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RAILROAD COMMISSION OF TEXAS
Gas Services Division
Market Oversight Section

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Natural Gas Trends

Highlights

LNG exports led to tripling Aussie gas prices: Report

Australian natural gas prices have tripled due to growth of its LNG exports, says a report released by the Industrial Energy Consumers of America. The report, entitled "Gas Market Transformation – Economic Consequences for the Manufacturing Sector," said exports of LNG, the price of which is tied to international oil prices, has led domestic gas prices in that country to spike. The report was prepared by Deloitte for a group of six Australian manufacturing trade associations. "Even though Australia is the 3rd largest producer of natural gas in the world, Australian natural gas prices have tripled in response to the significant LNG exports," said IECA President Paul Cicio, in a statement. "Like the US, the Australian natural gas market was once a free market whereby domestic supply and demand determined the price. Now, because of LNG exports, natural gas suppliers have market power and can dictate higher prices," Cicio said.

According to the report, Australia will experience the following impacts due to rising natural gas prices: Australia's manufacturing output will diminish by A$118 billion over the next seven years; 14,600 manufacturing jobs will be lost; the mining sector will diminish by $34 billion and the agricultural sector by $4.5 billion. "Australian manufacturers are closing their doors and power companies are taking action to switch from natural gas to coal. The cost of home heating and cooling has also soared." IECA said.

Groups challenge FERC's approval of Cameron LNG export project

Environmental groups are seeking a rehearing on FERC's decision to authorize construction and operation of facilities needed to export 1.7 Bcf/d of liquefied natural gas from Cameron Parish, Louisiana. FERC approved the Cameron LNG export project June 19. With an estimated cost between $9-10 billion, the project includes a three-train liquefaction facility and a 21-mile, 42-inch diameter pipeline to feed gas to the facility.

The Sierra Club, Gulf Restoration Network and RESTORE asked FERC on Tuesday to withdraw the order (CP13-25) and the environmental impact statement associated with the project and to undertake further environmental analysis. The groups also requested a stay of the order to prevent the project's sponsors from moving ahead with construction. Project sponsors include Sempra Energy, which will have a 50.2% indirect ownership stake in the project, and GDF Suez, Mitsui and Japan LNG investment, which will each hold a 16.6% ownership interest. Sempra had not responded to a request for comment as of press time.

The environmental groups argued that FERC made four errors in its order granting authorization of the project. The groups' "most fundamental disagreement with FERC" stemmed from the commission's conclusion that increased domestic gas production triggered by a rise in gas exports was outside of the scope of the environmental review of the project required by the National Environmental Policy Act. FERC has said that evaluating localized environmental impacts from boosts in gas development would not be feasible as it would be difficult to predict where additional gas development activity would occur. The environmental groups' petition however, said that FERC's "conclusions regarding foreseeability are not factually supported and are contrary [to] legal obligation to engage in reasonable forecasting."

FERC also "erred in refusing to consider the effects of the project on domestic electric sector air emissions, including emissions resulting from shifting electricity generation from gas to coal," the groups said. The petition noted that LNG exports will put considerably more demand on gas. Meeting that demand will require either an increase in supply through more production or a reduction in consumption, which would come primarily from switching more power generation to coal from gas, the groups said, referring to an EIA study.

The petition said "FERC's assertions about the impossibility of predicting the location and conditions of additional gas production have no bearing on the ability to meaningfully discuss this change in electric sector emissions, because this increase in carbon dioxide emissions is not dependent on the location of any new production or even the location of the power plants that change their output." The groups argue in the petition that FERC failed to meet NEPA requirements in both its analysis of air impacts of design alternatives and it discussion of impacts to wetlands. In February, the project received conditional approval from the Department of Energy in February to ship LNG to countries that do not have free trade agreements with the US. In 2012, the company received approval to ship to countries that have FTAs with the US. Source: Platts Gas Daily

Data

- September 2014 Natural Gas Futures Contract (as of July 25), NYMEX at Henry Hub closed at $3.787 per million British thermal units (MMBtu)
- September 2014 Light, Sweet Crude Oil Futures Contract WTI (as of July 25), closed at $102.09 per U.S. oil barrel (Bbl.) or approximately $17.60 per MMBtu

Last week: Texas warmer than normal

For the week beginning 7/20/14 and ending 7/26/14, cooling degree days (CDD) were higher than normal (warmer) for the week and for the year to date for most Texas cities shown.

Source: www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (CDD)

City or Region	Total CDD for week ending 7/26/14	*Week CDD + / - from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	126	33	839	14%
Austin	141	1	421	-9%
DFW	148	4	1501	11%
El Paso	159	34	1650	26%
Houston	144	11	1562	2%
SAT	151	11	1771	10%
Texas**	132	2	1392	-2%
U.S.**	72	-3	676	5%

-999 = Normal Less Than 100 or Ratio Incalculable

* A minus (-) value is cooler than normal; a plus (+) value is warmer than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which CDDs are calculated.
** State and U.S. degree days are population-weighted by NOAA.

