

COMMODITIES INSIGHT



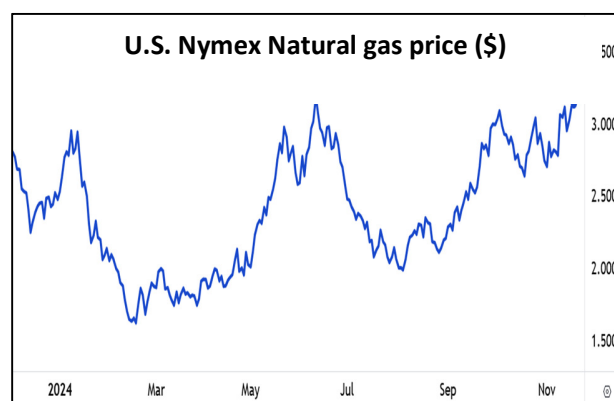
21st November 2024

Natural Gas: Winter is coming!

Natural gas prices rose sharply on the outlook for colder US temperatures toward the end of this month, which will boost heating demand. Prices got further boost from European natural gas prices rally driven by colder weather forecasts and reduced gas supplies from Norway. Additionally, Austria's OMV reported that Russia's Gazprom would suspend gas deliveries, although Russian gas flows through Ukraine have remained stable.

On LNG export front, U.S. LNG export activity has increased. Daily gas flows to export facilities reached a 10-month high. So far in Nov, natural gas exports to the seven major LNG plants averaged 13.3 bcf/d, up from 13.1 bcf/d in Oct. This rise indicates stronger international demand for U.S. natural gas.

Forecasts for colder weather next week have only provided further support to prices. Rain and snow systems are expected to impact large portions of the country, excluding the Southwest, during Thanksgiving week. Over 25 million people are under winter storm watches, with notable snowfalls forecast for the Midwest, Northeast, and central Appalachians.

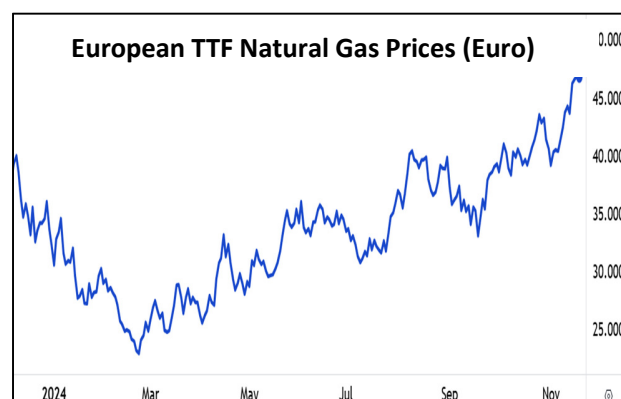


Source RTRS

In the Pacific Northwest, a powerful atmospheric river event is set to bring heavy rain and snow, potentially disrupting supply chains and bolstering natural gas usage. The National Weather Service predicts colder air and accumulating snow across key demand regions, heightening the possibility of increased natural gas consumption.

A developing winter storm in the mid-Atlantic and southern New England could add to energy demand during one of the busiest travel periods of the year. The latest weather predictions for December show colder temperatures, which could increase demand and accelerate the depletion of gas reserves in Europe, which are currently less than 91% full.

European gas prices are trading at their highest levels since November last year on concerns that some Russian pipeline flows could be disrupted soon. This was on the back of concerns that some Russian pipeline flows to Europe could be disrupted.



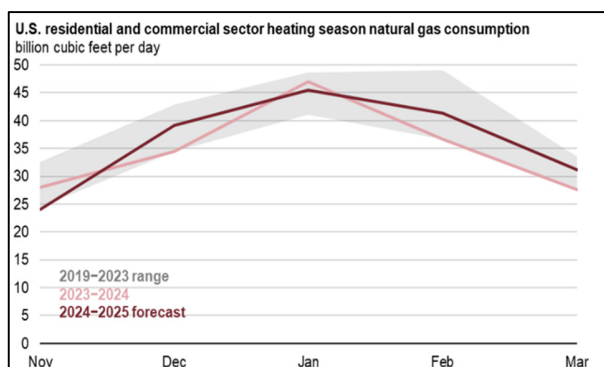
Source RTRS

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The Austrian energy company OMV has said that it intends to stop paying Gazprom for imports in order to recoup EUR230m in damages it was awarded in an arbitration, which raises the prospects that Gazprom will cut flows if it doesn't receive payment. EU continues to navigate energy insecurity, relying heavily on liquefied natural gas (LNG) imports from the U.S. and Qatar to offset reduced Russian supply.

A slightly colder weather forecast for this winter increases the amount of natural gas to be consumed during the 2024–25 winter heating season (November–March). U.S. natural gas consumption in the residential and commercial sectors this winter, which largely reflects space heating is forecasted to average 36 Bcfpd, 4% more than last winter and close to the five-year (2019–2023) average.



Source RTRS

The EU + UK demand increased by 3.06 bcm month-on-month to settle at 21.9 bcm in September. In the middle of August, the EU reached its target of filling gas storage facilities to 90% of capacity 10 weeks ahead of the 1 November deadline.

This achievement is on par with last year, when EU countries reached the 90% target on August 18, the European Commission said three months ago. In mid-October, the EU storage was already 95% full. With the beginning of the heating season and the low wind speeds across most of northwest Europe in recent weeks, EU countries are already drawing down the gas in storage, which was 90% full as of November 16, according to data from Gas Infrastructure Europe.

Outlook:

U.S. natural gas prices are expected to rally amidst rising heating demand due to full blown cold weather sustaining in U.S. and lower production which continues to support prices. Along with this, a steady demand for U.S. LNG remained a key bullish factor, which can provide an additional push to natural gas prices. On domestic front, bullish bias is likely to sustain and any correction should be taken for accumulation at lower levels. On MCX, prices are expected to touch levels ₹ 340- ₹.350 levels in near term.

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