S&P Global
Platts

GAS DAILY

Wednesday, September 12, 2018

NEWS HEADLINES

US STORM: Northeast production, pipelines at risk

- Most significant impact seen from flood waters
- Florence is one of five active tropical systems

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Texas senator nudges Trump on tariffs

- Cruz tells API gathering he has urged free trade policies
- 'All I can do is make the case,' Republican says

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EIA lowers expected Q4 gas production by 0.21 Bcf/d

- Production to break record despite scaled-back forecast
- Spot gas price estimates rise 6 cents for Q4

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Decarbonization seen harming long-term demand

- Domestic demand could drop 30 Bcf/d: Petak
- California shifting to 100% renewables by 2045

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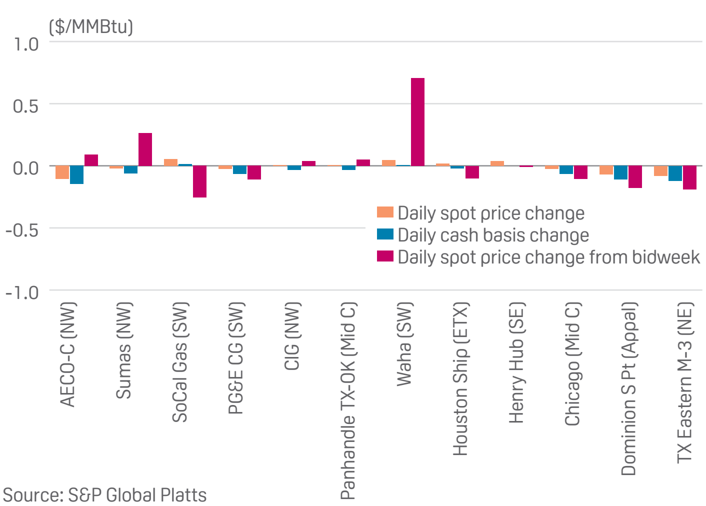
SPOT PRICE AND BASIS CHANGES



Source: S&P Global Platts

INSIDE THIS ISSUE

FINAL DAILY PRICE SURVEY - PLATTS LOCATIONS ($/MMBtu)

