

NATURAL GAS HEATING SEASON REPORT

2020-2021

FALL 2020

INTRODUCTION

Canada's natural gas system offers affordable, reliable, and clean energy. This report looks at the main indicators for Canada's natural gas market as we enter the 2020-21 winter heating season. A summary of these key indicators is provided to help readers understand where market fundamentals sit as the colder months approach, furnaces are turned back on, and demand for natural gas peaks.

EXECUTIVE SUMMARY

Nearly 80,000 new customers joined Canada's natural gas system in 2019 to take advantage of this affordable, reliable, and clean energy choice — particularly as a winter heating option.

At a national level, prices for natural gas are averaging \$1.95/GJ going into the heating season representing a significant affordability advantage for consumers relative to other energy sources.

Natural gas supplies remain very strong, though production levels have levelled off in recent months. Current natural gas storage levels are high with storage close to the five-year average.

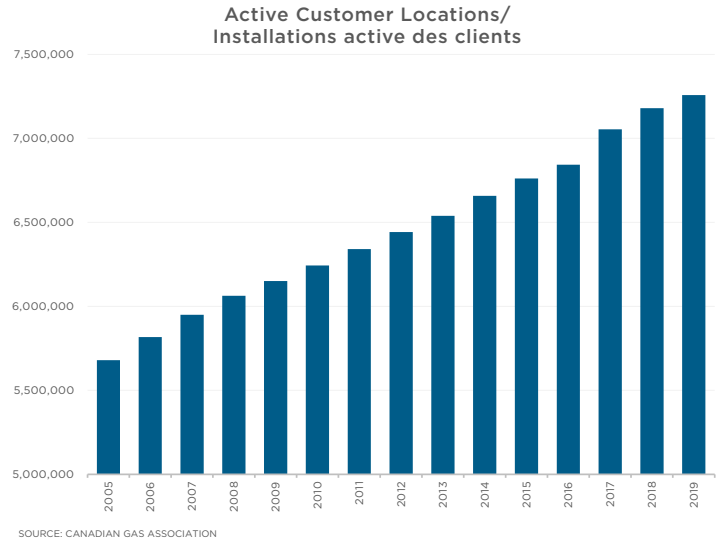
Weather expectations are always a key factor in the outlook for the heating season, as winter demand is a major driver of prices for natural gas. Current probabilistic outlooks from Environment and Climate Change Canada show “warmer than normal” temperatures as being more likely for most of the country this winter. If this is the case, this would result in lower natural gas use and lower energy bills for consumers.

NATURAL GAS CUSTOMER BASE

Customers continue to join the natural gas system.

More than 78,000 new customers joined the natural gas system this past year, in preparation for the 2020-21 winter heating season. This brings the total active natural gas customer base of CGA member companies to just over 7.2 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.

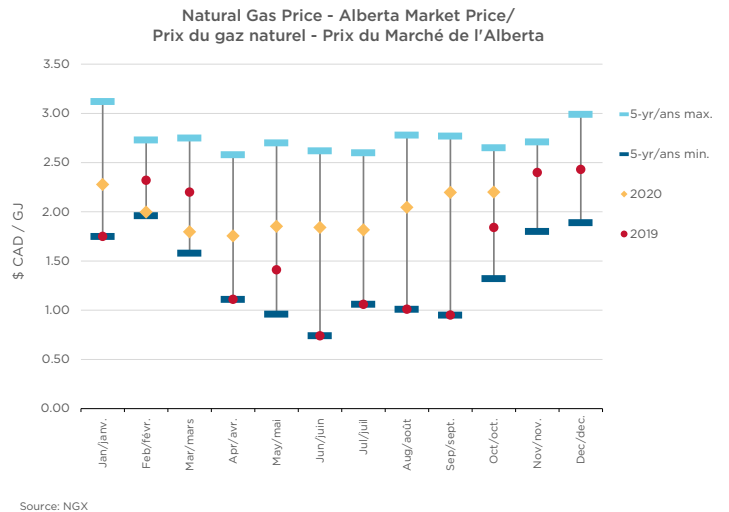


NATURAL GAS PRICES

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 were averaging \$1.95/GJ through September and October this year. This is compared to a five-year average price for natural gas of around \$3.50/GJ.

Low prices and unmatched reliability are key reasons North American natural gas use continues to expand.



NATURAL GAS PRODUCTION

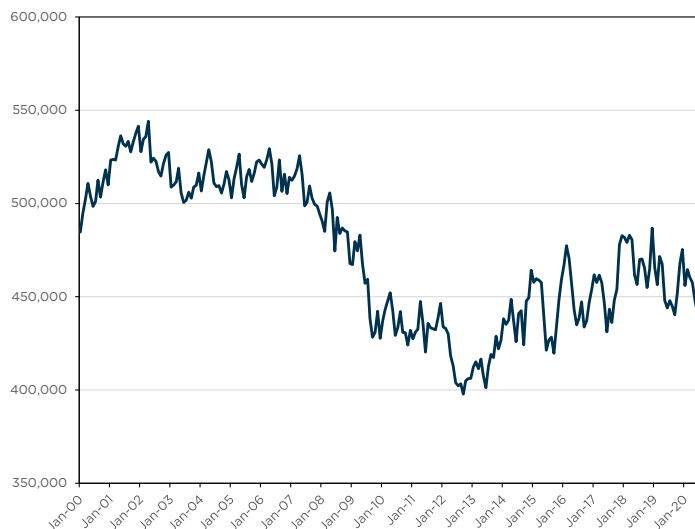
Canada's natural gas production levels are strong.

