

# Highlights

## Overview

This issue of the *Natural Gas Monthly* presents the most recent estimates of natural gas data from the Energy Information Administration (EIA). Estimates extend through August 1998 for many data series and through May for most price series. This issue also includes a special report, "U.S. Natural Gas Imports and Exports—1997," which presents detailed information on 1997 import and export trade with Canada and Mexico and shipments of liquefied natural gas (LNG).

Highlights of the August 1998 data contained in this issue are:

- The rate of injections into underground storage continues at a strong pace but slowed somewhat in August when net injections were estimated at 275 billion cubic feet, 15 percent less than in August 1997. Working gas in storage at the end of August 1998 was 2,726 billion cubic feet, 17 percent higher than the level a year ago.
- Thus far in 1998, monthly estimates of natural gas production are 1 percent higher than 1997 levels and estimates of net imports are 4 percent higher.
- Cumulatively for January through August 1998, total end-use consumption of natural gas is estimated to be 13,184 billion cubic feet, 2 percent lower than for the same period of 1997. Consumption declined in the residential, commercial, and industrial sectors.
- Cumulatively from January through May 1998, all natural gas prices dropped compared with levels for the same time period in 1997. The wellhead price remained virtually unchanged from March through May.

## Supply

Estimates of natural gas production and net imports through August 1998 indicate a slight increase in supply compared with year-ago levels. Dry gas production in August 1998 is estimated to be 1,603 billion cubic feet or

51.7 billion cubic feet per day (Table 1). This level is nearly the same as the previous month's estimate and 1 percent higher than in August 1997. Cumulatively from January through August, dry production rose about 1 percent from 1997 to 1998 (Figure HI1).

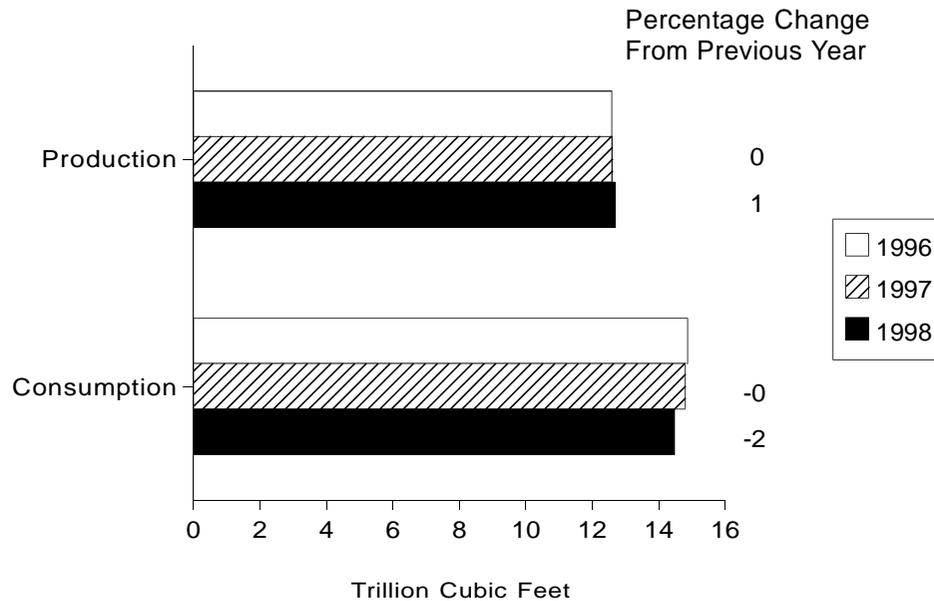
Net imports, which are an important component of the supply of natural gas in the United States, are estimated to be 244 billion cubic feet in August 1998 or 7.9 billion cubic feet per day (Table 2). The monthly estimates of net imports in 1998 have exceeded those of 1997 in every month. Cumulatively for January through August, net imports are 4 percent higher than they were 1 year ago.

Although the rate of injections into underground storage continued to be strong as the 1998 refill season proceeded, it began to slow in August when net injections were estimated at 275 billion cubic feet, 15 percent less than in August 1997. Working gas in underground storage had ended the 1997-98 heating season (November through March) at 1,184 billion cubic feet, 19 percent more than at the end of the previous heating season. Despite this higher working gas level, so far this refill season an estimated 1,539 billion cubic feet of gas has been added to underground storage, 14 percent more than during the same months last year. Working gas in storage at the end of August 1998 is estimated to be 2,726 billion cubic feet, 17 percent more than at the end of August 1997. (Figure HI2).

