

## Factbox : US producers throttle back as gas faces domestic, global headwinds

By J. Robinson ,Harry Weber ,Piers De Wilde

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**US** producers reduced **natural gas** production over the last week as continued volatility in the oil markets keeps many operating below wellhead breakeven prices.

Month to date, **US gas** production is down 2.3 Bcf/d from April to an average of 89.4 Bcf/d. Reduced supply and stronger weather-driven demand lifted prompt futures at the benchmark **Henry Hub** Wednesday to their highest settlement price in nearly fourth months at \$2.13/MMBtu.

On the global market, supply loaded at **US LNG** terminals continues to face headwinds as near-parity **gas** prices around \$2/MMBtu in **Europe** and **Asia** keep cargo netbacks in negative territory.

During its first-quarter earnings call, executives at **Cheniere** said they had already begun contingency planning as they entertain the possibility that some liquefaction trains in **Louisiana** and **Texas** could go underutilized in the months ahead.

"As **Japan** , the world's largest **LNG** buyer, moves to extend its lockdown through the end of May, **US LNG** cargoes look increasingly at risk," said Ross Wyeno, lead analyst, **Americas LNG** , S&P Global Platts Analytics.

### US NATURAL GAS PRODUCTION



## Prices

- The **NYMEX Henry Hub** prompt-month contract surged over 14 cents Wednesday, settling at \$2.134/MMBtu, the benchmark index's highest since mid-January.
- Balance 2020 forward prices at **Henry Hub** marked a fresh annual high Tuesday at \$2.43/MMBtu as falling production drives an increasingly bullish outlook for Q4.
- **Henry Hub** spot **gas** was moving toward a settlement around \$1.88/MMBtu Wednesday, down from a seven-week high Tuesday at over \$1.95/MMBtu.
- Global benchmarks in **Europe** and **Asia** continue to trade at discounts to the **Henry Hub** , with the **Dutch TTF** and Platts **JKM** settling Wednesday at \$1.83/MMBtu and \$2.03/MMBtu, respectively.
- **Waha** spot **gas** prices were moving toward a settlement around \$1.77/MMBtu Wednesday, down from a six-month high Tuesday at \$1.80/MMBtu.
- **Waha** forward prices for January 2021 settled at their highest in over three years Monday, approaching \$3/MMBtu, as falling West **Texas** production boosts the outlook for winter.

### HENRY HUB BALANCE 2020 FORWARD CURVE



## Trade flows

### LNG

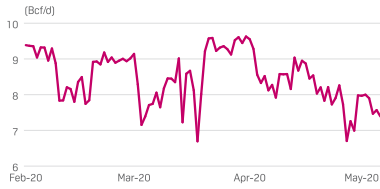
- **France** 's Total plans to cancel some **US LNG** cargoes this summer, given weak prices and demand due to the global economic slowdown, the CEO said.
- **Cheniere** , the biggest **US LNG** exporter, has received additional cancellations beyond two for April that were previously disclosed, the CEO said without providing details.
- **Atlantic** market participants are said to be looking to import more **LNG** into the **US** due to low international versus domestic **gas** prices, traders told Platts.
- Traders are watching for portfolio players trying to move **Caribbean** , or even **West Africa** volumes, into the **US Mid-Atlantic** and Northeast.
- cFlow, Platts trade-flow software, shows the Catalunya Sprit left **Trinidad and Tobago** laden on April 30 -- likely headed to the **Everett LNG** terminal near **Boston** as of Wednesday.

### Onshore gas

- **US gas** production is down 2.5% month to date from an average 91.7 Bcf/d in April as oil-directed drilling slows in key basins including the Permian, the Bakken and SCOOP/STACK.
- Permian **gas** production is averaging 10.9 Bcf/d in May, down from a monthly record high at 12.2 Bcf/d in December.
- **Gas** -fired power burn is averaging 25 Bcf/d month to date, down from early-May levels around 26.5 Bcf/d last year, despite significant generation-stack changes and low prices.
- **US** industrial **gas** demand continues to weaken in early May, falling to an average 20.1 Bcf/d as chemical facilities and refiners dial back consumption amid lower product demand.

- **US LNG feedgas** volumes are averaging 7.7 Bcf/d in May, down from 8.3 Bcf/d in April as global portfolio players opt increasingly to defer or cancel cargo liftings.
- **US gas** in storage climbed to 2.21 Tcf in the week ended April 24, following a 70 Bcf injection that was more than triple the five-year average, data from the **US Energy Information Administration** shows.

**US LNG FEEDGAS VOLUMES DECLINE ON REPORTED CARGO CURTAILMENTS**



Source: S&P Global Platts Analytics

## Infrastructure

- The **US** oil and **gas** rig count fell to 432 during the week ending April 29, its lowest on record dating back to 2005, data from Enverus Drilling Info showed.
- Permian rig count tumbled to 229 last week, its lowest since October 2016.
- **Cheniere** has raised the possibility that a final decision on whether to build its proposed midscale liquefaction expansion at its **Texas** terminal may be put off until 2021.
- **LNG** Ltd. has appointed voluntary administrators, signaling that the Magnolia **LNG** developer may be preparing to enter bankruptcy or liquidation.
- Total does not expect to expand its **North American LNG** business beyond current commitments anytime soon. The CEO has expressed doubts over the near-term fate of the Driftwood **LNG** project in **Louisiana**.
- **Sempra** has delayed until next year an FID on **Port Arthur LNG** in **Texas** amid weak market conditions. The company expects FID on the **Energia Costa Azul** project in **Mexico** during Q2.
- **Cove Point** customers continued to nominate **gas** volumes that are at the facility's design capacity, suggesting utilization will remain robust for now, **Dominion** said.
- NextDecade has extended to May 2021 the outside effective date for commencing its lease for the 984-acre site in South **Texas** where its proposed **Rio Grande LNG** terminal is to be built, amid uncertainty over FID timing.

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