

News : Analysts expect US natural gas storage surplus to keep rising despite production cuts

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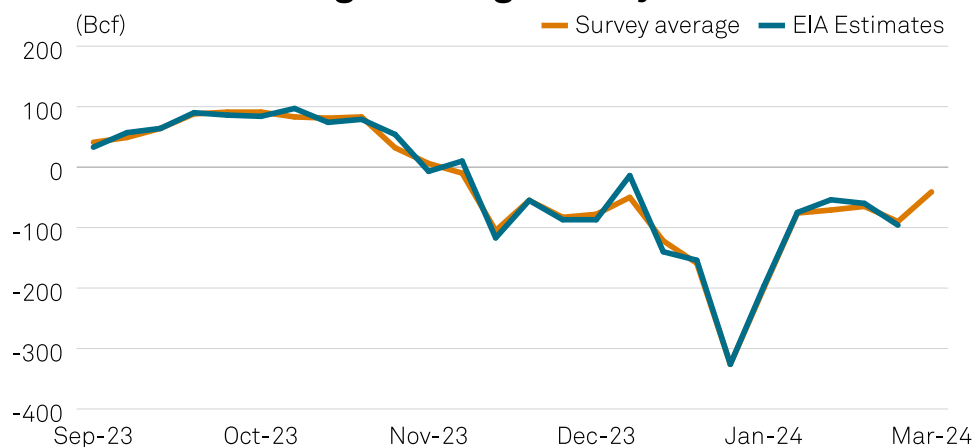
- Weak demand offsetting production cuts
- Surplus could hit 650 Bcf by mid-March

Natural gas analysts expect the Energy Information Administration to report a fifth consecutive below-average withdrawal from storage for the week ended March 1 as falling demand in the week more than offset cuts to gas production, a trend expected to continue into the middle of March.

The EIA is expected to report March 7 a net withdrawal of just 41 Bcf from US inventories for the week ended March 1, according to S&P Global Commodity Insights' latest gas storage survey. A 41-Bcf withdrawal would be less than half the five-year average pull from stocks of 93 Bcf and below the year-ago drawdown of 72 Bcf in the corresponding week, EIA data showed.

Assuming analysts' consensus withdrawal estimate of 41 Bcf is accurate, US inventory levels would fall to 2.333 Tcf but still the gas storage surplus would rise for a fifth consecutive week to be 550 Bcf, or nearly 31%, above the five-year average, and 279 Bcf, or almost 14%, above the year-ago level.

S&P Global natural gas storage survey vs EIA estimates



Source: S&P Global Commodity Insights, US Energy Information Administration

Responses to the survey were reported in a relatively narrow range, spanning 27-55 Bcf.

Fundamentals

The US natural gas supply-demand balance loosened in the week ended March 1 as mild weather reduced heating demand.

Total US demand declined to around 114 Bcf/d in the week ended March 1, from over 121 Bcf/d from the week prior, led by a 5 Bcf/d decrease in residential-commercial demand to 32 Bcf/d, data from S&P Global Commodity Insights showed. Demand from the power sector declined by 1.9 Bcf/d week-over-week to 30.6 Bcf/d, and industrial demand fell by 500 MMcf/d week-over-week to 24.4 Bcf/d. The weaker domestic demand offset a 400 MMcf/d uptick in LNG feedgas demand to 13.9 Bcf/d.

On the supply side, natural gas production fell by 1.3 Bcf/d week-over-week to 102.3 Bcf/d as producers scaled back activity in response to weak prices. Net imports from Canada fell to 4.5 Bcf/d in the week ended March 1, down by 900 MMcf/d from the prior week.

Production has continued to decline in the current week and fell to just 100.3 Bcf/d on March 5. It has dropped off significantly since reaching a 2024-high of 105.2 Bcf/d on Feb. 10, S&P Global data showed.

Outlook

The storage surplus to the five-year average has surged in recent weeks after falling to 5% in mid-January. No immediate end is in sight as an outlook of mostly above-average temperatures is expected to weigh on demand and limit the impact of cuts announced by producers like [EQT](#) and [Chesapeake](#).

"Despite producer efforts to curb excess supply, US storage surplus levels are still on pace to approach 650 Bcf by the middle of March," S&P Global gas market analyst Luke Larsen said in a March 5 note.

The production cuts have supported futures prices since Feb. 21, but the front month remains below the \$2/MMBtu mark. NYMEX April 2024 gas futures gained around 3 cents during March 5 and were trading at \$1.95/MMBtu in the afternoon, data from CME Group showed.

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