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US natgas overview: Waha price up on hot weather

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- Spot natural gas prices at Waha in west Texas rose on Tuesday to a four-month high as hotter-than-normal weather stoked demand for Permian gas supplies. The Waha index, an indicator for the price of Permian gas output, rose to \$1.35/mmBtu, up by 26pc from the previous session and the highest since 1 February. Permian prices remain subdued because of limited pipeline takeaway capacity. The index is frequently negative during pipeline maintenance or when demand is low.
- The US Energy Information Administration (EIA) this week revised lower its outlook for US gas inventories lower on an expected decline in production and a seasonal increase in demand from the US power sector. Natural gas inventories were expected to end the injection season on 31 October at about 3.979 Tcf, or 6pc above the five-year average. The agency has expected stockpiles to start next winter at a record high above 4.1 Tcf. Injections during the first two months of the refill season have lagged average levels.
- Booming associated natural gas production in crude-driven Permian basin in west Texas and northeast New Mexico is "just the absolute most bearish variable" for the US gas markets, Macquarie managing director Kevin Little said Tuesday at the Northeast LDC Gas Forum in Boston, Massachusetts. Output growth in the Permian risks oversupplying gas markets not only because producers there are not fazed by lower gas prices, but because but because production there may involve drilling deeper wells, which tends to increase gas-to-oil ratios, he said.
- Weather models on Wednesday showed a slight decline in expected cooling demand, according to the private forecaster Commodity Weather Group. The outlook features hotter-than-normal weather during the next two weeks and record amounts of cooling demand for that period, the forecaster noted. Above-normal temperatures were forecast from the western US, into the midcontinent and part of the southeast through 16 June. Hotter-than-normal weather will then blanket parts of the western, central and eastern US through 21 June and cover nearly the entire US from 22-26 June.

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