

June 20, 2016

Natural Gas Trends

Highlights

Heat pushed power burn to 9-month high

US power burn reached a nine-month high Wednesday at 33.2 Bcf/d as summer-like temperatures and ongoing nuclear outages boosted demand for gas-fired power, Platts Bentek data show. The largest surges came in the Midwest and the Northeast where power burn increased day-on-day by 600 MMcf/d and 492 MMcf/d, respectively. Smaller increases were seen in the Southeast, Texas, the Rockies and the Pacific Northwest which contributed to an overall 1.4 Bcf/d or 4.3% daily build in gas burn. US power burn was last seen above Wednesday's high on September 10 as a final wave of summer heat pushed gas demand from generators above 30 Bcf/d – the last such instance until late May of this year.

Summer temps boost cooling demand

Temperatures in the Midwest climbed to an average 77 degrees Fahrenheit Wednesday, marking a six-degree departure from normal for mid-June. In the Northeast, mid-week temperatures were also two-degrees above normal, rising to an average 73 degrees. In Texas, where power burn was up 207 MMcf/d Wednesday, temperatures were five degrees above normal, climbing to an average 86 degrees at mid-week. In the week ended June 16, EIA weekly cooling degree days for the US reached an annual high at 69, meaning that the average daily-temperature deviation above 65 degrees Fahrenheit was nearly 10 degrees.

At the regional level, weekly cooling degree days were highest in the South (e.g., Southeast, Texas Midcontinent) where the index climbed to 120, also the highest so far this year. In the North (e.g., Northeast, Midwest) the EIA's weekly cooling degree days index hit 52, the second-highest on record so far this year.

Nuclear outages add to power burn

Nuclear outages, concentrated in the Northeast but also impacting the Southeast and Midwest, also contributed to higher power burn on Wednesday. In the Northeast, outages on Wednesday totaled 4,848 MW – 17% above the year-to-date average for the region. In the Southeast, outages reached 1,903 MW at midweek, more than double the year-to-date average. The Midwest also saw outages totaling 249 MW on Wednesday which was only marginally above the 2016 average for the region. Year-to-date, US power burn is up nearly 6% from last year averaging 25.1 Bcf/d compared to average burn at 23.7 Bcf/d over the same period in 2015. Much of the annual increase in power burn comes on the back of the baseload growth in gas consumption from coal retirements which totaled about 15.2 GW in 2015. Bentek expects that another 6.8 GW of coal-fired power will be retired in 2016. Another factor contributing to increased power burn is economically motivated fuel switching as lower-priced gas this year has afforded generators a cheaper fuel source over coal.

Source: Platts Gas Daily

Data

- July 2016 Natural Gas Futures Contract (as of June 17 NYMEX at Henry Hub closed at \$2.623 per million British thermal units (MMBtu)
- July 2016 Light, Sweet Crude Oil Futures Contract WTI (as of June 17), closed at \$47.98 per U.S. oil barrel (Bbl.) or approximately \$8.27 per MMBtu

Last week: Texas warmer than normal last week

For the week beginning 6/12/16 and ending 6/18/16, cooling degree days (CDDs) were higher than normal (warmer) on average for the week and for the year to date for most of the Texas cities shown.

Source: www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (CDD)				
City or Region	Total CDD for week ending 6/18/16	*Week CDD +/- from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	108	41	282	9%
Austin	144	28	798	-5%
DFW	144	32	729	17%
El Paso	149	31	748	20%
Houston	146	32	866	2%
SAT	145	27	918	3%
Texas**	135	29	816	9%
U.S.**	59	10	320	17%

* A minus (-) value is cooler than normal; a plus (+) value is warmer than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which HDDs are calculated. ** State and U.S. degree days are population-weighted by NOAA.

-999 = Normal Less Than 100 or Ratio Incalculable

Last week: U.S. natural gas storage at 3,041 Bcf

For the week ending 6/10/2016 working gas in storage increased from 2,972 Bcf to 3,041 Bcf. This represents an increase of 69 Bcf from the previous week. Stocks were 633 Bcf higher than last year at this time and 704 Bcf above the 5 year average of 2,337 Bcf.

