

NATURAL GAS HEATING SEASON REPORT

2018-2019

FALL 2018

INTRODUCTION

Canada's natural gas system offers reliable, affordable, clean energy. This report looks at the main indicators for Canada's natural gas market as we enter the 2018-19 winter heating season. A summary of these key indicators is provided to help readers understand where some key market fundamentals sit as the colder months approach, furnaces are turned back on, and demand for natural gas peaks.

EXECUTIVE SUMMARY

Customers continue to join Canada's natural gas system, with over 89,500 new customers coming online in 2017 to take advantage of the benefits that the product offers, particularly as a winter heating option.

Natural gas prices are averaging just \$1.43/GJ going into this heating season compared to \$2.51/GJ last year. Futures market prices for December to March are sitting between \$2.65/GJ to \$Cdn2.85/GJ suggesting prices will remain relatively low over the coming winter months.

Natural gas supply remains very strong and production levels continue to trend upwards. Current natural gas storage levels are low with storage facilities about 10 per cent behind the average "fill" level seen for this time of year.

Weather expectations are always a key factor in the heating outlook as winter demand is a major driver of prices for natural gas. Current probabilistic outlooks from Environment Canada show "normal" temperature and precipitation levels as being more likely for most of the country this winter.

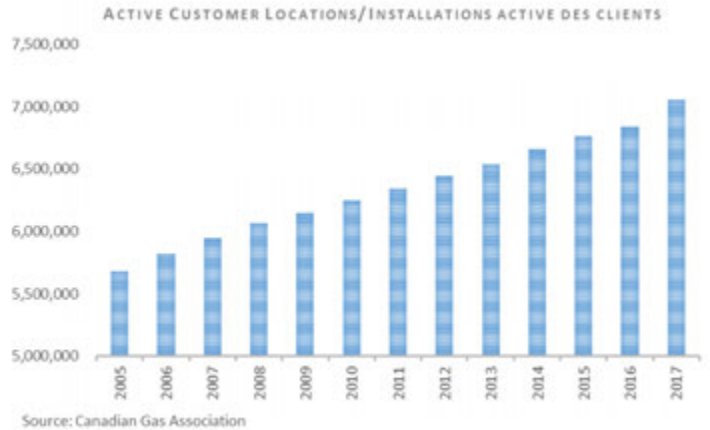
NATURAL GAS CUSTOMER BASE

Customers continue to join the natural gas system.

Over 89,500 new customers joined the natural gas system this past year in preparation for the 2018-19 winter heating season. This brings the total CGA member company active customer base for natural gas to just over 7,054,000 end use locations.

Over 6.4 million households in Canada use natural gas as their primary heating source. That is more than electricity, heating oil, or propane.

Natural gas is often a more affordable and cleaner option than heating oil, propane or grid electricity generated from coal-fired facilities.



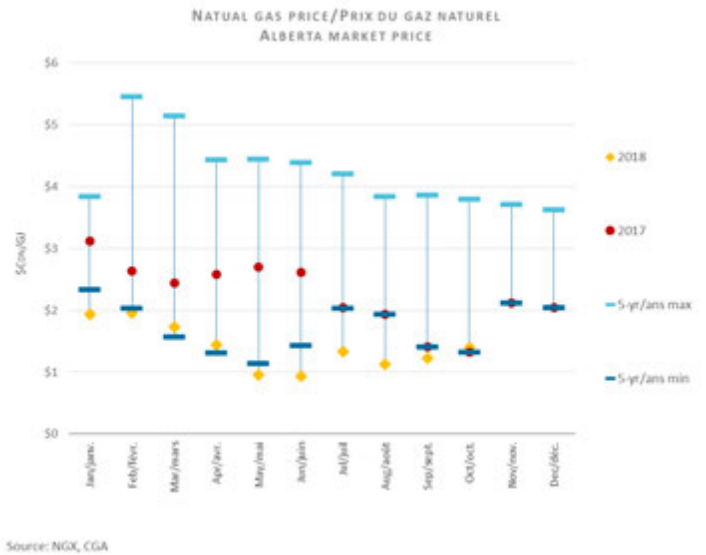
NATURAL GAS PRICES

Natural gas is Canada's most affordable energy.

Natural gas continues to be the most affordable energy option in Canada. Prices dropped below the \$1/GJ level twice in recent months and have been below the \$2/GJ level all year.

Low prices are one of the key reasons North American natural gas use continues to expand.

Current NGX natural gas futures contracts for delivery over the December 2018 to March 2019 period show prices in the \$2.65/GJ to \$2.85/GJ range suggesting that natural gas customers will continue to have some of the lowest cost energy this winter.



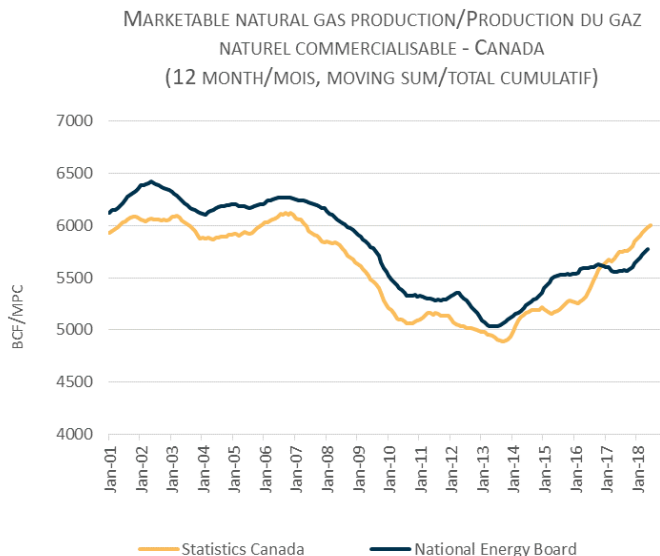
NATURAL GAS PRODUCTION

Canada's natural gas production levels are strong.

