

August 24, 2015

# Natural Gas Trends

## Highlights

### Industry leaders, academics in Texas create group to promote natural gas

A team of Texans formed an organization last week to encourage domestic demand for natural gas, track changes in the industry and help educate the next generation of the state's gas industry workers. Academics, politicians and industry leaders are all part of the new non-profit known as the Texas Natural Gas Foundation. The coalition was announced in the wake of stringent methane regulations proposed last week by the US Environmental Protection Agency to cut emissions by 45% by 2025. Known by the initials TXNG, the Austin-based group will report on energy production trends, new technology and economic affects related to natural gas production in Texas and the nation. The organization also plans to develop a science, technology, engineering and math curriculum unit on natural gas for students across Texas.

Texas State Rep. Jason Isaac, R-Dripping Springs, and Ken Morgan, director of Texas Christian University's Energy Institute, are leading the new group. Isaac, who also works as a transportation consultant, is using the foundation to encourage fleet owners to switch to natural gas from diesel.

TXNG plans to host a workshop November 12 in Spring, Texas, to provide fleet managers, marine operators and exploration-and-production companies the opportunity to share information about switching to natural gas. "Despite the drop at the pump in gasoline and diesel prices, Texas natural gas still offers better value for fleet users," Isaac said in a statement. "These are vehicles that normally produce a disproportionate share of air emissions, but when fueled with natural gas they're among the cleanest burning."

Morgan is also promoting the benefits of natural gas-powered vehicles, publishing many articles on potential use of natural gas in the US. He was instrumental in passing the Texas Clean Transportation Triangle, a bill that provides \$10 million a year in rebates to companies that switch fleets to natural gas and provides grants to develop CNG and LNG fueling stations. Besides highway vehicles, Morgan said he also sees potential for using natural gas in maritime fleets and railroad networks. And with LNG exports potentially limited by low prices, increased domestic use by vehicles could increase demand in the US. A recent report by Navigant said the number of global natural gas refueling stations would balloon to 39,000 by 2025. There are not just over 23,000 stations globally. The study noted that the availability of CNG stations is closely related to government incentive programs, showing that without state or federal support many companies are not interested in investing in the infrastructure.

According to the Railroad Commission of Texas, the number of natural gas fueling stations in the state has increased 25% since last September. Last year just over 100 stations were open, and now there are 130 stations

Source: Platts Gas Daily

## Data

- September 2015 Natural Gas Futures Contract (as of August 21), NYMEX at Henry Hub closed at \$2.676 per million British thermal units (MMBtu)
- September 2015 Light, Sweet Crude Oil Futures Contract WTI (as of August 21), closed at \$40.45 per U.S. oil barrel (Bbl.) or approximately \$6.97 per MMBtu

### Last week: Texas warmer than normal last week

For the week beginning 8/16/15 and ending 8/22/15, cooling degree days (CDD) were higher than normal (warmer) on average for the week and for the year to date for most Texas cities shown.

Source: [www.cpc.ncep.noaa.gov](http://www.cpc.ncep.noaa.gov)

COOLING DEGREE DAYS (CDD)				
City or Region	Total CDD for week ending 8/22/15	*Week CDD +/- from normal	Year-to-date total CDD	*YTD % +/- from normal
Amarillo	64	-12	1056	0%
Austin	126	-14	1937	-8%
DFW	127	-8	2040	8%
El Paso	152	45	2062	18%
Houston	124	-2	2350	15%
SAT	146	11	2313	8%
Texas**	122	-1	2016	5%
U.S.**	76	11	1037	13%

\* A minus (-) value is cooler than normal; a plus (+) value is warmer than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which CDDs 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 3,030 Bcf

For the week ending 8/14/2015 working gas in storage increased from 2,977 Bcf to 3,030 Bcf. This represents an increase of 53 Bcf from the previous week. Stocks were 488 Bcf higher than last year at this time and 80 Bcf above the 5 year average of 2,950 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 8/14/15	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,457	1,407	50	-3.9%
West	475	471	4	3.7%
Producing	1,098	1,099	-1	12.6%
Lower 48 Total	3,030	2,977	53	2.7%

