



A Brief Natural Gas Update (It's Thursday)

Posted by [Nate Hagens](#) on March 27, 2008 - 11:09am

Topic: [Supply/Production](#)

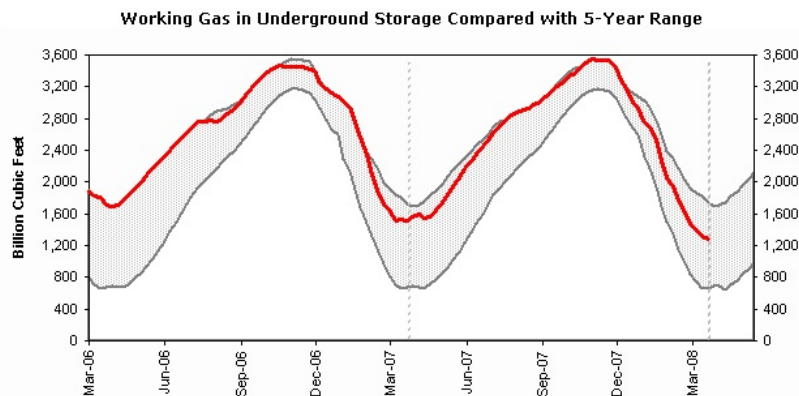
Tags: [eia](#), [natural gas](#), [storage](#), [withdrawal](#) [[list all tags](#)]

Sometimes lost in headline discussions of oil production and prices is the sister story for natural gas. As might be expected, natural gas prices have mirrored the price change in oil, (though in the UK, they are currently approaching \$15per mcf-a much higher increase than in North America). We have just been through (and still are in, from where I type this) one of the coldest winters in recent memory-consequently we have had dropped considerably from beginning storage levels. This morning the [EIA announced a 36 bcf withdrawal](#) of natural gas for the week ended Mar 21, in line with expectations, but capping a winter of 2nd largest withdrawals since 1995. Below the fold are a few graphical snapshots of the natural gas situation. TOD readers feel free to post any relevant natural gas links below.



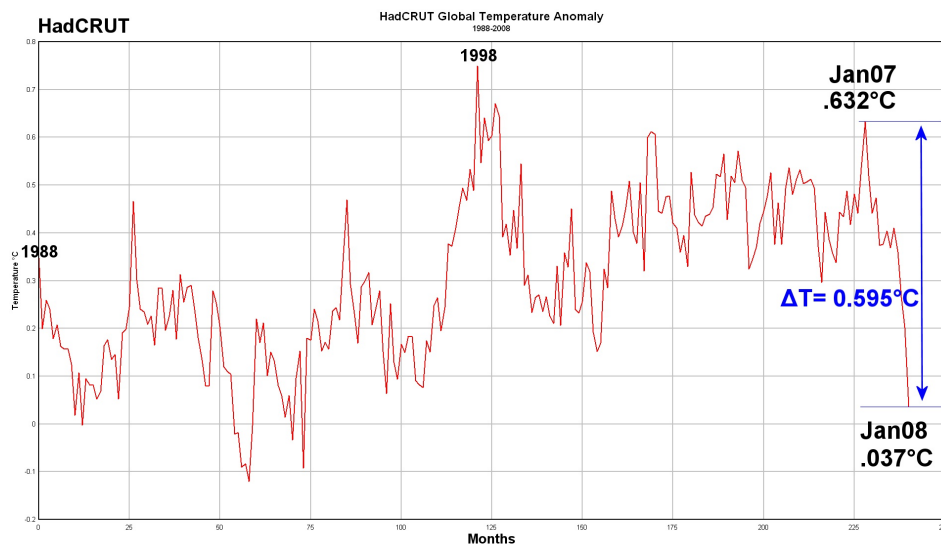
Natural gas contract prices - daily for May 08 delivery (Click to enlarge)

Thanks to 2 mild winters and a mild summer, the US Natural Gas storage situation started this winter season with record stocks. However, a cold winter has brought stocks much more in line with historical averages (note - these numbers are in absolute terms, not adjusted for demand or population growth).



