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Subject: FW: MEP Weekly Gas Update 5-11-2017
Attachments: MEP Gas Storage Chart 2017 5 11.pdf; NG Price Curve 2017 5 11.pdf

Natural gas is currently trading at \$3.376 per Dth

After four days in Houston at the Argus America's Gas Conference we are now brimming with confidence that gas prices will go up, if they do not go down, and that the weather will be hot unless it is cold. In other words, our search for clarity concerning the gas markets came up just a wee bit short. I will address some of the issues in future weeklies, but there is consensus that demand is continuing to increase on multiple fronts and that almost everyone is expecting production to increase, especially if oil stays over \$50 a barrel, but starting to get nervous over the lack of signs of increases in the current reports.

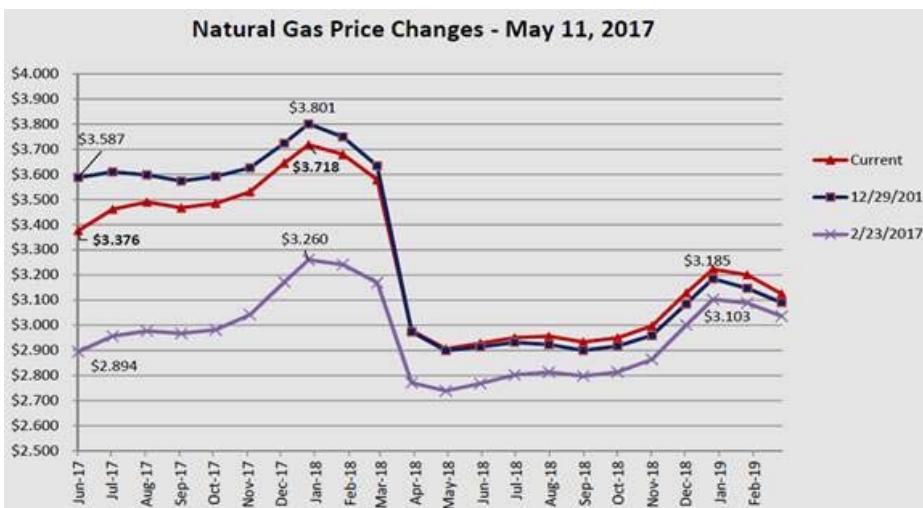
However, the conference was over-shadowed by news on Wednesday that the FERC has suspended all drilling related to Rover Pipeline after a series of accidents on this Energy Transfer project (the same people that built the Dakota Access Pipeline). This news is important to us, because much of the drop in Wisconsin basis that we saw this spring was predicated on Rover Pipeline being in-service this winter. Right now the basis markets are still trying to assess the importance of this news with the critical questions being (1) how long will the FERC suspend work, and (2) will it delay the start-up of this pipeline beyond the coming winter season of 2017-18?



And while the basis market was dealing with the Rover Pipeline news, the gas futures have been gaining strength thanks to the cooler temperatures and a gas storage report issued today that came in below expectations with a build of just +45 BCF. This news allowed the June gas contract to tack on another 8.4 cents today to finish at \$3.376 /Dth. One potentially bearish piece of news is that the Commodity Weather Group announced at the Houston conference that they expect this summer to be markedly cooler than last year's record heat. At the same time the EIA has scaled back its forecast for the amount of gas the power sector will burn this summer due to the current price strength in natural gas.



As they typically do, the strip prices followed the lead of the June gas contract. The 2017 summer strip was up 13.0 cents week-on-week to \$3.371 /Dth while the 2017-18 winter strip rose 14.9 cents to \$3.63 /Dth. The 2018 calendar strip was up 6.4 cents this week to \$3.142 /Dth while the 2019 calendar strip retreated 1.0 cent to \$2.868 /Dth.



The weather in Houston was extremely nice this past week with lots of folks enjoying the open air. That is something of a rarity in very humid Houston, but one of the points that was raised by the weather forecasters at the conference is that May weather is a very unreliable predictor of the following summer.

Have a great weekend!

Blake

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