Canadian natural gas production has levelled off over the past year, but supply remains abundant going into the 2020–21 heating season.

The Canada Energy Regulator data illustrates that the production of 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, businesses, and reliable power generation.

Marketable Natural Gas Production/
Production du gaz naturel commercialisable - Canada
(x 1000 m³/day)



Source: Canada Energy Regulator | Régie de l'énergie du Canada

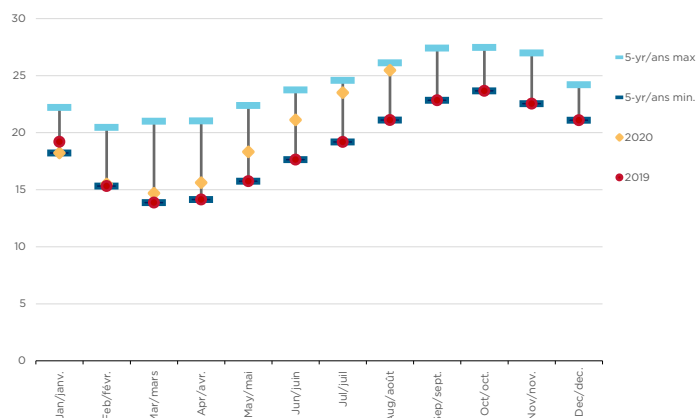
NATURAL GAS STORAGE

Natural gas storage levels are high.

At the start of the heating season, natural gas storage levels are close to a five-year maximum. This means an amount equal to over 70 days of winter demand are in storage facilities.

The result is that the Canadian natural gas market is well supplied going into winter and this is delivering more energy affordability for natural gas consumers.

Natural Gas Storage/ Stocks de gaz naturel - Canada
(Billions cubic metres/Milliards mètres cubes)



Source: Statistics Canada Table: 25-10-0057-01 | Source : Statistique Canada 25-10-0057-01

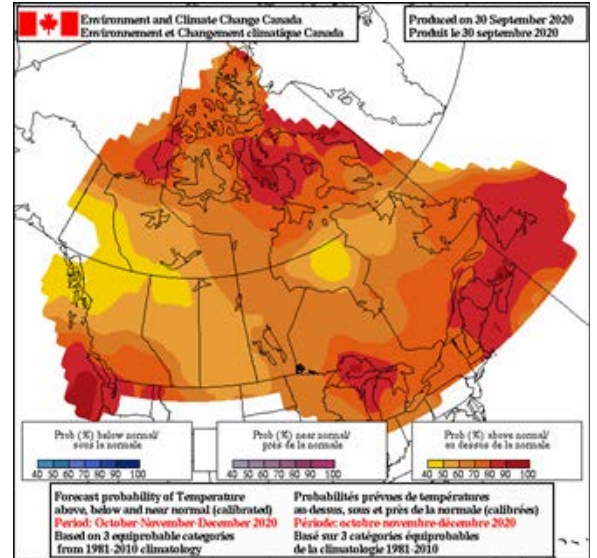
WINTER WEATHER

Forecast shows “warmer than normal” winter likely for most of the country.

Environment and Climate Change Canada’s outlook, as of October 2020, predicts a high probability for “above normal” temperatures this coming winter heating season (October to March) for most of the country, except for the west coast, in the next year.

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.

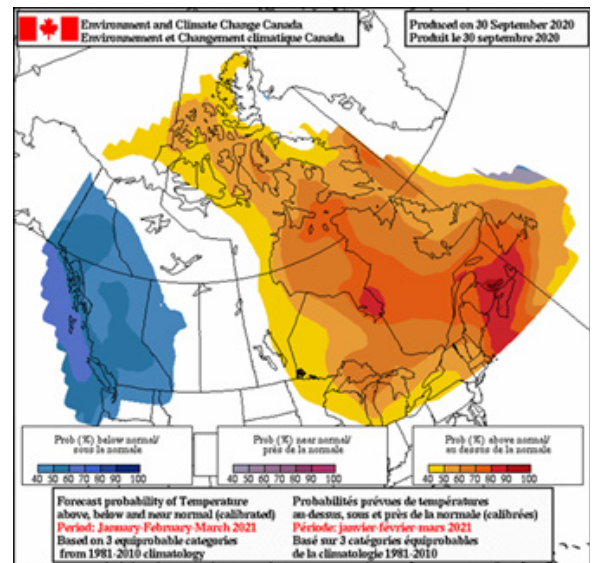


SUMMARY

The Canadian market is well placed for the 2020-21 winter heating season. Prices are 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 is above the levels typically seen at this time of the year which further supports downward price pressure.

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.



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