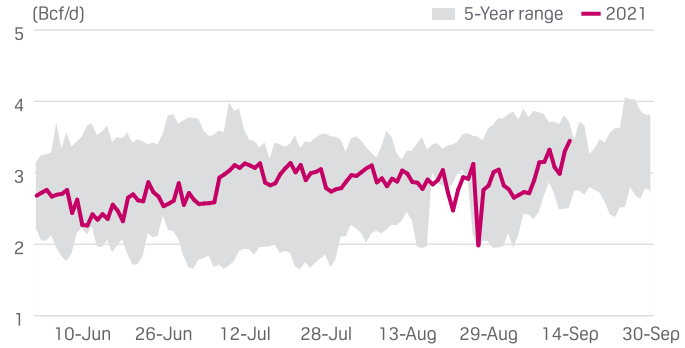
discount has incentivized shippers to divert more of the region's production to neighboring markets.

From July 1 to date, outbound gas transmissions from the Midcontinent have averaged over 2.9 Bcf/d – up sharply from flows that averaged just 2.6 Bcf/d in June and about 2.7 Bcf/d in both May and April, data compiled by S&P Global Platts Analytics shows.

As more of the Midcontinent's production moves outbound – with a notable uptick in deliveries to the premium Southeast and Gulf Coast markets – the pace of this summer's storage build has lagged.

US MIDCONTINENT OUTBOUND GAS TRANSMISSIONS



Source: S&P Global Platts Analytics

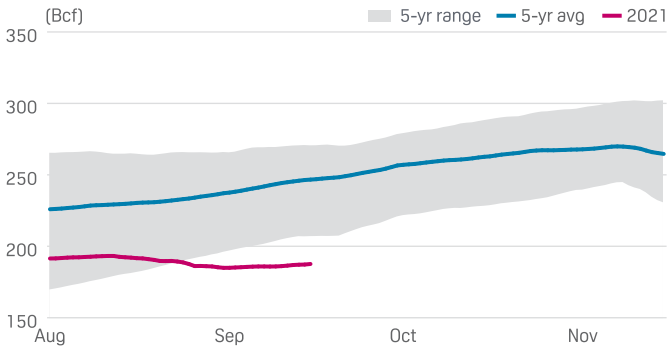
Storage, forwards prices

As of Sept. 15, gas storage levels in the US Midcontinent are estimated at just under 188 Bcf – the lowest mid-September level on record, according to Platts Analytics data dating back to 2005.

Strong gas demand in the Midcontinent this summer has actually seen the region's inventory level decline modestly from about 197 Bcf in mid-July, as shippers, utilities and traders have drawn down supply from the region's flexible salt dome caverns to meet peak summer demand.

At its current level, Midcontinent inventory would need to rise by nearly 90 Bcf over the next eight weeks to reach the average pre-winter level around 275 Bcf in the second week of November.

US MIDCONTINENT GAS STORAGE



Source: S&P Global Platts Analytics

September to date, injections have averaged an estimated 180 MMcf/d. To reach typical pre-winter levels, injections would need to increase by nearly nine fold to about 1.55 Bcf/d, Platts Analytics data shows.

The growing likelihood that Midcontinent storage will enter the winter heating season with insufficient supply has raised alarm in the forwards markets. For some, the risk may seem especially acute following last winter's unprecedented run-up in prices across the Midcontinent and the Southeast during the historic February production freeze-off.

On Sept. 14, NGPL Midcontinent forwards for the peak-demand month of January 2022 settled at a multiyear high of $5.95/MMBtu – a nearly 50 cent premium to Henry Hub. With the exception of last February's short-lived spike in prices, Midcontinent gas has traded at consistent basis discounts to Henry Hub for almost all of at least the past two winter heating seasons, S&P Global Platts data shows.

— *J. Robinson*

Natural gas looks to remain key component as companies, nations lower emissions

- **BP aims for net-zero status by 2050**
- **Natural gas could help hydrogen economy**

Although BP, North America's most prolific gas marketer, plans to help lead the world's energy transition and become a net-zero company by 2050 or sooner, natural gas will continue to be part of the equation to meet the globe's ever-growing energy demand.

However, the fuel's role might change dramatically to realize these ambitious goals, Dawn Constantin, BP's vice president of regulatory affairs, said during the LDC Midcon Forum in Chicago Sept. 15.

"Fundamentally, we are transitioning from an international oil company to an integrated energy company," Constantin said. "In February 2020 our new CEO took over our company and announced our new ambition, a net zero company by 2050 or sooner. And we will help the world get there in the same time. It's quite a difference from how you might have known BP in the past."

"We know we have the perception that we are part of the problem, but we want to be part of the solution. We want to be part of the change as the world changes, too."