## End-Use Consumption

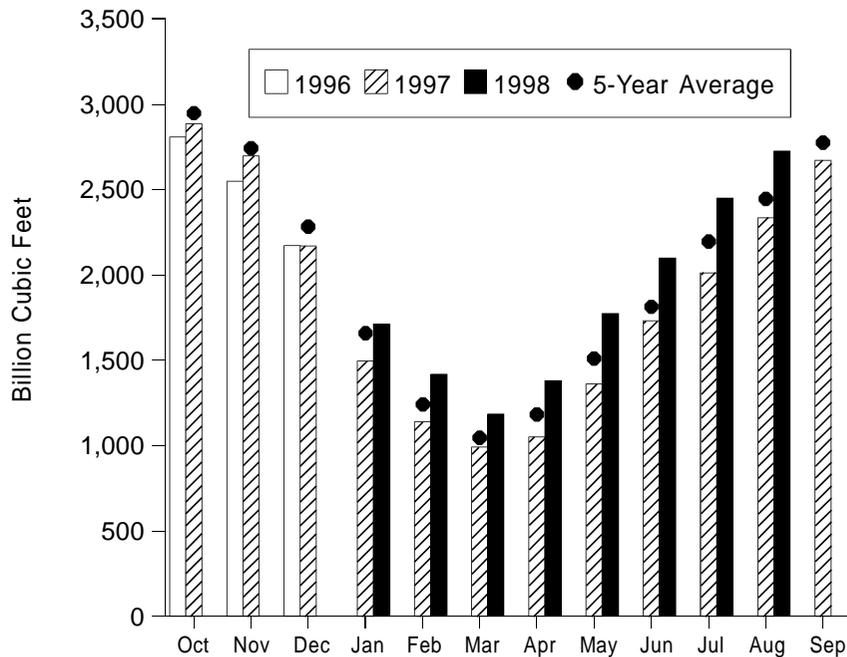
Natural gas consumption by end users in August 1998 is estimated to be 1,409 billion cubic feet, an increase of slightly more than 1 percent over the July level (Table 3). Cumulatively for January through August 1998, end-use consumption is estimated to be 13,184 billion cubic feet, 2 percent lower than for the same period of 1997. The cumulative decline occurred across the residential, commercial, and industrial sectors as respective consumption levels were estimated at 264, 136, and 87 billion cubic feet lower than during the first 8 months of 1997 (Figure HI3).

**Figure HI1. Natural Gas Production and Consumption, January-August, 1996-1998**



Source: Table 2.

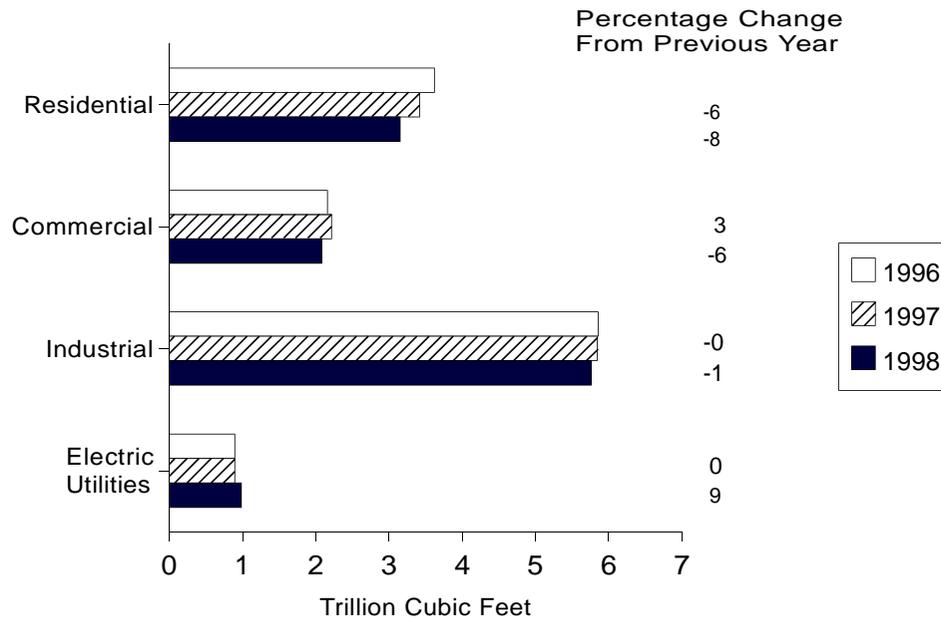
**Figure HI2. Working Gas in Underground Storage in the United States, 1996-1998**



Note: The 5-year average is calculated using the latest available monthly data. For example, the December average is calculated from December storage levels for 1993 to 1997 while the January average is calculated from January levels for 1994 to 1998. Data are reported as of the end of the month, thus October data represent the beginning of the heating season.