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

**Last week: U.S. gas rig count stable for the week**

The gas rig count for the U.S. showed no change for the week and down 119 when compared to twelve months ago. The total rig count for the U.S. was up one from last week and down 1011 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

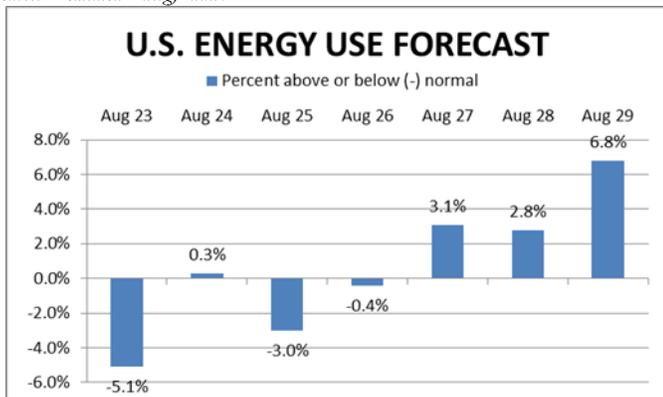
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 8/21/2015	+/- prior week	Year ago	+/- year ago
Texas	383	-6	888	-505
U.S. gas	211	0	330	-119
U.S. oil	674	2	1564	-890
U.S. total	885	1	1896	-1011
Canada	208	-3	405	-197

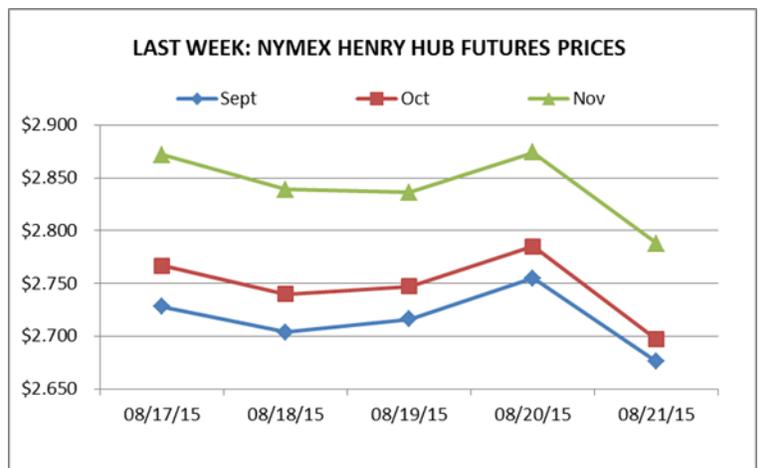
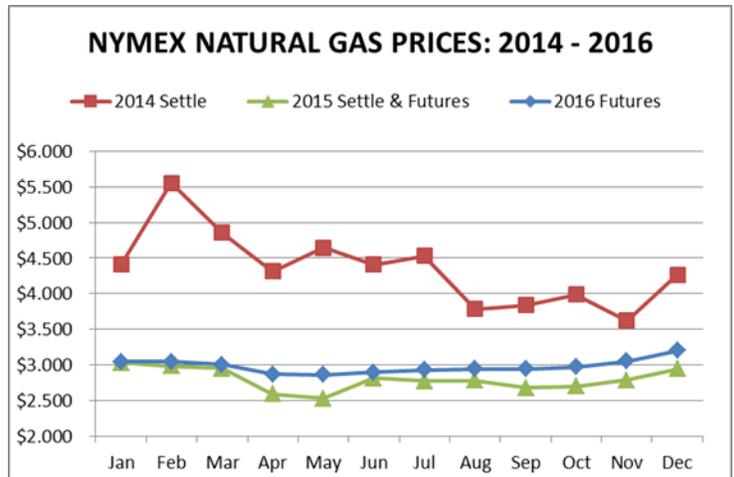
**This week: U.S. energy varies this week**

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



2015 prices. Natural gas prices for 2015, shown below in green, are the NYMEX settlement prices for Jan.-Aug. and futures prices for the remainder of the year.



**NATURAL GAS PRICE SUMMARY AS OF 8/21/2015**

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US September futures				
NYMEX	\$2.676	-\$0.125	-\$2.179	\$2.796