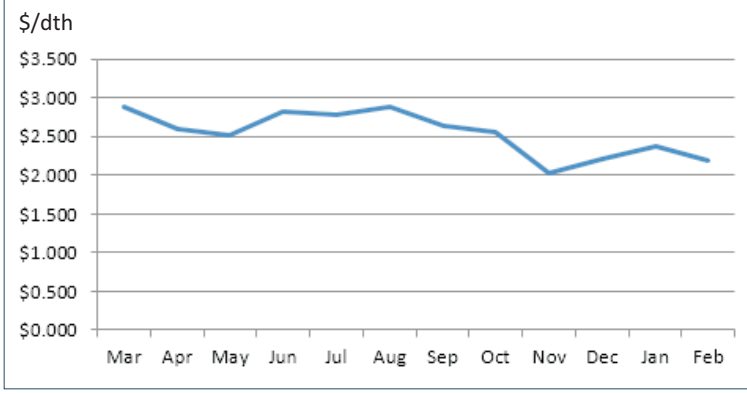
-The total oil and natural gas rig count declined by 27 units, with 514 units in service for the week ending Friday, February 19, according to data from Baker Hughes Incorporated. The oil rig count decreased by 26 units to 413, and the natural gas rig count fell by 1 unit to 101. This is the seventh consecutive double-digit weekly decline in the total rig count, 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, fell by a penny to $3.79/MMBtu for the week ending Friday, February 19. The spot prices of liquid products were mixed this week; propane and natural gasoline were up 2.3% and 4.4%, respectively. Isobutane, butane, and ethane were down 2.2%, 2.3%, and 6.8%, respectively.

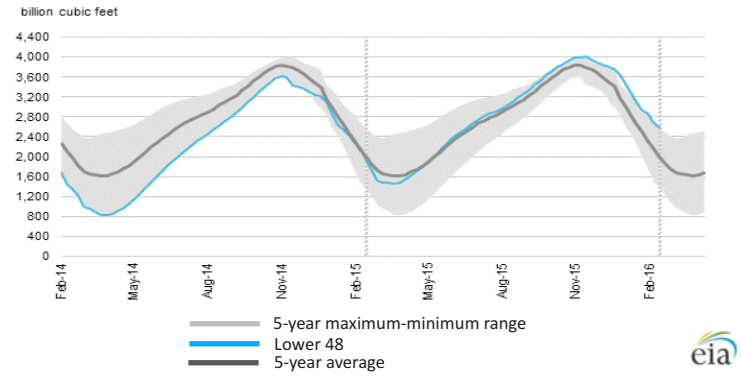
- Warmer-than-normal weather led to a 19.7% decline in U.S. natural gas consumption. The large decline was driven by a 34.0% decrease in residential/commercial consumption, but consumption declined in all sectors. Consumption of natural gas for electric power generation fell by 5.9%, and industrial consumption fell by 7.1%. U.S. exports of natural gas to Mexico fell by 1.2%, but were 38.5% greater than the same week a year ago.

Excerpted from eia

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



Working nat. gas in underground storage as of February 19, 2016



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

Process Load-weighted $2.144/dth (w/w = -$0.155)

Typical Heat Load-weighted $2.188/dth (w/w = -$0.154)

Cheniere's Sabine Pass ships first LNG cargo from the US Lower 48:

Sabine Pass, the first liquefied natural gas (LNG) export terminal to be constructed in the Lower 48 states, shipped its first cargo of domestically sourced natural gas on Wednesday. The LNG is being carried aboard the LNG tanker Asia Vision to Brazil's TRBA (Bahia) offshore terminal. Sabine Pass is expected to load several commissioning cargos as part of its start-up process, after which it will need the approval from the Federal Energy Regulatory Commission to operate commercially. Previously, the United States has only been exporting LNG from Alaska and occasionally re-exporting LNG from the import terminals in the Lower 48 states. Sabine Pass, located in Cameron Parish, Louisiana, has completed construction of the first two of its six liquefaction trains, each with a capacity to liquefy 0.55 billion cubic feet per day (Bcf/d) of natural gas. Commissioning of the first liquefaction train began in the fall of 2015, but several mechanical issues delayed the start-up. Three other trains at Sabine Pass are currently under construction and are scheduled to come online in 2017-19, while the sixth train is waiting for a final investment decision. Six other liquefaction projects are scheduled to come online this year in Australia, Malaysia, and Indonesia. They will add approximately 8% to the total global liquefaction capacity, while the two trains at Sabine Pass will add 2% to the total. The five LNG export facilities currently under construction in the United States, including Sabine Pass, will have a total liquefaction capacity of 9.2 Bcf/d, which is equivalent to 13% of current domestic natural gas production. Nearly all of this capacity has been fully or partially contracted and is scheduled to be in service by 2019. Once all facilities under construction become operational, the United States will become the third-largest liquefaction capacity holder in the world after Australia and Qatar. EIA has projected that the United States will become a net exporter of LNG in 2016 and a net exporter of all natural gas by 2017. LNG remains a small portion of U.S. gas trade, with most gas flowing by pipeline as imports from Canada and exports to Mexico.

"If you don't fall down, you aren't trying hard enough." -Tenley Albright[1]

[1] "Tenley Albright Biography - Academy of Achievement," 2008