NATIONAL AVERAGE PRICE: 2.580
Trade date: 11-Sep
Flow date(s): 12-Sep

Powered by ICE

		Midpoint	+/-	Absolute	Common	Vol.	Deals
Northeast							
Algonquin, city-gates	IGBEE21	2.850	+0.025	2.770-2.850	2.830-2.850	204	27
Algonquin, receipts	IGBDK21	—	—	——	——	—	—
Dracut, Mass.	IGBDW21	—	—	——	——	—	—
Iroquois, receipts	IGBCR21	2.935	+0.005	2.910-2.945	2.925-2.945	32	7
Iroquois, zone 2	IGBEJ21	2.925	+0.010	2.900-2.950	2.915-2.940	84	26
Niagara	IGBCS21	2.600	-0.060	2.600-2.600	2.600-2.600	10	1
Tennessee, z6 (300 leg) del.	IGBJC21	—	—	——	——	—	—
Tennessee, zone 6 del.	IGBEI21	2.775	+0.035	2.750-2.800	2.765-2.790	118	25
Tx. Eastern, M-3	IGBEK21	2.370	-0.080	2.350-2.400	2.360-2.385	363	68
Transco, zone 5 del.	IGBEN21	3.000	+0.035	2.960-3.030	2.985-3.020	726	93
Transco, zone 5 del. North	IGCGL21	3.000	+0.025	2.960-3.030	2.985-3.020	95	19
Transco, zone 5 del. South	IGCHL21	3.000	+0.035	2.970-3.020	2.990-3.015	632	74
Transco, zone 6 N.Y.	IGBEM21	2.965	-0.055	2.950-2.995	2.955-2.975	166	30
Transco, zone 6 non-N.Y.	IGBEL21	2.940	-0.045	2.930-2.970	2.930-2.950	202	38
Transco, zone 6 non-N.Y. North	IGBJS21	2.940	-0.045	2.930-2.970	2.930-2.950	202	38
Transco, zone 6-non-N.Y. South	IGBJT21	—	—	——	——	—	—
Northeast regional average	IGCAA00	**2.820**					
Appalachia							
Columbia Gas, App.	IGBDE21	2.650	+0.020	2.610-2.680	2.635-2.670	336	70
Columbia Gas, App. non-IPP	IGBJU21	—	—	——	——	—	—
Dominion, North Point	IGBDB21	2.325	-0.040	2.270-2.360	2.305-2.350	384	84
Dominion, South Point	IGBDC21	2.300	-0.070	2.250-2.390	2.265-2.335	521	124
Lebanon Hub	IGBFJ21	2.595	-0.040	2.575-2.630	2.580-2.610	110	20
Leidy Hub	IGBDD21	—	—	——	——	—	—
Millennium, East receipts	IGBIW21	2.305	-0.025	2.270-2.330	2.290-2.320	115	28
REX, Clarington Ohio	IGBGO21	—	—	——	——	—	—
Tennessee, zone 4-200 leg	IGBJN21	2.625	+0.030	2.560-2.650	2.605-2.650	440	71
Tennessee, zone 4-300 leg	IGBFL21	2.245	-0.065	2.200-2.300	2.220-2.270	85	20
Tennessee, zone 4-313 pool	IGCFL21	2.555	+0.030	2.530-2.580	2.545-2.570	144	38
Tennessee, zone 4-Ohio	IGBHO21	—	—	——	——	—	—
Texas Eastern, M-2 receipts	IGBJE21	2.265	-0.100	2.230-2.350	2.235-2.295	621	123
Transco, Leidy Line receipts	IGBIS21	2.345	-0.025	2.320-2.400	2.325-2.365	359	80
Appalachia regional average	IGDAA00	**2.420**					
Midcontinent							
ANR, Okla.	IGBBY21	2.285	-0.015	2.210-2.310	2.260-2.310	136	31
Enable Gas, East	IGBCA21	2.605	-0.110	2.580-2.650	2.590-2.625	119	13
NGPL, Amarillo receipt	IGBDR21	2.450	+0.000	2.450-2.450	2.450-2.450	20	6
NGPL, Midcontinent	IGBBZ21	2.190	-0.065	2.160-2.220	2.175-2.205	508	63
Oneok, Okla.	IGBCD21	1.835	+0.075	1.780-1.850	1.820-1.850	222	28
Panhandle, Tx.-Okla.	IGBCE21	2.270	+0.005	2.235-2.300	2.255-2.285	372	72
Southern Star	IGBCF21	2.260	-0.025	2.250-2.260	2.260-2.260	29	6
Tx. Eastern, M-1 24-in.	IGBET21	2.680	+0.050	2.680-2.680	2.680-2.680	2	1
Midcontinent regional average	IGEAA00	**2.320**					
Upper Midwest							
Alliance, into interstates	IGBDP21	2.635	+0.000	2.600-2.670	2.620-2.655	217	32
ANR, ML 7	IGBDQ21	—	—	——	——	—	—
Chicago city-gates	IGBDX21	2.645	-0.025	2.610-2.700	2.625-2.670	427	84
Chicago-Nicor	IGBEX21	2.640	-0.040	2.610-2.700	2.620-2.665	202	50
Chicago-NIPSCO	IGBFX21	2.655	-0.010	2.650-2.670	2.650-2.660	125	19
Chicago-Peoples	IGBGX21	2.640	+0.000	2.610-2.670	2.625-2.655	101	15
Consumers city-gate	IGBDY21	2.830	+0.000	2.825-2.840	2.825-2.835	173	30
Dawn, Ontario	IGBCX21	2.880	+0.030	2.830-2.885	2.865-2.885	621	80
Emerson, Viking GL	IGBCW21	2.620	+0.040	2.570-2.650	2.600-2.640	80	27
Mich Con city-gate	IGBDZ21	2.800	-0.025	2.790-2.810	2.795-2.805	204	34
Northern Bdr., Ventura TP	IGBGH21	2.550	+0.040	2.520-2.580	2.535-2.565	118	19
Northern, demarc	IGBDV21	2.560	+0.065	2.500-2.640	2.525-2.595	135	24
Northern, Ventura	IGBDU21	2.585	+0.045	2.545-2.650	2.560-2.610	114	22
REX, Zone 3 delivered	IGBRO21	2.620	-0.010	2.580-2.640	2.605-2.635	826	136
Upper Midwest regional average	IGFAA00	**2.675**					

2017," EIA said. Emissions are seen declining again, by 0.9%, in 2019.

Gas continues to gain ground over coal in the generation fuel mix. "EIA's September forecast expects natural gas' share of US total utility-scale electricity generation to reach 35% in 2019, as coal's share falls to 27%," Capuano said. "Assuming the forecast holds, non-hydropower renewables will claim 11% of US total utility-scale electricity generation in 2019."

