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Energy Market Report

Report Date: March 29, 2024

Report Week: March 20, 2024 to March 27, 2024

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Newstracker:

-US natural gas spot prices fell at most locations from Wednesday, March 20, to Wednesday, March 27 (the Report Week), during which the Henry Hub spot price fell 13 cents to $1.44/MMBtu.

-The April 2024 NYMEX natural gas futures contract expired Tuesday at $1.575/MMBtu, down 12 cents from Wednesday, March 20. The May 2024 NYMEX contract price decreased to $1.718/MMBtu, down 13 cents from Wednesday, March 20. The price of the 12-month strip averaging May 2024 through April 2025 futures contracts declined 9 cents to $2.728/MMBtu. International natural gas futures prices were mixed this Report Week, with LNG cargoes in East Asia climbing 21 cents to a weekly average of $9.48/MMBtu, and prices at TTF in the Netherlands falling 11 cents to a weekly average of $8.74/MMBtu. In the same week last year, prices were $12.72/MMBtu in East Asia and $13.47/MMBtu at TTF.

-Total US consumption of natural gas rose by 6.3% (5.1 Bcf/d) compared with the previous Report Week. Natural gas consumed for power generation fell by 0.4% (0.1 Bcf/d). Industrial sector consumption increased by 1.8% (0.4 Bcf/d). In the residential and commercial sectors, consumption increased by 18.3% (4.8 Bcf/d) driven by below-average temperatures across most of the country. Natural gas exports to Mexico decreased 1.4% (0.1 Bcf/d). Natural gas deliveries to US LNG export facilities averaged 12.9 Bcf/d, unchanged.

-The natural gas plant liquids composite price at Mont Belvieu, Texas, rose by 10 cents/MMBtu, averaging $7.49/MMBtu for the Report Week. Propane prices rose 3%, Brent crude oil prices were essentially unchanged, and the propane discount to crude oil narrowed by 5%.

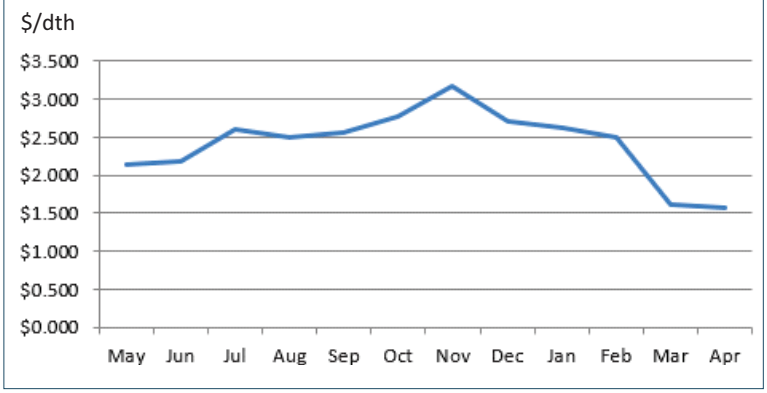
-For the week ending Tuesday, March 12, the natural gas rig count decreased by 4 rigs to 112 rigs. The number of oil-directed rigs fell by 1 rig to 509 rigs. The total rig count, which includes 3 miscellaneous rigs, decreased by 5 rigs, and it now stands at 624 rigs, 134 fewer rigs than last year at this time.

-Net natural gas withdrawals from storage totaled 36 Bcf for the week ending March 22, compared with the five-year average net withdrawals of 27 Bcf and last year's net withdrawals of 55 Bcf during the same week.

