



Elevated U.S. natural gas working inventories puts downward pressure on prices

Henry Hub natural gas spot prices averaged \$2.02 per million British thermal units in January according to the U.S. Energy Information Administration. Typically, January natural gas prices are among the highest of the year; however, warmer-than-normal January temperatures across much of the northern hemisphere contributed to the lowest average January spot price in many years.

After beginning 2018 and 2019 with low U.S. working natural gas inventories, EIA forecasted that normal winter temperatures in the first quarter of 2020, along with production growth, would bring total inventories back over the five-year average this winter. So far this winter, temperatures have actually been warmer than normal, and EIA estimates that in January there were 18% fewer heating degree days in the United States than the prior ten-year average. As a result of reduced space heating demand, U.S. natural gas working inventories ended January 9% above the five-year average, higher than previously forecasted.

In its February *Short-Term Energy Outlook*, EIA forecasts that at the close of the April–October injection season, working inventories will reach almost 4.1 trillion cubic feet on October 31, which would be the highest end-of-October inventory record on level.

Expecting inventories to remain elevated as winter heating season winds down, EIA forecasts that Henry Hub natural gas prices will average \$2.21 per million British thermal units in 2020, down from \$2.57 per million British thermal units in 2019. In 2021, EIA expects natural gas prices to increase, reaching an average annual price of \$2.53 per million British thermal units.

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