Source: <http://ir.eia.gov/ngs/ngs.html>

U.S. WORKING GAS IN STORAGE				
Region	Week ending 6/10/16	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	585	559	26	13.2%
Midwest	703	679	24	35.5%
Mountain	188	183	5	39.3%
Pacific	312	307	5	11.4%
South Central	1,253	1,244	9	41.6%
Lower 48 Total	3,041	2,972	69	30.1%

Lower 48 states, underground storage, units in billion cubic feet (Bcf)

Last week: U.S. gas rig count up for the week

The gas rig count for the U.S. was up one for the week and down 137 when compared to twelve months ago. The total rig count for the U.S. was up ten compared to last week and down 433 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

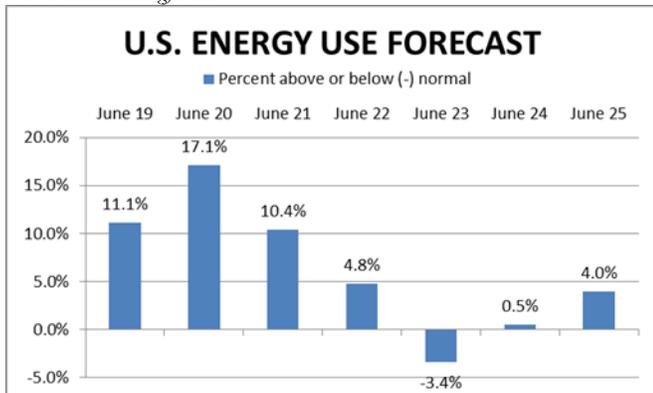
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 6/17/2016	+/- prior week	Year ago	+/- year ago
Texas	191	13	363	-172
U.S. gas	86	1	223	-137
U.S. oil	337	9	631	-294
U.S. total	424	10	857	-433
Canada	69	4	136	-67

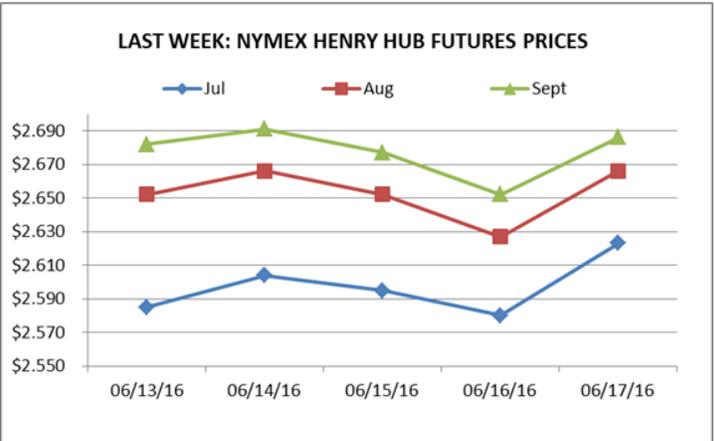
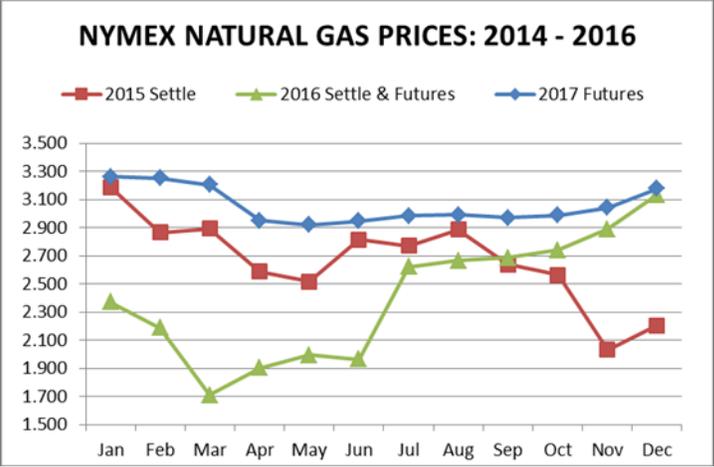
This week: U.S. energy use varies

U.S. energy use is predicted to vary this week, according to the Dominion Energy Index, as shown below. Dominion forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index



2016 prices. Natural gas prices for 2016, shown below in green, are the NYMEX settlement prices for Jan-June and futures prices for the year.



NATURAL GAS PRICE SUMMARY AS OF 6/17/2016

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US July futures				
NYMEX	\$2.623	\$0.067	-\$1.105	\$2.664