Constantin stressed that despite adaptations of new fuels and technologies to help achieve the net-zero goal, natural gas will continue to play a vital function for the foreseeable future. BP's North American Gas and Power marketing and trading business averaged 14.64 Bcf/d of total third-party natural gas sales-volume estimates during the second quarter of 2021. It has remained No. 1 on the S&P Global Platts North American Gas Marketers Rankings by a sizable margin for more than a decade.

BP's volumes sold have declined steadily over the past half decade. The company averaged more than 22 Bcf/d.

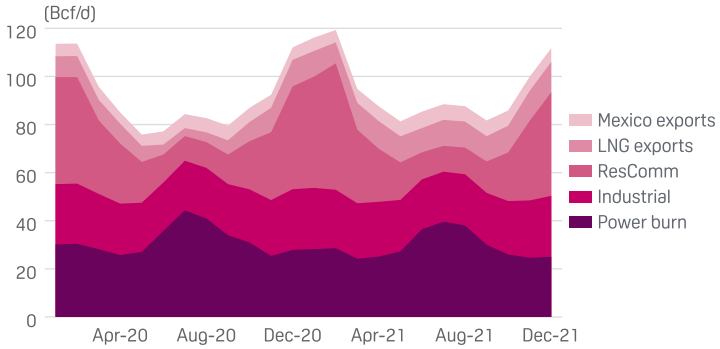
"Let's be clear, this isn't a race to an all-renewable future, it's a race to getting emissions down," Constantin said. "Even by 2050 in the lowest emission scenarios, we are still using natural gas and oil."

"Natural gas is a significant portion of the scenario today. How do we get to 2050? The US produces 90 Bcf/d or so of natural gas. You can't just replace that overnight. We use it domestically, and we also

export a lot to other parts of the world."

In 2020, when demand was down slightly due to pandemic, the US demand still averaged of 88.4 Bcf/d, according to S&P Global Platts Analytics data. It is averaging 91.2 Bcf/d year to date in 2021. Year-over-year demand growth is being reported in most sectors, including industrial, residential and commercial, LNG exports and exports to Mexico.

US NATURAL GAS DEMAND BY SECTOR



Source: S&P Global Platts Analytics

"It's affordable to other fuels, despite the high prices today," Constantin said. "You can't just replace 24 to 25 Bcf/d of supply for industrial demand and even more for power generation."

Reduction of flaring remains one way most operators are cutting emissions. BP plans to eliminate all wellhead flaring by 2025. Carbon capture and using natural gas to create hydrogen fuel also provides a pathway to lower emissions.

"We really need to get after carbon capture and storage," she said. "If you can take the carbon out of the natural gas, you could store the carbon and take the hydrogen molecules and send to market. Blue hydrogen is associated with natural gas. It could be of value in the changes going on today. There are lot of ways it could be part of the low carbon future."

— *Brandon Evans*

Freeport LNG output remains offline as utility works to restore power after storm

- **Terminal operator unable to say when service will resume**
- **Nicholas brought high winds, heavy rain to Texas Gulf Coast**

Freeport LNG production remained offline for a second consecutive day Sept. 15, as power transmission operator CenterPoint worked to restore electricity to the facility that was knocked out by Hurricane Nicholas.

A spokesperson for the 15 million mt/year capacity export terminal was unable to say when the three liquefaction trains would be able to resume service.

"Our production remains offline until CenterPoint completes repair work on their system," the spokesperson, Heather Browne, said in an email responding to questions.

Nicholas hit the Texas Gulf Coast early Sept. 14 as a Category 1 hurricane, bringing 75 mph winds and heavy rain. The storm made landfall along the coast west of the small island in Brazoria County where Freeport LNG is located. Widespread power outages were reported in the county and across the Houston area.

As of the afternoon of Sept. 15, almost 67,000 CenterPoint customers remained without power, according to the utility's website.

US LNG feedgas demand totaled 9.4 Bcf/d on Sept. 15, down about 1.8 Bcf/d from Sept. 13, the day before Nicholas came ashore, S&P Global Platts Analytics data showed. The most recent total included nominations of about 915 MMcf/d to Freeport LNG, based on the morning cycle. That was likely to be revised downward during the evening cycle, given that the three trains were offline. Observable gas deliveries to Freeport LNG were at 2 Bcf/d before the storm.

An LNG tanker that arrived at the terminal on Sept. 13 for loading remained moored there on Sept. 15, according to Platts cFlow trade-flow analytics software. Another tanker that arrived on Sept. 12 for loading was in the Gulf of Mexico on Sept. 15 heading away from the channel that feeds the terminal. Three more LNG tankers with captain's destinations set for Freeport LNG were holding in the Gulf on Sept. 15.

The US Gulf Coast LNG netback from the Dutch TTF has surged to $14.71/MMBtu for October deliveries, which is now at a premium to the Platts JKM October derivative contract, suggesting that strong price action in Europe could incentive a large contingent of US LNG cargoes to remain within basin next month.

However, European buyers will still need to compete with persistent buying from South America, which has been exacerbated by