Bearish 69 bcf injection higher than estimates

PJM capacity auction clears almost 3GW of Marcellus gas generation
The EIA reported a 69 bcf storage injection for the week ending August 21, higher than the market estimate of a 63 bcf injection. Front-month Henry Hub was down $0.05 after the number was released to $2.64 and calendar 2016 Henry-Hub was down $0.02 to $3.06. Working gas in storage now sits at 3,099 bcf and is now 480 bcf higher than last year at this time and 88 bcf above the 5-year average. The East region now sits at 1,510 bcf of storage and 59 bcf below the five-year average. Use Markets symbol EIA.TOTAL.US for historic storage numbers.

As noted in our recent capacity auction note, PJM only cleared about 3GW of new gas generation for 2018-19 versus 5,900 MW for 2017-18. The higher auction clear usually incents more new generation so this probably means we are reaching a saturation point with new gas generation burning Marcellus gas. Developers will need to see transmission expansions and load growth before they decide to build more generation in PJM as congestion becomes a risk moving forward. PJM also noted that the majority of these new plants that cleared the auction would burn gas from Texas Eastern pipeline.
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