

Trading Volume of U.S. Natural Gas Increases for Fourth Year in a Row in 2018

Article By:

Cornerstone Research

Annual domestic production of natural gas sets record.

Both U.S. natural gas trading activity and marketed production reached record highs in 2018, according to a report released today by Cornerstone Research. Total trading activity increased for the fourth consecutive year and marketed production continued the steady growth observed since 2005. The increase in marketed production was driven by the continued development of lower-cost shale gas and tight oil resources.

The report, [*Characteristics of U.S. Natural Gas Transactions: Insights from FERC Form 552 Submissions*](#), found that trading activity in 2018 rose approximately 11% over the previous year, to 146,227 tBtu. However, aggregate exchange trading of natural gas contracts on the two main futures exchanges, CME Group Inc. and Intercontinental Exchange Inc., decreased slightly.

The United States is a growing net exporter of natural gas, with two-thirds of the growth stemming from LNG exports. As production continues to outpace consumption, exports, driven by LNG, are expected to quintuple by 2023.

The share of next-month transactions (compared to next-day transactions) dropped below 50 percent for the first time since FERC began reporting Form 552 data in 2008. At the same time, the percentage of index-priced transaction volume grew relative to fixed-price transaction volume.

“The ratio between index-priced transactions and reporting-eligible fixed-price transactions continues to widen,” said [Greg Leonard](#), a Cornerstone Research senior advisor and report coauthor. “In 2018, we saw the largest volume of index-priced transactions and the lowest volume potentially reported to indices since FERC began reporting Form 552 data.”

Liquefied natural gas (LNG) accounted for 31% of total U.S. natural gas exports in 2018, compared to 22% in 2017. Exports to Asia continued to increase, largely driven by South Korea. The next largest importer was Latin America, primarily driven by Mexico.

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production continues to outpace consumption, exports, driven by LNG, are expected to quintuple by 2023.”

Key Findings

- Annual marketed production was 36,958 tBtu in 2018, a 12% increase over 2017.
- The 2018 trading activity reported in the Form 552 submissions rose 11% to 146,227 tBtu, transacted by 678 respondents.
- The 20 companies with the largest transaction volumes (by purchases and sales) accounted for approximately 43% of total reported volume.
- Index-priced transactions comprised around 80% of all Form 552 transactions in 2018 compared to 65% in 2008.
- Between 2017 and 2018, index-priced next-day transactions increased from approximately 35% to 37% while index-priced next-month transactions decreased from 45% to 43%.
- For the fourth consecutive year, companies that chose not to report fixed-price volume to the indices comprised a larger share of fixed-price volume than did companies that chose to report.
- In 2018, approximately 14% of Form 552 respondents reported transaction information to the price index publishers for themselves or at least one affiliate.
- The volume of reported transactions indicates that, on average, a molecule of natural gas was traded through approximately 2.4 transactions from production to consumption.

Read [Characteristics of U.S. Natural Gas Transactions: Insights from FERC Form 552 Submissions](#).

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