Sources: Form EIA-191, "Underground Natural Gas Storage Report," Form EIA-176, "Annual Report of Natural and Supplemental Gas Supply and Disposition," and Short-Term Integrated Forecasting System.

**Figure HI3. Natural Gas Delivered to Consumers, January-August, 1996-1998**



Note: The reporting of electric utility deliveries is 3 months behind the reporting of other deliveries.  
Source: Table 3.

Consumption estimates in the residential and commercial sectors totaled 265 billion cubic feet in August 1998. This level is virtually the same as the volume consumed in August 1997. Cumulatively, the residential and commercial sectors showed a 7-percent decline in 1998 compared with consumption for those sectors in 1997. Declines in residential and commercial consumption are attributable to both the warmer-than-normal temperatures during the 1997-98 heating season and the seasonal decline in demand for natural gas for space heating during the summer months.

Industrial sector consumption during August 1998 is estimated at 708 billion cubic feet, nearly 5 percent higher than in the previous month and about 1 percent lower than in August 1997. Industrial consumers used an estimated 5,762 billion cubic feet of natural gas during the first 8 months of 1998, down 1 percent or 87 billion cubic feet from the first 8 months of 1997.

Estimates of natural gas consumption by electric utilities are now available through May 1998. Electric utilities

consumed an estimated 293 billion cubic feet in May 1998, 54 percent more than during the previous month and 27 percent more than in May a year ago. Consumption of natural gas by electric utilities typically increases during the summer months when residential and commercial space-heating requirements decline and the demand for air conditioning is greatest. Cumulatively, from January through May, electric utility consumption was 982 billion cubic feet, 9 percent higher than during the same period of 1997.

### Prices

The average natural gas wellhead price in May 1998 is estimated to be \$1.88 per thousand cubic feet, only 1 cent lower than the April price and 2 cents higher than the March price (Table 4). This is the third consecutive month that the price has remained virtually unchanged

in a range between \$1.86 and \$1.89 per thousand cubic feet. This period of stable prices follows the first 2 months of the year which saw the wellhead price decline 21 to 24 percent from the end of last year. The sharp drop in January and February prices was the result of the unseasonably warm weather during the period.

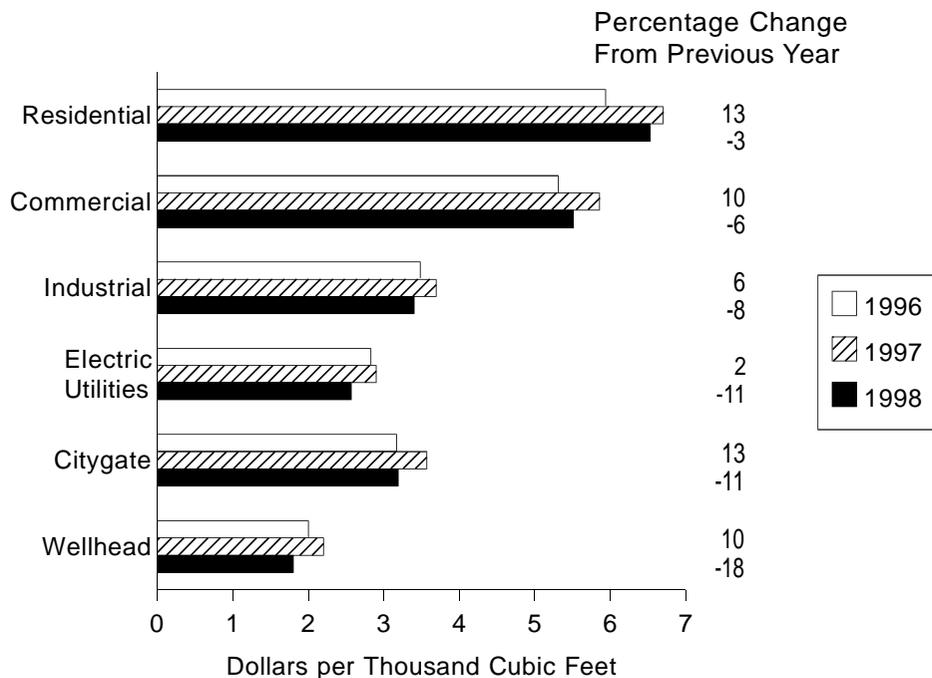
The estimated price paid for natural gas in the residential sector increased by 13 percent between April and May to \$7.60 per thousand cubic feet. Cumulatively from January through May 1998, the price averaged \$6.53 per thousand cubic feet, 3 percent less than during the same period in 1997 (Figure HI4). The price for deliveries to commercial consumers increased by 7 cents per thousand cubic feet, or 1 percent, between April and May. Through the first 5 months of the year, it was 6 percent lower than during the same 5-month period of the previous year.