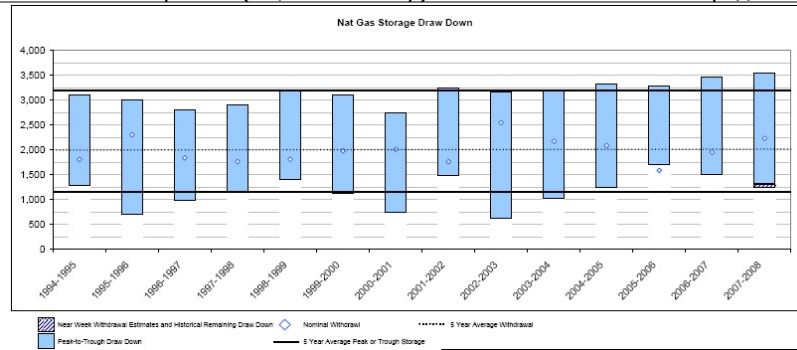
Working gas in storage (underground) vs 5 year average ([Source - EIA](#) (Click to enlarge))

Through January end, we have undergone the steepest 12 month drop in global temperature on record - which led to more demand for natural gas for heating and electricity. (A primer on how much fossil fuels we use in USA for home heating, compared to our forest wood stocks can be found [here](#))



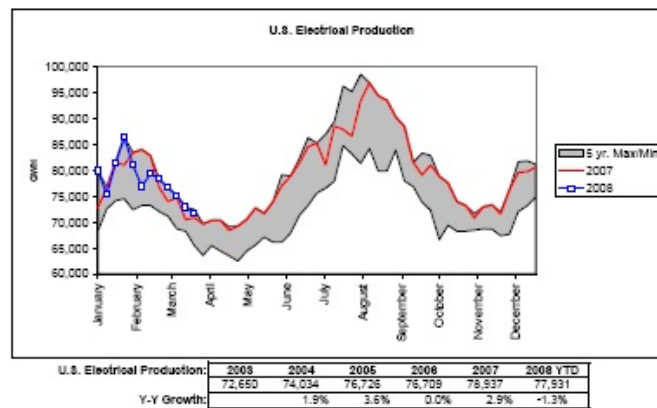
10 Year temperature anomaly - UK Hadley Climate Research Unit Temperature (Click to enlarge)

So we had the 2nd largest total withdrawals in last decade - equity research firm Johnson Rice graphed the drawdown like this:



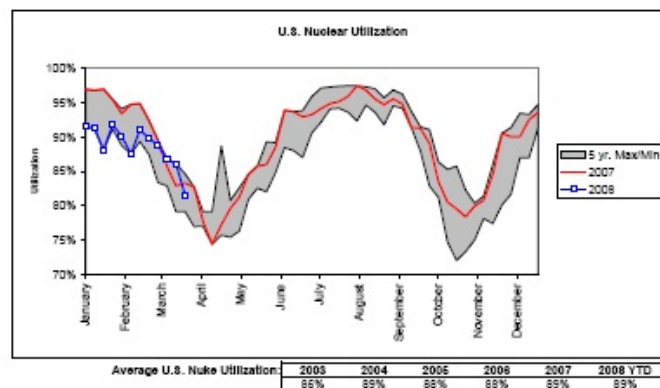
Historic peak to trough drawdowns of US natural gas stocks- (Thanks to Johnson Rice equity research) (Click to enlarge)

So in sum, current storage is still above historic trough for this time of year - but only because we started with record gas in storage. This is all happening while electricity demand is near the top of the historic range for this time of year, after a February drop:



Historic electricity demand - Source- Johnson Rice (Click to enlarge)

As a brief aside, nuclear utilization (for electricity), due to maintenance and/or age of facility, etc. has shown a meaningful decline this month:



Historic nuclear utilization - Source- Johnson Rice (Click to enlarge)

When combined with an increasing speed of the [treadmill](#) for natural gas production in North America, and the fact that over 70% of [energy inputs into oil production](#) are natural gas, I expect we will have an interesting summer. I'll make sure and have my woodshed stacked come December 2008, just in case.

(TODers please post any natural gas related data/links below.)



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