US MARKETS

REUTERS

US natgas prices drop 8% on contract expiry, Freeport LNG unit outage

Credit: REUTERS/DADO RUVIC

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Written by **Scott DiSavino** for **Reuters →**

By Scott DiSavino

Jan 29 (Reuters) - U.S. natural gas futures plunged about 8% in light trade on Monday ahead of the expiration of the February contract on forecasts that demand for the fuel for heating and export would remain low in coming weeks with mild weather and a unit outage at the Freeport LNG export plant in Texas.

Analysts noted gas futures were on track to drop to an nine-month low on Tuesday when March becomes the front-month because the March contract was trading well below February.

The Freeport outage would leave more gas in the country at the same time U.S. output is rising as wells return to service after freezing during extreme cold weather in mid-January.

The Arctic freeze boosted gas demand to a daily record high and cut both U.S. gas output and liquefied natural gas (LNG) feedgas to one-year lows.

On its last day as the front-month, gas futures NGc1 for February delivery on the New York Mercantile Exchange fell 22.2 cents, or 8.2%, to settle at $2.490 per million British thermal units (mmBtu).

Futures for March NGH24, which will soon be the front-month, fell about 6% to $2.05 per mmBtu, which would be the lowest close for the front-month since mid-April 2023.

SUPPLY AND DEMAND

Financial company LSEG said gas output in the Lower 48 states fell to an average of 103.6 billion cubic feet per day (bcfd) so far in January, down from a monthly record high of 108.0 bcfd in December.

On a daily basis, U.S. gas output was on track to jump by 15.8 bcfd from Jan. 17-29 to a preliminary two-week high of 107.0 bcfd on Sunday.

That was almost enough to replace the 17.2 bcfd drop in output from Jan. 8-16 to a 12-month low of 90.5 bcfd on Jan. 16, which was due primarily to freeze-offs and other cold weather events.

Meteorologists projected temperatures in the Lower 48 states would remain warmer than normal from now through at least Feb. 12. The forecasts for the week of Feb. 4, however, were slightly cooler than the outlook for the week of Jan. 28.

With slightly cooler weather coming, LSEG forecast U.S. gas demand in the Lower 48, including exports, would rise from 124.9 bcfd this week to 129.1 bcfd next week. The forecast for next week was higher than LSEG's outlook on Friday.

Gas flows to the seven big U.S. LNG export plants fell to an average of 13.8 bcfd so far in January, down from a monthly record of 14.7 bcfd in December.

Analysts said U.S. LNG feedgas would likely not return to record levels until U.S. energy firm Freeport LNG's export plant in Texas returns to full power likely in mid- to late-February.

The U.S. became the world's biggest LNG supplier in 2023, ahead of recent leaders Australia and Qatar, as much higher global prices fed demand for more exports due in part to supply disruptions and sanctions linked to Russia's war in Ukraine.

Global gas was trading near a five-month low of $9 per mmBtu at the Dutch Title Transfer Facility (TTF) benchmark in Europe TRNLTTFMc1 and at a seven-month low of $9 at the Japan Korea Marker (JKM) benchmark in Asia JKMc1. NG/EU

Week ended Jan 26 Forecast

Week ended Jan 19 Actual

Year ago Jan 26

Five-year average

Jan 26

U.S. weekly natgas storage change (bcf):

-180

-326

-141

-185

U.S. total natgas in storage (bcf):

2,676

2,856

2,605

2,529

U.S. total storage versus 5-year average

5.8%

5.2%

Global Gas Benchmark Futures ($ per mmBtu)

Current Day

Prior Day

This Month Last Year

Prior Year Average 2023

Five Year Average (2018-2022)

