

NATURAL GAS HEATING SEASON REPORT

2019-2020

FALL 2019

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 2019-20 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

Almost 125,000 new customers joined Canada's natural gas system in 2018 to take advantage of this reliable, affordable, clean energy choice - particularly as a winter heating option.

This year natural gas prices are averaging \$1.44/GJ going into the heating season compared to \$1.40/GJ last year. NGX Futures market prices for November 2019 to March 2020 currently sit between \$US2.21/GJ to \$US2.59/GJ, suggesting natural gas will remain very affordable over the coming winter months.

Natural gas supplies remain very strong, though production levels have leveled off in recent months. Current natural gas storage levels are low with storage facilities about 10 per cent behind the average refill level seen for this time of year.

Weather expectations are always a key factor in the pre-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

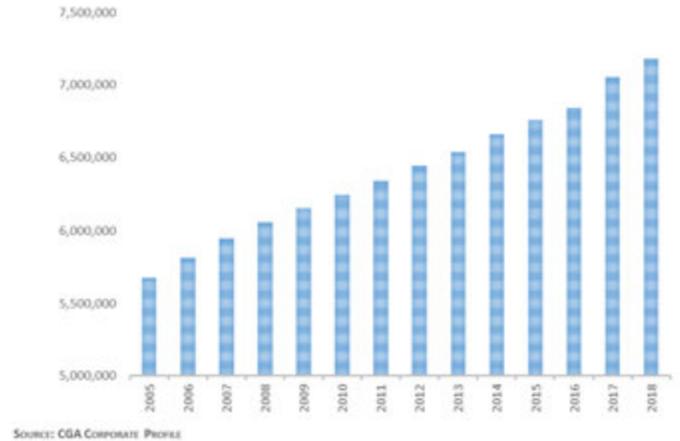
Customers continue to join the natural gas system.

Almost 125,000 new customers joined the natural gas system this past year, in preparation for the 2019-20 winter heating season. This brings the total CGA member company active customer base for natural gas to just over 7.1 million end use locations.

Over 6.5 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.

ACTIVE CUSTOMER LOCATIONS/INSTALLATIONS ACTIVE DES CLIENTS



NATURAL GAS PRICES

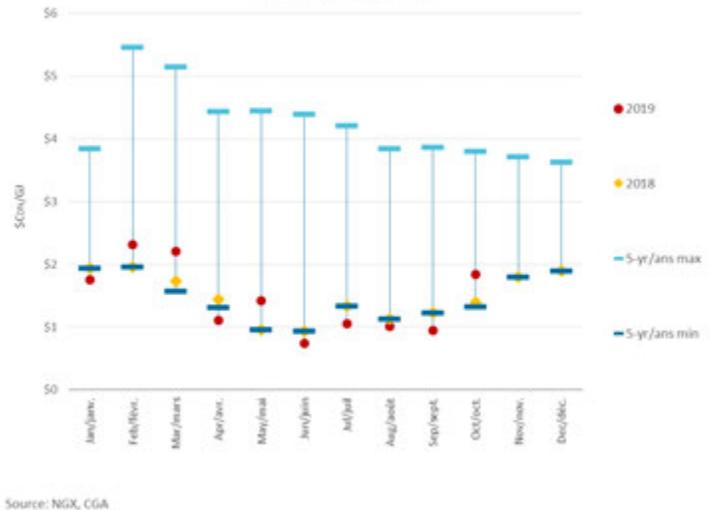
Natural gas is Canada's most affordable energy.

Natural gas continues to be the most affordable energy option in Canada. Going into the heating season prices are at their lowest level in over five years. Prices are averaging just \$1.44/GJ through October this year, \$0.04 below comparable prices from last year.

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

Currently, NGX natural gas futures contracts for delivery over the November 2019 to March 2020 period show prices in the \$2.21/GJ to \$2.59/GJ range suggesting that natural gas customers will continue to have some of the lowest cost energy this winter.

NATURAL GAS PRICE/PRIX DU GAZ NATUREL
ALBERTA MARKET PRICE



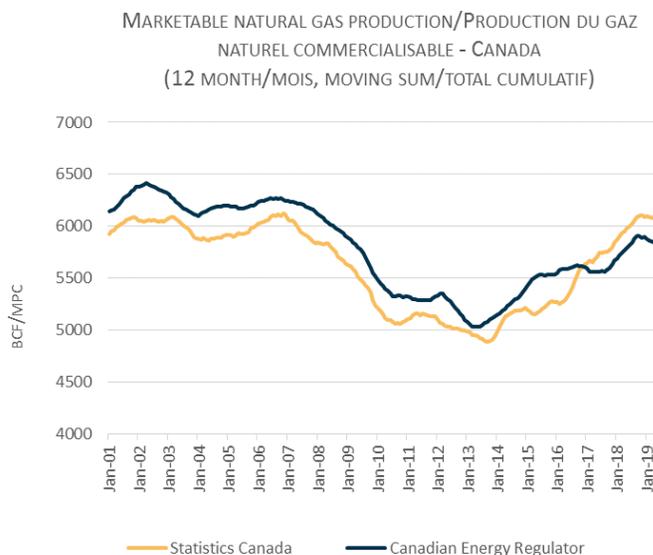
NATURAL GAS PRODUCTION

Canada's natural gas production levels are strong.

