North America

Timothy Egan

- Gas markets in North America are hit less by the current crisis than the oil markets.
- For some producers there may be an upside, as associated gas could become less of a factor, if oil production pulls back, shrinking the otherwise ever-more-abundant gas supply picture in North America.
- On the consumption side, it trends down at this time in North America in any year, as we are past the post winter peaks, and storage begins to fill again. So, the crisis hit at a less-than-harmful time in that regard.
- That said, a significant shrinkage in industrial consumption – a likely result as the lockdown extends and economic activity slows – is not good for the sector. Many construction and development projects across the value chain are on hold and all are hoping for an early return to robust economic activity.
- On the political side, the crisis came at a time of particular political tension, as more and more activism against hydrocarbons in general and pipelines in particular was occurring across North America. A highly sophisticated campaign at the municipal level was moving across the continent to ban gas, in the US State Governors were starting to push back, and in Canada rail and roads were being blockaded. Here we are less than two months later and gas industry workers have been amongst those singled out as essential workers and profiled for their service, and there has been growing recognition of the value of the fuel and the infrastructure as affordable, resilient, and necessary for a rebuild. It is incumbent on the industry to think about how to build on that newfound appreciation.
- An example of the point about the value proposition: the absurdity of some government initiatives – like plans to ban single use plastic in Canada – has been exposed in the COVID-19 crisis, as officials have had to note that plastics are essential to the response to the pandemic, and natural gas is essential to make them. If this is a victory, given COVID-19, it is a pyrrhic one.