In the industrial sector, the price declined by 10 cents per thousand cubic feet or 3 percent in May. Cumulatively

from January through May, the industrial price was 8 percent below the level for the same period in 1997. The electric utility prices are available through April 1998 in this report. Cumulatively from January through April, estimated prices in the electric utility sector are 11 percent lower in 1998 than in 1997—\$2.57 versus \$2.90 per thousand cubic feet.

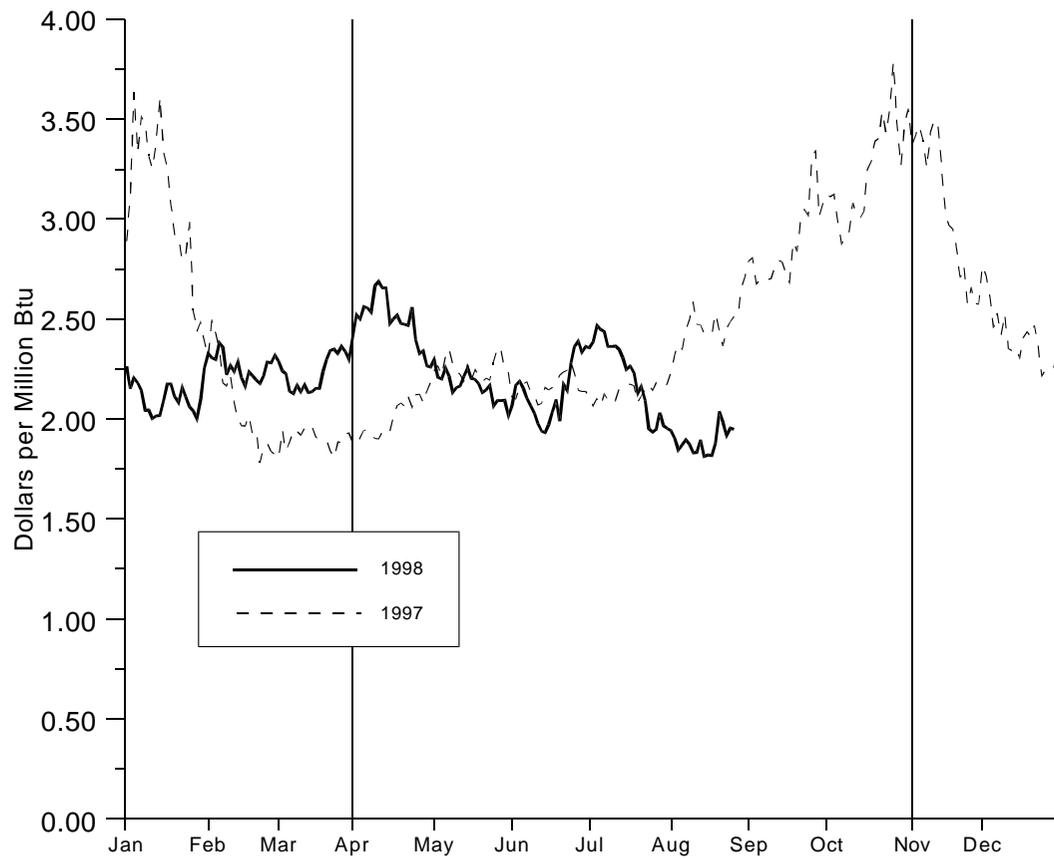
The August futures contract at the Henry Hub expired on July 26 at \$1.941 per MMBtu—more than 55 cents lower than last year's price (\$2.515). The September contract price continued this downward trend and on August 27, settled at \$1.672 per MMBtu, almost \$0.85 less than last year. Temperatures in the Southwest have moderated during the last half of August and demand for gas by electric utilities in Texas has slowed to the more moderate levels prevalent in other parts of the country. The moderate demand combined with ample supply and the elevated level of gas in storage continue to contribute to a softening in the price of gas.

**Figure HI4. Average Delivered and Wellhead Natural Gas Prices, January-May 1996-1998**



Note: Commercial and industrial average prices reflect onsystem sales only. The reporting of electric utility prices is 1 month behind the reporting of other prices.  
Source: Table 4.

**Figure HI5. Daily Futures Settlement Prices at the Henry Hub**



Note: The futures price is for the nearby month contract, that is, for the next contract to terminate trading. Contracts are traded on the New York Mercantile Exchange. April 1 is the beginning of the natural gas storage refill season. November 1 is the beginning of the heating season.

Source: Commodity Futures Trading Commission, Division of Economic Analysis.