The share from nuclear power is forecast to hold steady at 20% in 2018 before declining to 19% in 2020. Wind and solar power are expected to continue substantial growth, with wind power rising 8% to 756,000 MWh/d in 2019 and 4% to 784,000 MWh/d in 2019, and solar rising by 24% to 263,000 MWh/d in 2019 and by 10% to 289,000 MWh/d in 2019, EIA said.

— *Maya Weber*

Greatest threat to long-term gas demand stems from decarbonization

- **Domestic demand could drop 30 Bcf/d**
- **Calif. shifting to 100% renewables by 2045**

Although LNG exports will continue to grow over the next several years, moves by states like California and New York to pursue decarbonization goals could serve to critically reduce natural gas demand in key markets as well, midstream sector officials and observers told a Chicago gathering Tuesday.

"We have a pretty solid understanding of what supply and demand will look like over the next five years," Kevin Petak, ICF vice president, said at the LDC Gas Forum Midcontinent conference. "But what are the long-term risks to the massive infrastructure buildout?"

The industry is investing about $500 billion in new oil and gas infrastructure through 2025, with $251 billion devoted to gas projects.

"But what happens with all these infrastructure projects 15 years from now?" Petak wondered. "We think from the supply side it will continue to grow robustly from different areas, particularly in the Permian and the Marcellus and Utica. Western Canada will also grow. We see total gas production growing by 25 Bcf/d over the next seven years. But it's the market side of the equation which will ultimately determine this growth."

Gas demand has grown in several areas over the past 10 years thanks to retirement of coal plants and a few nuclear plants.

High supply

"The supply is already more than the market growth, which is why we've seen prices stuck between $2.50 to $3.00/MMBtu," Petak said. "We see Henry Hub stuck in that range over the next 24 months. We expect local prices in the Rockies, Permian, etc., to all trade slightly lower than Henry Hub."

Moving forward, market growth will come primarily from LNG exports as there are a number of new facilities coming online, with roughly 12 to 13 Bcf/d expected to be placed into service in the near term.

"There is a global market for it, especially in Asia," Petak said. "But what about global market demand for LNG over the longer term when you go out 10 years. There will be some pockets of demand growth, especially in the Southeast United States and along the Gulf Coast. However, there are market risks."

"I could see LNG exports reaching as high as 30 to 40 Bcf/d eventually over the long term," he added. "On the flip side, I could see a domestic market where there is 30 to 40 Bcf/d of less demand."

Regulations

The gas demand destruction would come at the hands of growth in renewables, more energy efficiency in residential and commercial markets as well as new regulation. On Monday, California Governor Jerry Brown signed a bill into law calling for the state to reach 100% zero-emission electricity by 2045. He also issued an executive order calling for statewide carbon neutrality, meaning California "removes as much carbon dioxide from the atmosphere as it emits" by the same year.

"This bill and the executive order put California on a path to meet the goals of Paris and beyond," Brown said in a statement. "It will not be easy. It will not be immediate. But it must be done."

"The regulatory angle going on across much of the country right now is not favorable for natural gas," Petak said, noting the California developments. "New York has also called to move to 50% renewable energy. Everyone is trying to decarbonize. What happens if global markets follow suit? We could well see decarbonization on the global market and then what happens to those LNG exports?"

He added that the Midwest should see modest growth over the next few years as more Marcellus and Utica gas is shipped into the region.

Doug Walker, vice president of business development for Tallgrass Energy, said the Rockies region would have to find a home for more gas into the Midwest if the California market reaches its goal of decarbonization.

— *Brandon Evans*

EPA proposes rollback of methane rules

The Trump administration formally announced Tuesday that it will roll back requirements for oil and gas producers to limit methane emissions, the latest effort aimed at easing Obama-era climate rules and a move industry claims could boost output from marginal wells.

In a statement Tuesday, the US Environmental Protection Agency announced "proposed targeted improvements" to the agency's 2016 New Source Performance Standards, which had been subject to delays and court battles. The Obama administration had developed the rules to limit leaks of methane from oil and gas operations, but industry had argued that that the rules were costly, burdensome and an overreach of federal power.

EPA, in Tuesday's announcement, said proposed changes to the regulations would reduce "duplicative" requirements between the federal government and states and reduce regulatory costs by a total of $75 million each year from 2019 to 2025.

"These common-sense reforms will alleviate unnecessary and duplicative red tape and give the energy sector the regulatory certainty it needs to continue providing affordable and reliable energy to the American people," EPA Acting Administrator Andrew Wheeler said in a statement.

Kathleen Sgamma, president of the Western Energy Alliance, an industry group, said the impact of the rollback could not be quantified, but said it would likely impact marginal wells, which individually average only 15 b/d of oil output, but make up roughly 20% of US output.