Canadian natural gas production levels have levelled off over the past year, but supply remains abundant going into the 2019-20 heating season.

Both the Canada Energy Regulator (formerly NEB) and Statistics Canada data show that the production of marketable natural gas eased off in 2019 ending the growth trend seen since 2013.

This suggests that low prices have started to have an impact on the production of natural gas in Canada. But strong affordability continues to drive demand for natural gas as the preferred energy option for homes, and businesses, and for reliable power generation.



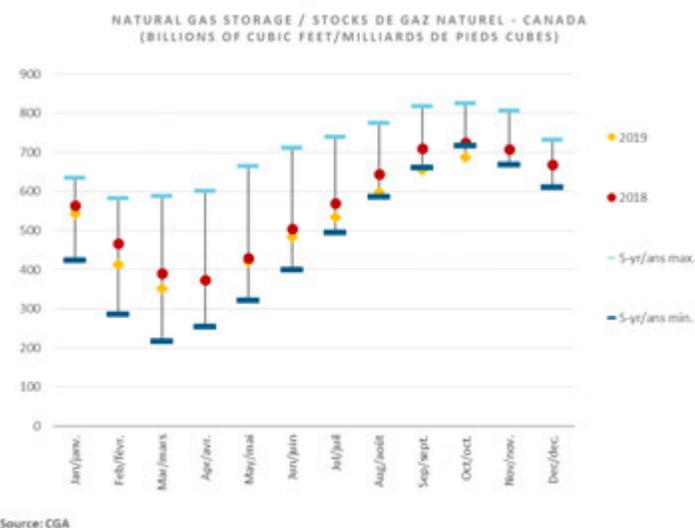
Source: Statistics Canada #25-10-0055-01, Canadian Energy Regulator

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. Current storage levels are at a ten-year low, setting a new record minimum level for this early point in the refilling season.

The combination of growing natural gas demand and the trend by market players, in recent years, to run leaner storage cushion means there is more exposure to upward price pressure triggered by adverse cold winter weather events. That said the abundant, low cost natural gas supply situation is allowing market participants to wait longer for their storage replenishments.



Source: CGA

WINTER WEATHER

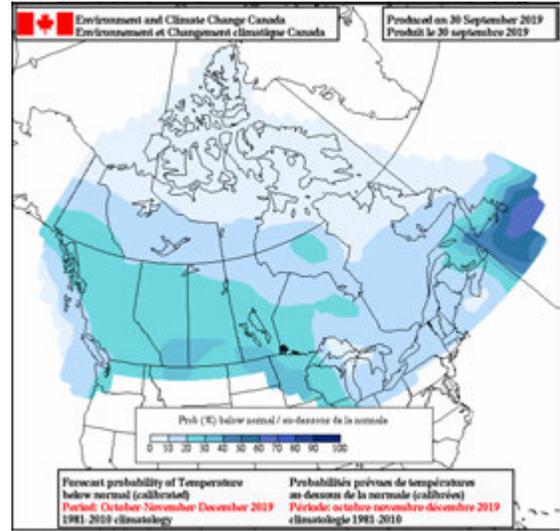
Forecast shows “colder than normal” winter unlikely for most of the country.

Environment Canada’s outlook, as of October 2019, predicts a low probability for “below normal” temperatures this coming winter heating season (October to March) 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.



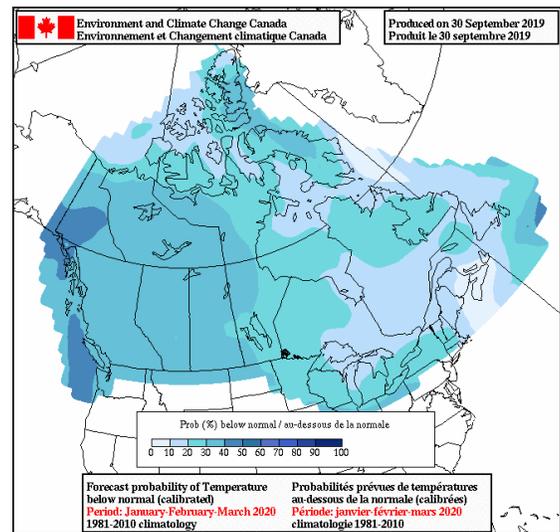
Source: Environment Canada

CONCLUSION

The Canadian market is well placed for the 2019-20 winter heating season. Prices are very low, supply is abundant and the current prediction is for a low probability of “below normal” temperatures across most of the country this winter.

It is worth noting 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 drive up demand and tighten supply.

In terms of end use market dynamics, more customers continue to join the system. Domestic sales of natural gas continue at a record pace though production levels have tailed off slightly.



Source: Environment Canada

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