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Energy Market Report

Report Date: August 16, 2024

Report Week: August 7, 2024 to August 14, 2024

Questions?
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Newstracker:

-US natural gas spot prices were mixed at most locations from Wednesday, August 7, to Wednesday, August 14 (the Report Week), during which the Henry Hub spot price rose 18 cents to $2.17/MMBtu.

-The September 2024 NYMEX natural gas futures contract increased 10.7 cents to 2.219/MMBtu for the Report Week. The price of the 12-month strip averaging September 2024 through August 2025 futures contracts rose 8.1 cents to $3.020/MMBtu. International natural gas futures prices increased this Report Week, with LNG cargoes in East Asia up 12 cents to a weekly average of $12.62/MMBtu, and prices at TTF in the Netherlands rising 98 cents to a weekly average of $12.76/MMBtu. In same week last year, prices were $11.76/MMBtu in East Asia and $11.75/MMBtu at TTF.

-Total US consumption of natural gas fell by 8.1% (6.4 Bcf/d) compared with the previous Report Week. Natural gas consumed for power generation declined by 11.8% (5.8 Bcf/d) week over week, driven by below-average temperatures for most of the northern US. Industrial sector consumption increased by 0.1% (less than 0.1 Bcf/d), and residential and commercial sector consumption declined by 7.1% (0.6 Bcf/d). Natural gas exports to Mexico increased 1.1% (0.1 Bcf/d). Natural gas deliveries to US LNG export facilities averaged 12.6 Bcf/d, same as last week.

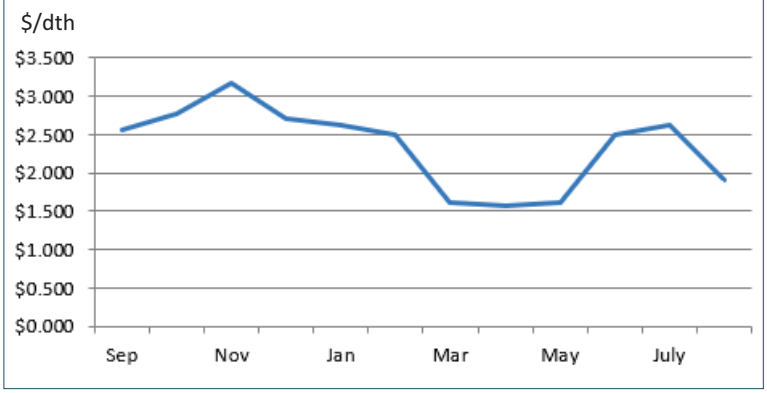
-The natural gas plant liquids composite price at Mont Belvieu, Texas, rose by 37 cents/MMBtu, averaging $6.76/MMBtu for the week ending August 14. Propane prices increased 3%, while Brent crude oil prices rose 4%, widening the propane discount to crude oil by 5% for the week.

-For the week ending Tuesday, August 6, the natural gas rig count decreased by 1 rig from a week ago to 97 rigs. The number of oil-directed rigs increased by 3 rigs from a week ago to 485 rigs. The total rig count, which includes 6 miscellaneous rigs, now stands at 588 rigs, 66 fewer rigs than a year ago.

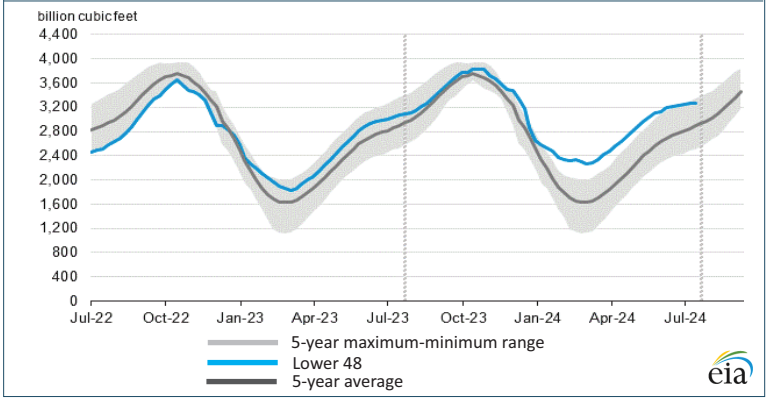
-**Net natural gas withdrawals** from storage totaled 6 Bcf for the week ending August 9, compared with the five-year average net injections of 43 Bcf and last year's net injections of 33 Bcf during the same week. Working natural gas stocks totaled 3,264 Bcf, which is 375 Bcf (13%) more than the five-year average and 209 Bcf (7%) more than last year at this time.

Excerpted from eia

Monthly NYMEX Natural Gas Settle Price: Sep 2023 - Aug 2024:



Working natural gas in underground storage as of August 9, 2024



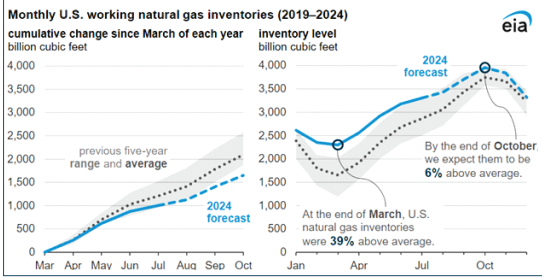
Forward 12-month NYMEX natural gas strip price - Sep24-Aug25:

Process Load-weighted $3.020/dth - w/o/w =▲$0.081

Typical Heat Load-weighted $3.135/dth - w/o/w =▲$0.075

What is the outlook for US natural gas inventories at the end of injection season?

The US Energy Information Administration forecasts that US working natural gas inventories will be 3,954 Bcf by the end of October, the most natural gas in US storage since November 2016. We forecast less-than-average cumulative injections for the rest of the injection season (through October) because inventories were relatively well supplied in March and because they expect more US consumption of natural gas than average this summer and relatively flat natural gas production. With this slower rate of inventory builds, the difference between US natural gas inventories and their previous five-year average would gradually decrease, from 39% above average in March to 6% above average in October. Forecasted injections into storage will be at or near the five-year minimums in every region of the US for the remainder of the injection season. At the end of March 2024, at the time of year when natural gas inventories are often at their lowest, US natural gas inventories were relatively well supplied. Since then, net injections into US working natural gas storage were 17% less than the average from March through July over the previous five years (2019–23). Working natural gas inventories in the US follow a seasonal pattern, generally increasing during the injection season from April through October when consumption is relatively low. Inventories decrease from November through March, the withdrawal season, when natural gas consumption is relatively high.



Underground working natural gas storage capacity in the US totaled approximately 4,796 Bcf as of May 2024. About one-third of the United States' underground storage capacity is located in the South Central region, which stretches from Texas and Kansas to Alabama. The Midwest accounts for 26% capacity, and the East accounts for 23%. Storage capacity in the Mountain region, the Pacific region, and Alaska combined make up the remaining 19%.

Natural gas storage is primarily used to balance seasonal fluctuations in natural gas demand because although natural gas production is relatively stable throughout the year, natural gas consumption peaks in the winter when natural gas use for space heating is greatest. Natural gas storage can also help balance sudden drops in production, such as during the February 2021 winter storm. As natural gas-fired generation capacity has increased, natural gas consumption in the electric power sector has increased to meet air-conditioning demand, developing a second, smaller peak in the year, typically in July or August.

"You should always leave the party 10 minutes before you actually do." - Gary Larson[1]

[1]https://www.brainyquote.com/quotes/gary_larson_482165