"Because most production occurs in the first three years of a well's life, over time wells become marginal," Sgamma said. "If out of balance, regulatory costs may approach or exceed the return from a well. When that happens, wells may be abandoned prematurely, reducing the overall production from them."

The proposed changes, which are subject to a 60-day public comment period, include aligning federal and state rules, reducing the frequency for monitoring methane leaks at well sites and compressor stations and allowing the use of new leak monitoring surveys, EPA said.

The agency said that other aspects of the 2016 rule, including the regulation of greenhouse gases in the oil and gas sector, will be addressed in a separate proposal.

The rollback, announced Tuesday, was widely panned by congressional Democrats and environmentalists.

"The proposal would severely weaken protections that have been in effect a year, diminishing vital safeguards that would otherwise prevent 300,000 st of methane pollution, 150,000 st of smog-forming pollutants, and 1,900 st of toxic pollutants per year by 2020, with further reductions by 2025," said the Environmental Defense Fund.

"Once again, the Trump administration is making clear that it stands on the side of the oil and gas industry — not the health and well-being of the American people," said Tim Ballo, a staff attorney at Earthjustice, in a statement.

The proposed changes, which were long expected, come as the Interior Department is finalizing rules to abolish Obama-era regulations aimed at cutting emissions from oil and gas operations on federal lands.

The Trump administration has also formally proposed weakening Obama-era fuel economy standards.

— *Brian Scheid*

Responding to complaints, US Commerce allows for rebuttals on tariff exclusions

- **Flooded with requests, agency aims to speed work**
- **Broader concerns remain over tariff impacts**

The US Commerce Department has tweaked its procedures for seeking exclusions to steel tariffs to allow companies to rebut objections to their requests.

The changes published Tuesday, however, were greeted with caution by oil and gas sector interests

After rolling out its process in March through which companies can seek exclusions to 25% tariffs on imported steel and 10% tariffs on aluminum, the department said that as of August 20, it had received 38,000 such requests. It had made decisions on only 2,200 of those as of August 1.

The department acknowledged that most companies commenting found the process for seeking exclusions inefficient and needed improvement, for instance on transparency and fairness.

Oil, gas and petrochemical industries made the case that without an efficient exclusion process, major projects they may have pursued will likely not be undertaken, the document said.

The new interim final rule attempts to address some of those gripes. The department will allow companies seeking exclusions from tariffs to rebut domestic suppliers who object. After a 30-day objection period, a rebuttal is due within seven days, and objectors then have seven days to reply.

Rebuttals welcomed

Cathy Landry, a spokeswoman for the Interstate Natural Gas Association of America, said "the industry certainly appreciates the opportunity to rebut objections, and that is a good thing." But, she added that it remains to be seen whether this improves the process.

"The addition of a process for rebuttals to objections begins to address many of the concerns we and others have had with the process," a spokesperson for the American Petroleum Institute said. "Still our fundamental concern is that these tariffs threaten America's energy sector, jobs and our economy, and consumers."

One of the ongoing energy industry concerns is how the department and domestic suppliers' views may clash with those of an energy company on whether domestic steel products will meet the specifications needed for a project. The revised process allows for substitution of specific products in some cases, but would allow for a rebuttal by the steel users such as energy companies.

John Stoody, a spokesman for the Association of Oil Pipe Lines, welcomed the chance for rebuttals but emphasized concerns that the department has already put pipeline company Plains All American in the position of either using pipe that doesn't meet its project specifications or paying a multi-million dollar tariff.

Persisting concerns

Josh Zive, a trade lawyer with Bracewell, called the revision "more concerning than it is relieving."

"It makes very small changes, some of which actually make the process less efficient, and it fails to address the core problem which is that a massive swath of industry is facing price spikes and product shortages as a result of these tariffs," he said. In his view, it will remained a "stacked deck" against those seeking the exclusions.

The published text revealed that many commenters believed costs of duties and quotas "may not be absorbable." The department, in response, said the situation puts pressure on the US steel and aluminum industries to ramp up production, and that the department is taking steps to make sure the exclusions process "is efficient enough to fill the void."

Zive added that the degree to which the department underestimated the impact of the tariffs is captured in its revised estimates of the number of exclusion requests anticipated: that rose from 4,500 in March to over 96,000 in the new document.

The department said it has modified review procedures to speed decisions on requests that drew no objections. It also sought to delineate how companies, such as oil and gas exploration companies, could make a case that they need an exemption for more than a year. The industry is worried short-term exclusions would impede the ability to lock in prices needed to plan for long-term projects.

— *Maya Weber*