Canadian natural gas production levels have continued to trend up over the past year leaving supply well placed going into the 2018-19 heating season.

Both the National Energy Board and Statistics Canada data show that the production of marketable natural gas rose particularly sharply in 2018 continuing the growth trend seen since 2013.

This bolsters natural gas' availability and affordability and is a primary reason why it is the preferred energy option for homes, and businesses, and for reliable power generation.



Source: NEB; Statistics Canada #131-0001, #131-0004

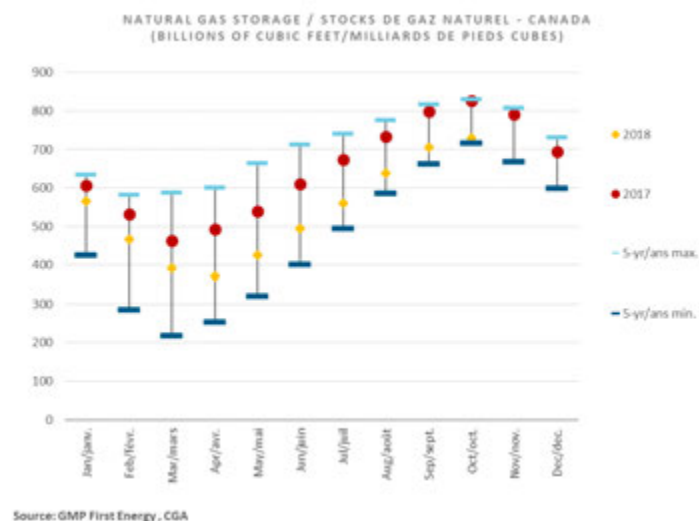
NATURAL GAS STORAGE

Natural gas storage levels are lagging.

Natural gas storage facilities in Canada and the U.S. have been slow to refill over this past summer. This leaves storage levels well off their maximum capacity at this point in the refilling season.

Typical pre-heating season storage levels would be closer to their maximum capacity of 820 billion cubic feet or about 70 days of demand in the winter months.

To date market players have committed less of their spending to storage refill than is usual. This seems to be reflecting an overall move to a leaner storage approach trusting that the abundant natural gas supply situation will allow for later storage replenishments at still affordable rates.



Source: GMP First Energy, CGA

WINTER WEATHER

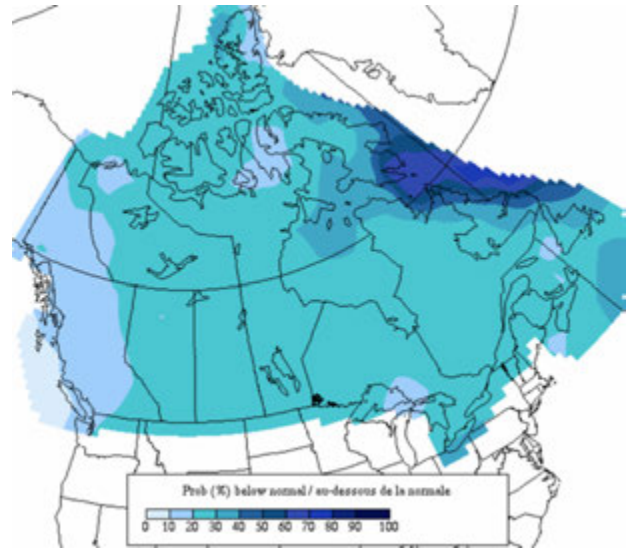
Current probabilistic outlooks are indicating a “normal” winter for most of the country.

According to Environment Canada’s most recent outlook there is a low probability for “below normal” temperatures this coming winter for most of the country.

Similarly, current Environment Canada forecasts see a low probability for above “normal levels” of precipitation.

Generally speaking colder and snowier winter weather would lead to more energy use by homes and businesses.

The implication then is that natural gas supply is not expected to face unusual pressures, in aggregate, over the coming winter heating season.



Source: Environment Canada

CONCLUSION

The Canadian market appears well placed for the 2018-19 winter heating season.

The one caveat is that current storage levels and refill rates are behind the levels typically seen at this time of the year. This could lead to some upwards price pressure should colder than expected temperatures kick in, driving up demand and tightening supply.

In terms of end use market dynamics, more customers continue to join the system, current prices remain in the lower end of their range, and natural gas production levels in the country continue to be very strong.

As always, weather remains the wildcard and has the largest potential impact to winter demand and prices. That said, current outlooks are calling for a “normal” winter temperature and precipitation pattern for much of the country. As a result, it is expected that Canadian natural gas consumers will continue to see great value and energy affordability this heating season.

Canadian Gas Association
350 Albert Street, Suit 1220,
Ottawa , Ontario, K1R1A4

Email: araad@cga.ca or
ssarfraz@cga.ca

Tel.: 613.748.0057 ext. 310

www.cga.ca