Henry Hub NGc1

2.51

2.71

3.42

2.66

3.60

Title Transfer Facility (TTF) TRNLTTFMc1

9.08

8.93

19.79

13.04

14.39

9.29

9.39

24.34

14.39

14.31

LSEG Heating (HDD), Cooling (CDD) and Total (TDD) Degree Days

Two-Week Total Forecast

Current Day

Prior Day

Prior Year

10-Year Norm

30-Year Norm

U.S. GFS HDDs

337

332

415

422

U.S. GFS CDDs

2

3

5

5

4

U.S. GFS TDDs

339

335

420

427

429

LSEG U.S. Weekly GFS Supply and Demand Forecasts

Prior Week

Current Week

Next Week

This Week Last Year

Five-Year (2019-2023) Average For Month

U.S. Supply (bcfd)

U.S. Lower 48 Dry Production

103.2

106.3

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106.0

97.8

93.8

U.S. Imports from Canada8

10.0

9.4

9.4

9.3

9.3

U.S. LNG Imports

0.0

0.0

0.0

0.0

0.3

Total U.S. Supply

113.2

115.7

115.4

103.4

U.S. Demand (bcfd)

U.S. Exports to Canada

2.5

3.3

3.3

2.1

2.7

U.S. Exports to Mexico

5.9

5.5

5.7

5.6

5.3

U.S. LNG Exports

13.7

14.1

14.1

12.7

8.9

U.S. Commercial

18.2

13.9

15.1

19.2

16.6

U.S. Residential

30.9

22.0

25.1

33.1

28.6

U.S. Power Plant

38.7

33.2

32.7

34.5

29.5

U.S. Industrial

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24.7

24.9

26.3

25.6

U.S. Plant Fuel

5.1

5.3

5.2

5.1

5.4

U.S. Pipe Distribution

3.3

2.7

2.8

3.3

2.9

U.S. Vehicle Fuel

0.1

0.1

0.1

0.1

Total U.S. Consumption

122.5

101.9

106.0

121.6

108.7

Total U.S. Demand

144.5

124.9

129.1

142.0

125.6

U.S. Northwest River Forecast Center (NWRFC) at The Dalles Dam

Current Day % of Normal Forecast

Prior Day % of Normal Forecast

2023

% of Normal Actual

2022 % of Normal Actual

2021 % of Normal Actual

Apr-Sep

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79

79

83

107

81

Jan-Jul

79

80

77

102

79

Oct-Sep

80

81

76

103

81

U.S. weekly power generation percent by fuel - EIA

Week ended Feb 2

Week ended Jan 26

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Week ended Jan 12

Week ended Jan 5

Wind

8

7

10

14

8

Solar

3

2

2

2

2

Hydro

6

6

6

6

6

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2

2

2

2

2

Petroleum

Natural Gas

40

43

39

38

42

Coal

19

22

23

19

19

Nuclear

21

19

17

19

20

SNL U.S. Natural Gas Next-Day Prices ($ per mmBtu)

Hub

Current Day

Prior Day

Henry Hub NG-W-HH-SNL

2.36

2.56

Transco Z6 New York NG-CG-NY-SNL

2.33

2.03

PG&E Citygate NG-CG-PGE-SNL

3.80

4.03

Eastern Gas (old Dominion South) NG-PCN-APP-SNL

1.93

1.75

Chicago Citygate NG-CG-CH-SNL

2.11

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2.24

Algonquin Citygate NG-CG-BS-SNL

4.53

2.45

SoCal Citygate NG-SCL-CGT-SNL

3.24

3.72

Waha Hub NG-WAH-WTX-SNL

1.95

2.22

AECO NG-ASH-ALB-SNL

1.30

1.49

SNL U.S. Power Next-Day Prices ($ per megawatt-hour)

Hub

Current Day

Prior Day

New England EL-PK-NPMS-SNL

43.25

36.50

PJM West EL-PK-PJMW-SNL

25.50

Ercot North EL-PK-ERTN-SNL

21.75

22.00

Mid C EL-PK-MIDC-SNL

57.00

58.75

Palo Verde EL-PK-PLVD-SNL

39.00

42.50

SP-15 EL-PK-SP15-SNL

40.00

44.25

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