

May 13, 2013

Natural Gas Trends

Highlights

LNG volumes, on average, traveled around 60 percent further in 2013 than in 1993

Growing average distances travelled by liquefied natural gas (LNG) volumes reflect structural changes in LNG markets. Over time, LNG has become more of a global commodity. In 1993, around 70 percent of total global LNG trade moved from an Asia-Pacific exporter to an Asia-Pacific importer, a relatively short journey. Early data for 2012 shows that this intra Asia-Pacific trade fell to under a third of total global LNG trade. As LNG trade has become more diverse and disperse, the average distance travelled by a billion cubic feet (Bcf) of LNG (a Bcf of gaseous natural gas, converted into LNG) has increased.

Growing LNG shipping distances also reflect the growth of LNG exports from the Middle East. Long-time Middle East exporters, Oman and Abu Dhabi in the United Arab Emirates, have sent and continue to send most of their gas to Asia-Pacific customers, a relatively long journey. However, Qatar, which started exporting LNG in 1997, has accounted for more than three-quarters of the growth of current Middle East exports over 1993 levels, and Qatar has a more diverse customer base, including relatively nearby customers in Europe and India. Although this has helped moderate growth in the average distance travelled by a Bcf of LNG exported from the Middle East, currently more than a third of Qatari LNG and around half of Middle East LNG still makes the long journey to Asia-Pacific customers. Thus as Middle East LNG exports have grown, so too has the average distance traveled by a Bcf of LNG exported globally.

To a lesser extent, growing average global distances reflect growing, but still relatively small, volumes of LNG that travel unusually long distances (more than 9000 nautical miles or more than twice the 2012 global average). These trades generally reflect spot or short-term purchases, not long-term contracts. In 2007 and 2012, LNG imports to Japan accounted for more than half of all LNG travelling such long-distances. This occurred as Japan reached out further from its shores to pull in extra LNG to make up for nuclear shutdowns in the wake of the 2007 Chuetsu earthquake and the 2011 Tohoku earthquake and tsunami.

<http://www.eia.gov/naturalgas/weekly/>

Data

- June 2013 Natural Gas Futures Contract (as of May 10), NYMEX at Henry Hub closed at \$3.910 per million British thermal units (MMBtu)
- June 2013 Light, Sweet Crude Oil Futures Contract WTI (as of May 10), closed at \$96.04 per U.S. oil barrel (Bbl.) or approximately \$16.56 per MMBtu

Last week: Texas cooler than normal

For the week beginning 5/5/13 and ending 5/11/13, heating degree days (HDD) were higher than normal (colder) for Texas but lower (warmer) for the US.

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 5/11/13	*Week HDD +/- from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	23	-7	3727	-13%
Austin	7	7	1656	0%
DFW	9	2	2039	-14%
El Paso	1	-3	2184	-14%
Houston	4	4	1185	-22%
SAT	2	2	1204	-23%
Texas**	14	10	1788	-10%
U.S.**	36	-10	4236	-4%

* A minus (-) value is warmer than normal; a plus (+) value is cooler 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 1,865 Bcf

For the week ending 5/3/2013 working gas in storage increased from 1,777 Bcf to 1,865 Bcf. This represents an increase of 88 Bcf from the previous week. Stocks were 737 Bcf lower than last year at this time and 99 Bcf below the 5 year average of 1,964 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 5/3/13	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	756	704	52	-12.6%
West	344	339	5	17.0%
Producing	765	734	31	-5.0%
Lower 48 Total	1,865	1,777	88	-5.0%

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

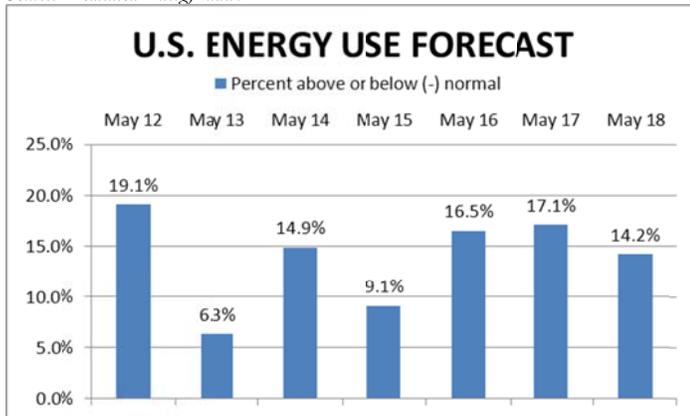
Last week: U.S. gas rig count down 4

The gas rig count for the U.S. was down 4 when compared to the prior week and down 248 when compared to 12 months ago. The total rig count for the U.S. was up 5 for the week and down 205 when compared to 12 months ago. The total rig count includes both oil and natural gas rotary rigs. Source: Baker Hughes

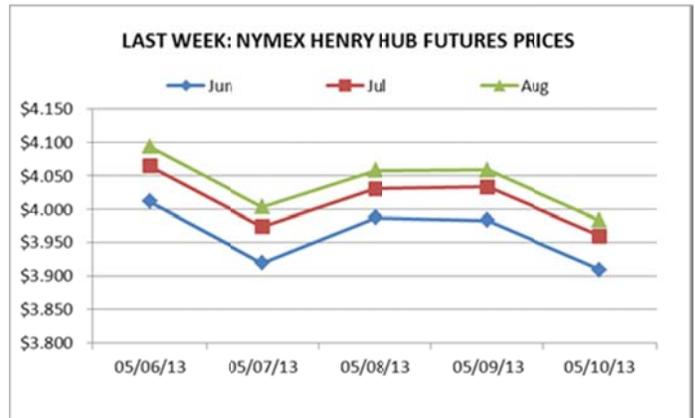
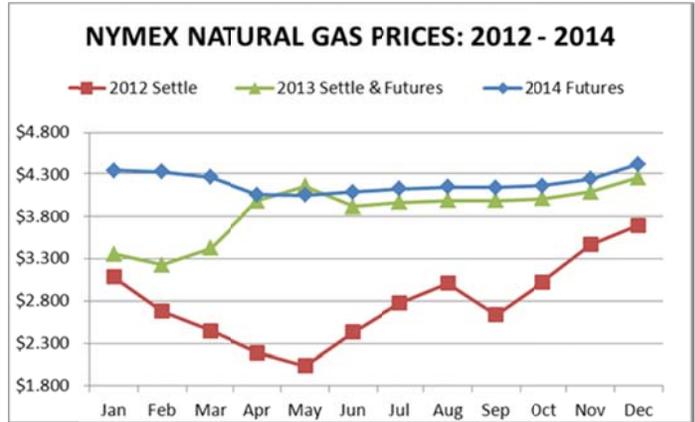
BAKER HUGHES ROTARY RIG COUNT				
	As of 5/10/2013	+/- prior week	Year ago	+/- year ago
Texas	838	7	934	-96
U.S. gas	350	-4	598	-248
U.S. oil	1412	9	1372	40
U.S. total	1769	5	1974	-205
Canada	118	-3	120	-2

This week: U.S. energy use above normal

U.S. energy use is predicted to be below normal early in the week, rising to above normal mid-week and declining back to slightly below normal to close the week out, 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



2013 prices. Natural gas prices for 2013, shown below in green, are the NYMEX settlement prices for January-May and the futures prices for the remaining months of 2013.



NATURAL GAS PRICE SUMMARY AS OF 5/10/2013

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US June futures				
NYMEX	\$3.910	-\$0.242	\$1.481	\$4.100