



Natural Gas Rises on Possible Demand Recovery, Storm Concern

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By Reg Curren

Nov. 9 (Bloomberg) -- Natural gas gained in New York on speculation factory demand will rise as the Group of 20 nations agreed to maintain economic stimulus efforts.

Gas futures advanced along with commodity and stock markets. Gains accelerated after a government report said more than one-quarter of gas output in the Gulf of Mexico was shut in because of Tropical Storm Ida. The [Reuters/Jefferies CRB Index of 19 commodities](#) rose 1.7 percent to 273.88.

"With production offline it's going to have an impact, though I'd expect it to be short-lived," said [Peter Beutel](#), president of trading adviser Cameron Hanover Inc. in New Canaan, Connecticut. "The combination of the hurricane, economic news and the stock market" helped gas lift prices.

Gas for December delivery rose 7.5 cents, or 1.6 percent, to settle at \$4.67 per million British thermal units at 3:12 p.m. on the New York Mercantile Exchange. Gas futures have dropped 17 percent this year. The contract traded between \$4.473 and \$4.69 per million Btu today.

Demand for gas from factories, chemical plants and steel mills slid 12 percent in the first nine months of 2009, according to the Energy Department. About 29 percent of gas demand comes from industrial users.

"The G-20 has a direct impact on most commodities and the fact they're trying to re-inflate their economies should bolster the industrial sector," said [Chris Jarvis](#), president of Caprock Risk Management LLC in Hampton Falls, New Hampshire. "The big Achilles heel for the natural gas market has been industrial demand."

The commodity index is up 19 percent this year, led by copper, gasoline and sugar. The Standard & Poor's index of 500 companies rose 2.2 percent.

Offshore Report

Energy producers idled 29.6 percent of oil and 27.5 percent of natural-gas output in the Gulf because of the storm, the first of this hurricane season to disrupt output, according to the [U.S. Minerals Management Service](#).

The Gulf region represented about 10 percent of U.S. gas output in the first eight months of 2009, according an Energy Department report last month.

Natural gas inventories rose to 3.788 trillion cubic feet in the week ended Oct. 30, reaching a record for the sixth straight week, an Energy Department report showed on Nov. 5. The high before this year was 3.545 trillion cubic feet reached on Nov. 2, 2007.

Enterprise Products Partners LP said it evacuated the Independence Hub and shut two offshore platforms as the storm moved north through the Gulf. The Hub has a capacity to handle 1 billion cubic feet a day.

Gulf Shutdowns

Williams Cos., the fourth-largest U.S. pipeline company by market value, said it evacuated workers from two gas-processing platforms in the eastern Gulf of Mexico because of the storm. Workers on the Canyon Station and Devils Tower platforms were removed Nov. 7.

"Most people are smart enough to know that we have so much in storage there isn't going to be a supply shock," said Jarvis. "It will offset the warm weather" that will limit demand in the next week.

The wholesale gas price at the Henry Hub in Erath, Louisiana, the benchmark for U.S. futures, fell 15 cents, or 3.8 percent, to \$3.76 per million Btu today, according to data compiled by Bloomberg.

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