



## Natural Gas Drops to Lowest Since April on Mild Summer Weather

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By Mario Parker

July 13 (Bloomberg) -- Natural gas in New York fell to the lowest price in 11 weeks as mild weather and the recession crimped demand for the factory and power-plant fuel.

Cooler-than-normal weather is forecast to blanket an area stretching from Kansas to New York through July 22, according to the U.S. [Climate Prediction Center](#) in Camp Springs, Maryland. Mild weather stifles the need for power plants to use gas to generate electricity for air conditioners.

"Chicago to Boston is a big use corridor and they haven't had any above-normal temperatures," said [Ed Kennedy](#), a senior vice president of energy trading at Hencorp Becstone Futures in Miami. "Electrical demand for air conditioners is big this time of year. This is the summer without a summer."

Natural gas for August delivery fell 11 cents, or 3.3 percent, to settle at \$3.263 per million British thermal units at 3:02 p.m. on the New York Mercantile Exchange, the lowest closing price since April 27. Gas has plunged 42 percent this year and is down 76 percent from a July 2008 high of \$13.694 per million Btu.

Power generation accounts for about 29 percent of U.S. gas usage, according to the Energy Department. Consumption of gas at factories, steel mills and chemical makers also represents 29 percent of demand.

"You're getting a sluggish start to the cooling season," said [Chris Jarvis](#), president of Caprock Risk Management LLC in Hampton Falls, New Hampshire. "It just compounds the issue we've had with industrial demand."

### Fuel Use

Industrial gas consumption is forecast to drop 8.2 percent this year and total demand will slide 2.3 percent to 62.1 billion cubic feet a day, the Energy Department said July 7 in its monthly Short-Term Energy Outlook.

"Industrial demand is just tiny," Kennedy said. "It's been gone for so long."

On July 15, Federal Reserve figures may show industrial output fell 0.6 percent last month after a 1.1 percent decline in May, according to a Bloomberg News survey.

Inventories of gas swelled 75 billion cubic feet to 2.796 trillion in the week ended July 3, 19 percent higher than the five-year average, the Energy Department said last week.

Natural gas futures haven't had two consecutive daily gains since June 25-26. Prices have dropped 17 percent since then.

"The bear case for natural gas has gained momentum due to a string of negative data points, focused primarily on the demand side," [Stephen Richardson](#), an analyst at Morgan Stanley in New York, wrote in a report today.

The U.S. unemployment rate increased to 9.5 percent in June, the highest since August 1983, according to the Labor Department. Treasury Secretary [Timothy Geithner](#) said today that the American economy

faces "enormous challenges."

"Really what's dragging it down is renewed economic fears," said [Lisa Zembrodt](#), an analyst at Summit Energy Services Inc. in Louisville, Kentucky.

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