The oil and gas industry was hit hard this spring by the COVID-19 pandemic, as demand for industry products, particularly oil and its derivative fuels, plummeted due to business closures, stay-at-home orders, and decreased air travel. In April 2020, West Texas Intermediate (“WTI”) crude oil futures contracts were negative for the first time in history. In addition, drilling rig counts have fallen to consecutive record lows since May 2020.

**EMPTY SKIES, TURBULENT TIMES**

Air travel fell precipitously since the pandemic was declared in March 2020, as business and recreational travelers cancelled or postponed travel plans. Travel by vehicles also declined, albeit to a lesser extent. Both metrics improved over recent months, but remain well below year-ago levels, illustrating falling demand for petroleum-based fuels during a pandemic.

**RUNNING ON FUMES**

Overall U.S. electricity demand has been falling as a result of the pandemic. Demand for natural gas has been relatively stable as it continues to supplant coal due to its competitive price and reputation as a cleaner-burning fuel, but its growth as an electricity fuel slowed slightly in recent months.

**DRILLED DOWN**

The number of U.S. drilling rigs fell to a record low for the week ended May 8, 2020 and continued to hit consecutive record lows through the end of July. Oil prices recovered but remain at significantly lower levels that are not supportive of operators’ long-term cash-flow generation. Natural gas prices still sit below $2/MMBtu as inventory levels remain high.