



Natural Gas Advances as Colder Midwest Weather to Boost Demand

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By Reg Curren

Jan. 22 (Bloomberg) -- Natural gas rose for a second day in New York as colder weather forecast for the Midwest next week will boost demand for the heating fuel.

Below-normal temperatures from Canada will slide over Minnesota, Wisconsin and Illinois and parts of the Northeast by Jan. 27, according to MDA Federal Inc.'s EarthSat Energy Weather. About 72 percent of households in the Midwest rely on natural gas for heat.

"This is mainly a weather move," said [Jim Ritterbusch](#), president of Ritterbusch & Associates, a Galena, Illinois-based consultant. "The forecasts have shifted to some cool spots here and there. If you really want to talk about natural gas having a flashpoint in the country, it's Chicago and Illinois."

Natural gas for February delivery rose 20.4 cents, or 3.6 percent, to settle at \$5.819 per million British thermal units at 2:50 p.m. on the New York Mercantile Exchange. The contract gained 2.2 percent yesterday.

Low temperatures in Chicago will dip to 12 degrees Fahrenheit (minus 11 Celsius) on Jan. 27 after a day-time high of 23 degrees, according to AccuWeather.com of State College, Pennsylvania. The typical low is 16 with a high of 31, according to the forecaster.

"There's going to be some serious arctic air coming down to the U.S. by next Wednesday," said [Peter Linder](#), president of the DeltaOne Energy Fund in Calgary.

Residential and commercial gas consumption, which includes schools, hospitals, shopping malls and warehouses, represents about 34 percent of U.S. gas demand.

Gas Stockpiles

Inventories of the fuel fell 245 billion cubic feet last week, more than double the average drop, to 2.607 trillion cubic feet, an [Energy Department](#) report showed yesterday. Stockpiles compared with the five-year average slipped into a deficit after being at a 4.4 percent surplus in the previous report.

Stockpiles of gas in [storage](#) began the cold-weather season in November at a record 3.837 trillion cubic feet, 15 percent above the five-year average, as higher production swamped a depressed market. The worst recession since the 1930s cut gas purchases by factories, chemical plants and steel mills by 9.8 percent last year through October, Energy Department data show.

"We're below the five-year average and I expect by the end of January to be quite a bit below the average," Linder said. "It's quite positive for gas."

Futures prices will break through \$6 within the next week to 10 days, trading between \$6.05 and \$6.25, said Linder, who in a Nov. 16 interview predicted gas would reach between \$5.50 and \$6 in December and January because of lower temperatures. Gas was trading at \$4.614 at the time.

Fuel Demand

Since inventories reached their peak in the week ended Nov. 27, utilities and other large users of the

power-plant and industrial fuel have withdrawn 1.23 trillion cubic feet.

"We've gone from record storage to under the five-year average in two months, which is really astonishing" said [Chris Jarvis](#), president of Caprock Risk Management LLC in Hampton Falls, New Hampshire. "Before this winter season started, most traders thought it to be incomprehensible storage would" evaporate so quickly.

This cold-weather season may set a record for withdrawals from storage, he said. A recovery in the economy is also helping to lift demand for gas, Jarvis said.

The record U.S. heating season consumption total for gas was 2.401 trillion cubic feet during the 2002-2003 winter, according to Energy Department data going back to 1994.

"It takes months and months to get to record storage, but it only takes a few to get rid of it," Jarvis said. "Demand is in the driver's seat right now. The industrial sector is showing signs of recovery."

The index of U.S. leading indicators increased more than anticipated in December, a sign the economy will keep growing through the first half of the year, a report from the New York- based Conference Board showed yesterday.

Wholesale natural gas at the benchmark [Henry Hub](#) in Erath, Louisiana advanced 14.45 cents, or 2.6 percent, to \$5.6689 per million Btu, according to data compiled by Bloomberg.

Gas futures volume in electronic trading on the Nymex was 238,771 contracts as of 2:52 p.m., compared with a three-month daily average of 232,000. Volume totaled 246,814 yesterday. Open interest was 773,300 contracts, compared with the three-month average of 723,000. The exchange has a one-business-day delay in reporting open interest and full volume data.

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