

Bloomberg Article 23rd June 2009
Rough's "unbelievable turnaround" may depress gas prices - JCRA Energy

June 23 (Bloomberg) -- Centrica Plc's Rough natural-gas storage site in the U.K., the country's largest, has never held more of the fuel at this time of year. That signals prices are unlikely to recover from near a two-year low as the winter heating season approaches.

The CHART OF THE DAY shows stockpiles in Rough, a depleted field under the North Sea that's used for storage, held 29,453 gigawatt-hours of gas yesterday. That's 4 percent more than the same time in 2007 and 23 percent more than 2008. It's about enough gas to supply the U.K. for a week in winter. In January, freezing weather caused buyers to suck up gas, triggering a record low for Rough storage.

"Rough has never been so full this early in the year," James Lawson, Centrica Storage Ltd.'s sales and marketing manager, said in an e-mail today. Injections into the site began early this year and Centrica Storage replaced compressors to speed up the rate that gas can be pumped underground, he said.

"It's been an unbelievable turnaround in the last four months," Craig Lowrey, a consultant at J.C. Rathbone Associates Ltd., said in a phone interview. "In February, Rough was about 20 percent full and everyone was biting their nails hoping it wasn't going to snow again."

U.K. natural gas futures for the month nearest delivery have fallen 57 percent to 25.31 pence a therm (41 U.S. cents) on the ICE Futures exchange this year. They reached 24.75 pence on May 26, the lowest in two years.

As Rough fills with gas there's a "double hit" on demand for injections into the site, Lowrey said, further pressuring prices. There's less need for gas to pump into storage and the geology of the site means it becomes harder to pack in gas after a certain point. Rough is 82 percent full, according to National Grid Plc, which runs the U.K.'s pipeline network.

