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Energy Market Report

Report Date: October 27, 2023

Report Week: October 18, 2023 to October 25, 2023

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Newstracker:

-Natural gas spot prices decreased across the US from Wednesday, October 18, to Wednesday, October 25 (the Report Week), during which the Henry Hub spot price decreased 4.6 cents to $2.86/MMBtu.

-The November 2023 NYMEX natural gas futures contract price decreased 4.6 cents for the Report Week to $3.010/MMBtu. The price of the 12-month strip averaging November 2023 through October 2024 futures contracts fell 6 cents to $3.315/MMBtu. International natural gas futures prices were mixed this Report Week, with LNG cargoes in East Asia increasing $1.71 to a weekly average of $18.21/MMBtu, and prices at TTF in the Netherlands decreasing 12 cents to a weekly average of $15.65/MMBtu. In the same week last year, prices were $31.52/MMBtu in East Asia and $31.61/MMBtu at TTF.

-Total US consumption of natural gas fell by 1.6% (1.1 Bcf/d) compared with the previous report week, driven by a decline in the residential and commercial sectors. Natural gas consumed for power generation rose by 2.5% (0.8 Bcf/d) week over week. Industrial sector consumption decreased by 1.1% (0.2 Bcf/d) week over week. In the residential and commercial sectors, consumption declined by 10.2% (1.7 Bcf/d) as warmer temperatures in most consuming regions decreased demand for space heating. Natural gas exports to Mexico increased 2.5% (0.2 Bcf/d). Natural gas deliveries to US LNG export facilities averaged 13.7 Bcf/d, or 0.6 Bcf/d lower than last week.

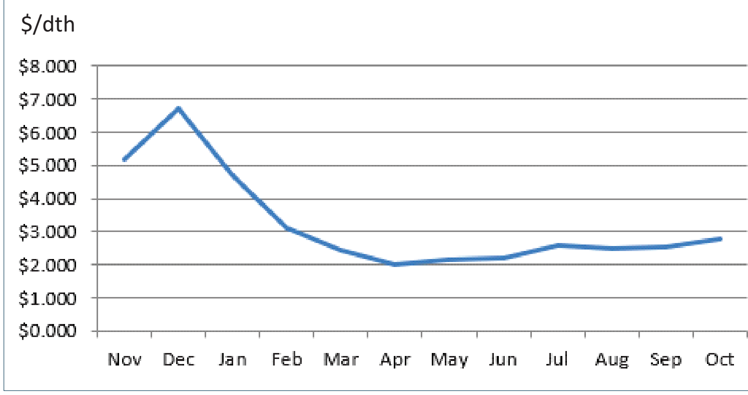
-The natural gas plant liquids composite price at Mont Belvieu, Texas, fell by 16 cents/MMBtu, averaging $7.05/MMBtu for the week ending October 25. The average weekly propane price fell 5%, while the Brent crude oil price remained relatively unchanged. The propane discount relative to crude oil rose 4%.

-For the week ending Tuesday, October 3, the natural gas rig count increased by 1 to 118 rigs. The number of oil-directed rigs rose by 1 to 502 rigs. The total rig count, which includes 4 miscellaneous rigs, now stands at 624 rigs.

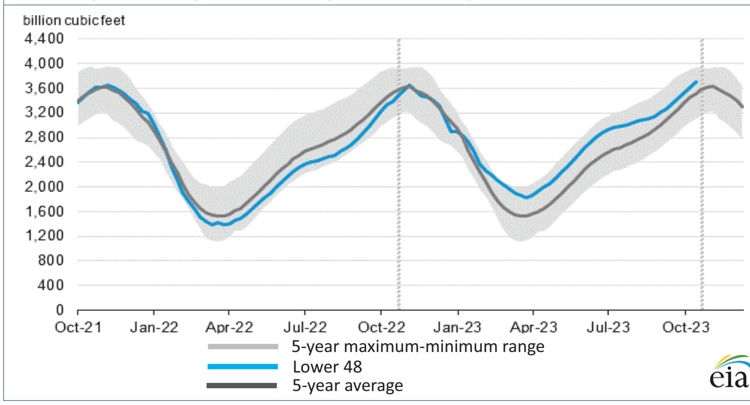
-Net natural gas injections into storage totaled 74 Bcf for the week ending October 20, compared with the five-year average net injections of 66 Bcf and last year's net injections of 61 Bcf during the same week. Working natural gas stocks totaled 3,700 Bcf, which is 183 Bcf (5%) more than the five-year average and 313 Bcf (9%) more than last year at this time.

Excerpted from eia

Monthly NYMEX Natural Gas Settle Price: Nov 2022 - Oct 2023:



Working natural gas in underground storage as of Oct. 20, 2023

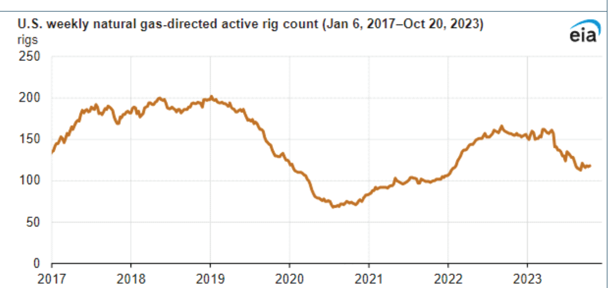


Forward 12-month NYMEX natural gas strip price - Nov23-Oct24:

Process Load-weighted $3.315/dth - w/o/w =▼$0.060

Typical Heat Load-weighted $3.352/dth - w/o/w =▼$0.071

The number of operating US natural gas rigs has declined 24% since start of 2023:



On October 20, the Baker Hughes Company reported 118 natural gas-directed rigs were active in the US, a decrease of 38 rigs since the start of 2023. The decline in active drilling rigs coincides with lower natural gas prices for most of 2023, compared with relatively high natural gas prices for most of 2022. When natural gas prices are low, producers often decrease their drilling activity, reducing the number of active drilling rigs deployed. Producers may not respond immediately to decreases in natural gas prices; it typically takes four to six months for producers to respond to price changes. The extent to which producers respond to price changes is based on several factors, such as uncertainty around future prices, volatility in the market, price hedging, and current costs of materials, equipment, and labor. In 2022, the natural gas spot price at the US benchmark Henry Hub averaged $6.45/MMBtu. Although the Henry Hub price began to decline after peaking in August 2022, it remained relatively high until the end of the year, averaging above $6.00/MMBtu. The Henry Hub price fell below $4.00/MMBtu in January 2023 and continued declining throughout 2023, averaging $2.50/MMBtu from January through October 20, almost $4.00/MMBtu less than the average last year. A few months after the decline in natural gas prices in January, the number of active US natural gas-directed rigs began to decline. The number of active US natural gas-directed rigs fluctuated between 150 rigs and 162 rigs for the first four months of 2023 and then began to decline in May, falling as low as 113 rigs on September 8. In the Permian region, which accounted for 18% of all U.S. natural gas production in 2022, most natural gas production is associated with crude oil production, meaning most rigs operating in the Permian region are oil-directed, not natural gas-directed. As a result, producers in the Permian region typically respond to changes in the crude oil price when planning their exploration and production activities. The oil-directed rig count in the Permian region followed a similar pattern to the US natural gas-directed rig count, dropping from 357 rigs in May to 305 rigs on October 20.

Excerpted from eia

> "We did all the strategy right on the field. Today, the coaches call all the plays, so all the quarterbacks have to do is perform. They are more or less programmed." -George Blanda[1]

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[1]https://www.brainyquote.com/quotes/george_blanda_1174539