

July 5, 2016

Natural Gas Trends

Highlights

US, Canada, Mexico commit to methane targets

The US, Canada and Mexico on Wednesday formally agreed to setting new methane emissions targets, aligning and strengthening certain vehicle fuel economy standards and supporting a forthcoming emissions scheme for civil aircraft.

In a statement, Canadian Prime Minister Justin Trudeau, US President Barack Obama and Mexican President Enrique Pena Nieto also announced a broad goal for 50% clean power generation for North America by 2025.

In that statement, Nieto committed to reduce methane emissions from the oil and gas sector by 40%-45% by 2025, a commitment Obama announced in January 2015 and Trudeau committed to in March.

“To achieve this goal, the three countries commit to develop and implement federal regulations to reduce emissions from existing and new sources in the oil and gas sector as soon as possible,” the leaders wrote.

The US Environmental Protection Agency in May unveiled rules requiring owners and operators of new hydraulically fractured and refractured oil wells to capture methane emissions through green completions that separate gas and liquid hydrocarbons from flowback that comes from the well.

The regulations, which are likely to be challenged in court, are expected to form the basis of the EPA’s future efforts to regulate methane emissions from existing wells, which will likely fall to the next administration.

On Wednesday, the leaders of the three countries also committed to align fuel efficiency and/or greenhouse gas emission standards for light-duty vehicle out to 2025 and heavy-duty vehicles out to 2027.

They also committed to the adoption of a market-based mechanism expected out of the International Civil Aviation Organization aimed at “carbon-neutral” growth from international civil aviation by 2020.

Source: Platts Gas Daily

Data

- Aug. 2016 Natural Gas Futures Contract (as of July 1 NYMEX at Henry Hub closed at \$2.987 per million British thermal units (MMBtu)
- August 2016 Light, Sweet Crude Oil Futures Contract WTI (as of July 1), closed at \$48.99 per U.S. oil barrel (Bbl.) or approximately \$8.45 per MMBtu

Last week: Texas warmer than normal last week

For the week beginning 6/26/16 and ending 7/2/16, 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 7/2/16	*Week CDD + / - from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	101	17	499	19%
Austin	133	5	1060	-3%
DFW	157	28	1043	19%
El Paso	120	-6	1029	17%
Houston	142	17	1140	4%
SAT	138	8	1186	4%
Texas**	129	9	1072	9%
U.S.**	71	7	465	18%

* 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 3,140 Bcf

For the week ending 6/24/2016 working gas in storage increased from 3,103 Bcf to 3,140 Bcf. This represents an increase of 37 Bcf from the previous week. Stocks were 582 Bcf higher than last year at this time and 637 Bcf above the 5 year average of 2,503 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 6/24/16	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	632	612	20	11.1%
Midwest	742	724	18	29.0%
Mountain	198	194	4	37.5%
Pacific	315	318	-3	6.1%
South Central	1,253	1,255	-2	36.5%
Lower 48 Total	3,140	3,103	37	25.4%

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

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

The gas rig count for the U.S. was down one for the week and down 130 when compared to twelve months ago. The total rig count for the U.S. was up ten compared to last week and down 431 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

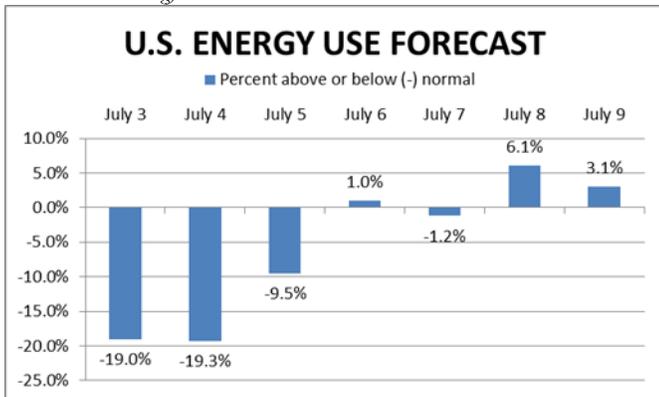
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 7/1/2016	+/- prior week	Year ago	+/- year ago
Texas	198	4	363	-165
U.S. gas	89	-1	219	-130
U.S. oil	341	11	640	-299
U.S. total	431	10	862	-431
Canada	76	0	139	-63

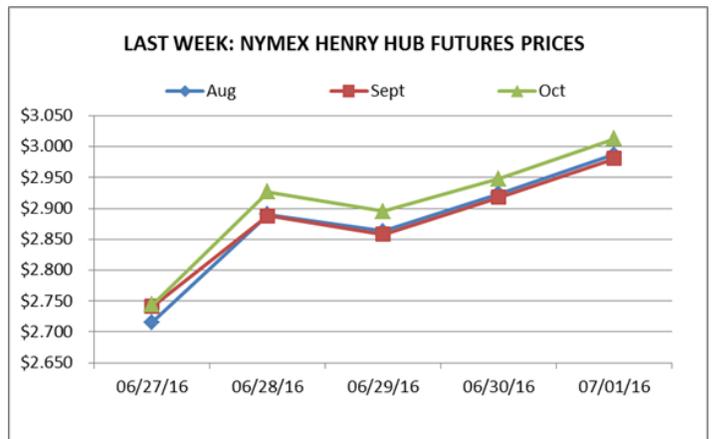
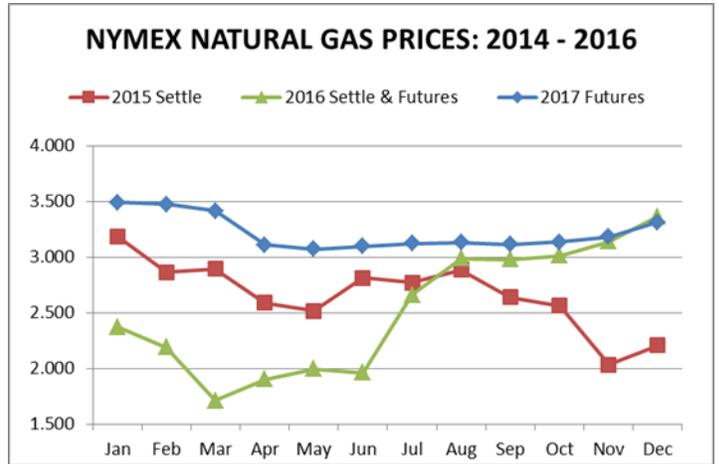
This week: U.S. energy use varies

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 7/1/2016

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US August futures				
NYMEX	\$2.987	\$0.325	-\$0.741	\$2.664