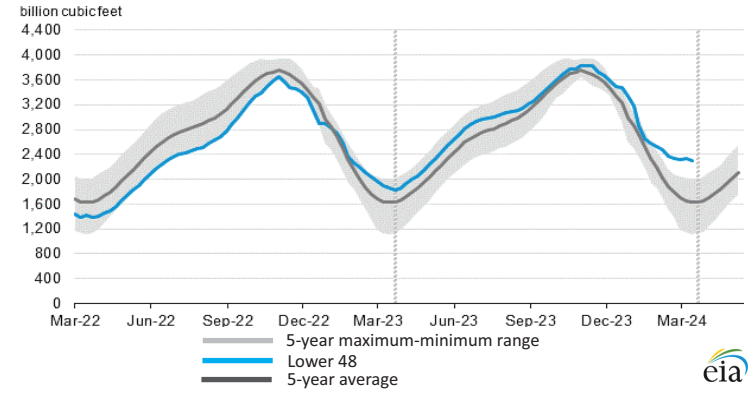
-Working natural gas stocks totaled 2,296 Bcf, which is 669 Bcf (41%) more than the five-year average and 430 Bcf (23%) more than last year at this time.

Excerpted from eia

Monthly NYMEX Natural Gas Settle Price: Mar 2023 - Apr 2024:



Working natural gas in underground storage as of Mar. 22, 2024

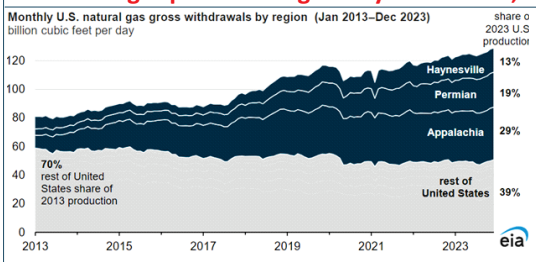


Forward 12-month NYMEX natural gas strip price - May24-Apr25:

Process Load-weighted $2.728/dth - w/o/w =▼$0.091

Typical Heat Load-weighted $3.083/dth - w/o/w =▼$0.087

US natural gas production grew by 4% in 2023, similar to 2022:



US natural gas production grew by 4% in 2023, or 5.0 billion cubic feet per day (Bcf/d), to average 125.0 Bcf/d. In 2023, three regions—Appalachia, Permian, and Haynesville—accounted for 59% of all natural gas production, similar to 2022. In 2023, more natural gas was produced in the Appalachia region of the Northeast than in any other US region, accounting for 29%, or 37.7 Bcf/d, of gross natural gas production. However, production growth in Appalachia has slowed because the region doesn't have enough pipeline takeaway capacity to transport more natural gas out of the region to demand markets. In 2022, the Northeast didn't have any new major pipeline capacity additions, and all interstate pipeline projects in 2023 were for upgrades to existing lines or compressors. In 2023, gross natural gas production in Appalachia grew by 3%, or 1.2 Bcf/d. The Permian region in western Texas and New Mexico produces the second-most US natural gas, accounting for 19% of US production. In 2023, gross natural gas production in the Permian rose by 2.6 Bcf/d to average 23.3 Bcf/d. In the Permian region, unlike the Appalachia and Haynesville regions, growth in natural gas production is primarily the result of associated gas produced during oil production. West Texas Intermediate (WTI) crude oil prices remained high enough in 2023 to support oil-directed drilling in the Permian region. In 2023, the Haynesville region, in Louisiana and Texas, accounted for 13%, or 16.8 Bcf/d, of gross natural gas withdrawals, a 1.4 Bcf/d increase from 2022. In 2022, natural gas production in the Haynesville region had grown by 2.1 Bcf/d. Natural gas production growth in the Haynesville slowed in 2023 because low US natural gas prices decreased rig activity in the region. Natural gas production costs depend on many factors, including the cost of drilling wells. The Haynesville formation is 10,500 feet to 13,500 feet deep, which is much deeper than other formations, such as the Marcellus in the Appalachia region, which is 4,000 to 8,500 feet deep. Because the deeper wells make drilling wells in the Haynesville more expensive than in the Marcellus and other shale plays, natural gas prices must be relatively high to make drilling economical. The Henry Hub spot price averaged $2.54 per million British thermal units (MMBtu) in 2023 compared with $6.42/MMBtu in 2022.

"It is foolish to be convinced without evidence, but it is equally foolish to refuse to be convinced by real evidence." -Upton Sinclair[1]

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