Last week: U.S. natural gas storage at 2,219 Bcf

For the week ending 7/18/2014 working gas in storage increased from 2,129 Bcf to 2,219 Bcf. This represents an increase of 90 Bcf from the previous week. Stocks were 561 Bcf lower than last year at this time and 683 Bcf below the 5 year average of 2,902 Bcf.

Source: http://ir.eia.gov/ngs/ngs.html

U.S. WORKING GAS IN STORAGE

Region	Week ending 7/18/14	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,100	1,044	56	-22.5%
West	369	358	11	-17.8%
Producing	750	727	23	-27.5%
Lower 48 Total	2,219	2,129	90	-23.5%

Lower 48 states, underground storage, units in billion cubic feet (Bcf)

Last week: U.S. gas rig count up for the week

The gas rig count for the U.S. was up three for the week but was down 51 when compared to twelve months ago. The total rig count for the U.S. was up 12 from last week and up 107 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

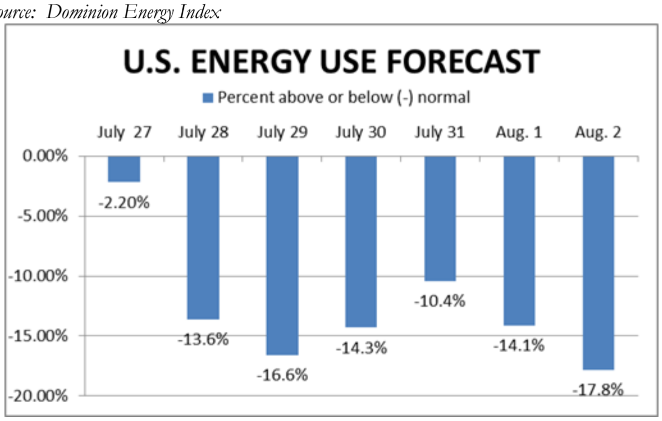
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 7/25/2014	+/- prior week	Year ago	+/- year ago
Texas	886	-2	848	38
U.S. gas	318	3	369	-51
U.S. oil	1562	8	1401	161
U.S. total	1883	12	1776	107
Canada	395	14	329	66

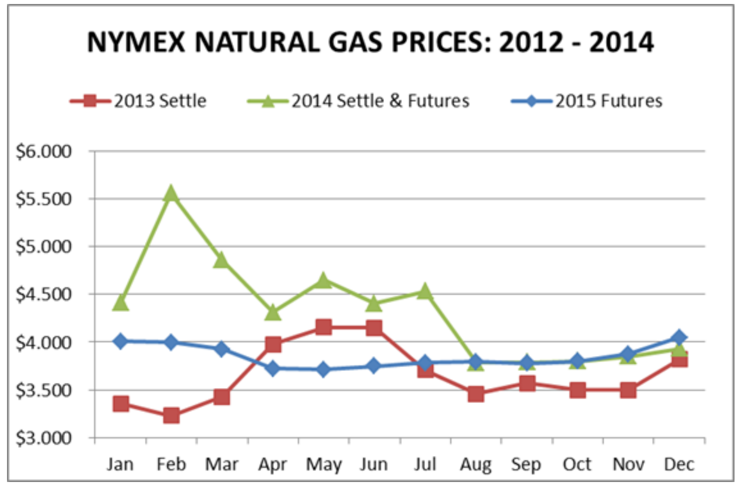
This week: U.S. energy below normal

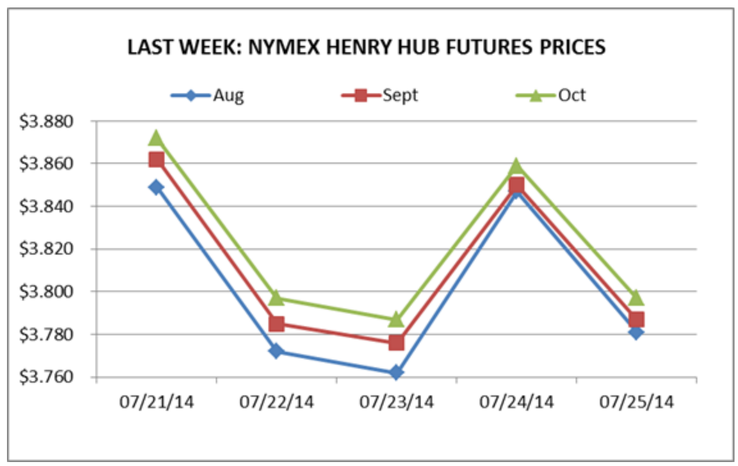
U.S. energy use is predicted to e below normal this week, according to the Dominion Energy Index, as shown below. Dominion forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index



2014 prices. Natural gas prices for 2014, shown below in green, are the NYMEX settlement prices for Jan.-July and futures prices for the remainder of the year.





NATURAL GAS PRICE SUMMARY AS OF 7/25/2014

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US Aug. futures				
NYMEX	$3.781	-$0.170	$0.322	$3.836