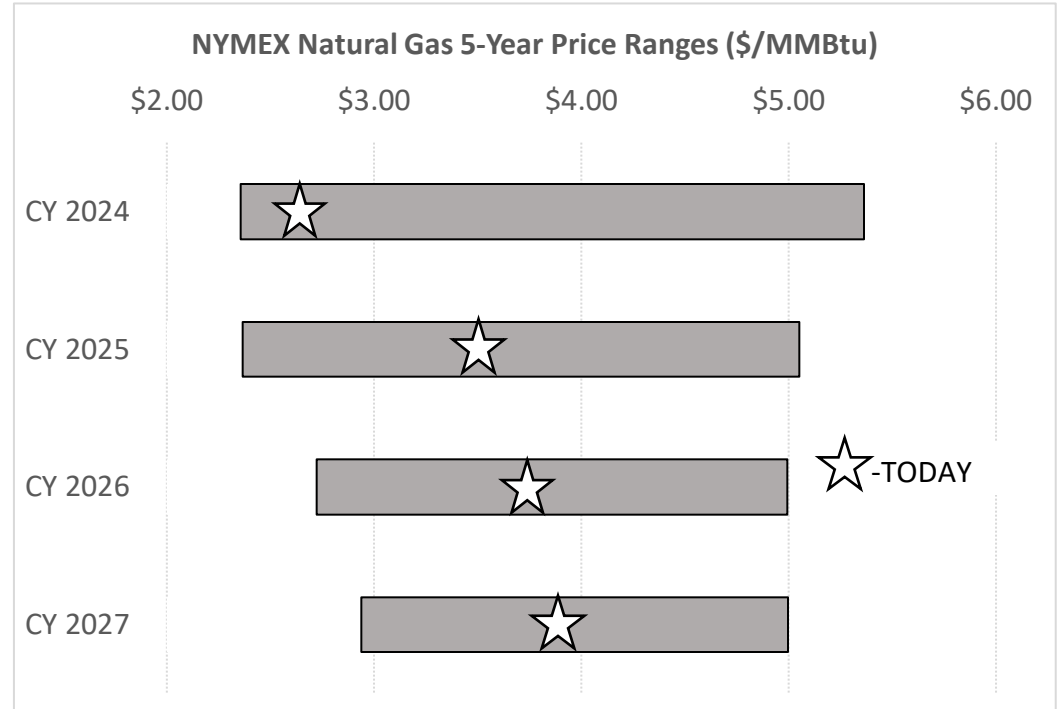




Tuesday, January 23, 2024

Natural Gas Commentary

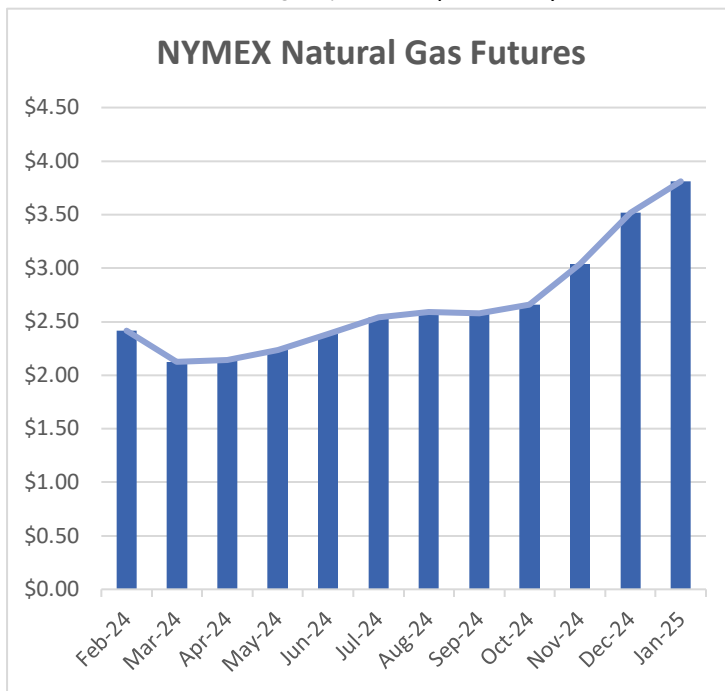
- U.S. natural gas demand peaked last week as cold weather enveloped the majority of the country. Demand for gas in the residential and commercial sectors soared to above 70 Bcf per day after averaging 45 Bcf per day in December.
- Gas production fell during the cold spell due to well freeze-offs (there is a lot of water and other liquids inside the shale formations). Despite the cold weather-related slowdown, production remains at nearly 100 Bcf per day in January, a 1% gain year over year.
- Liquefied natural gas (LNG) suffered a similar fate as cold weather impacted U.S. export capabilities. Both production and LNG sendout are expected to rebound as warmer weather approaches.
- Prices for natural gas overseas (both the Dutch TTF and Asia's JKM) have dropped below \$10 per MMBtu as demand has faded and gas inventories remain well supplied.
- Natural gas prices continue to crater as warmer weather forecasts dominate the news. Calendar year pricing - out to 2030 - is trading below \$3.90 per MMBtu.
- Gas inventories remain 12.4% ahead of volumes from a year ago and 11.2% above the 5-year average for this time of year.
- The majority of the country is expected to see much warmer than normal temperatures into early February.



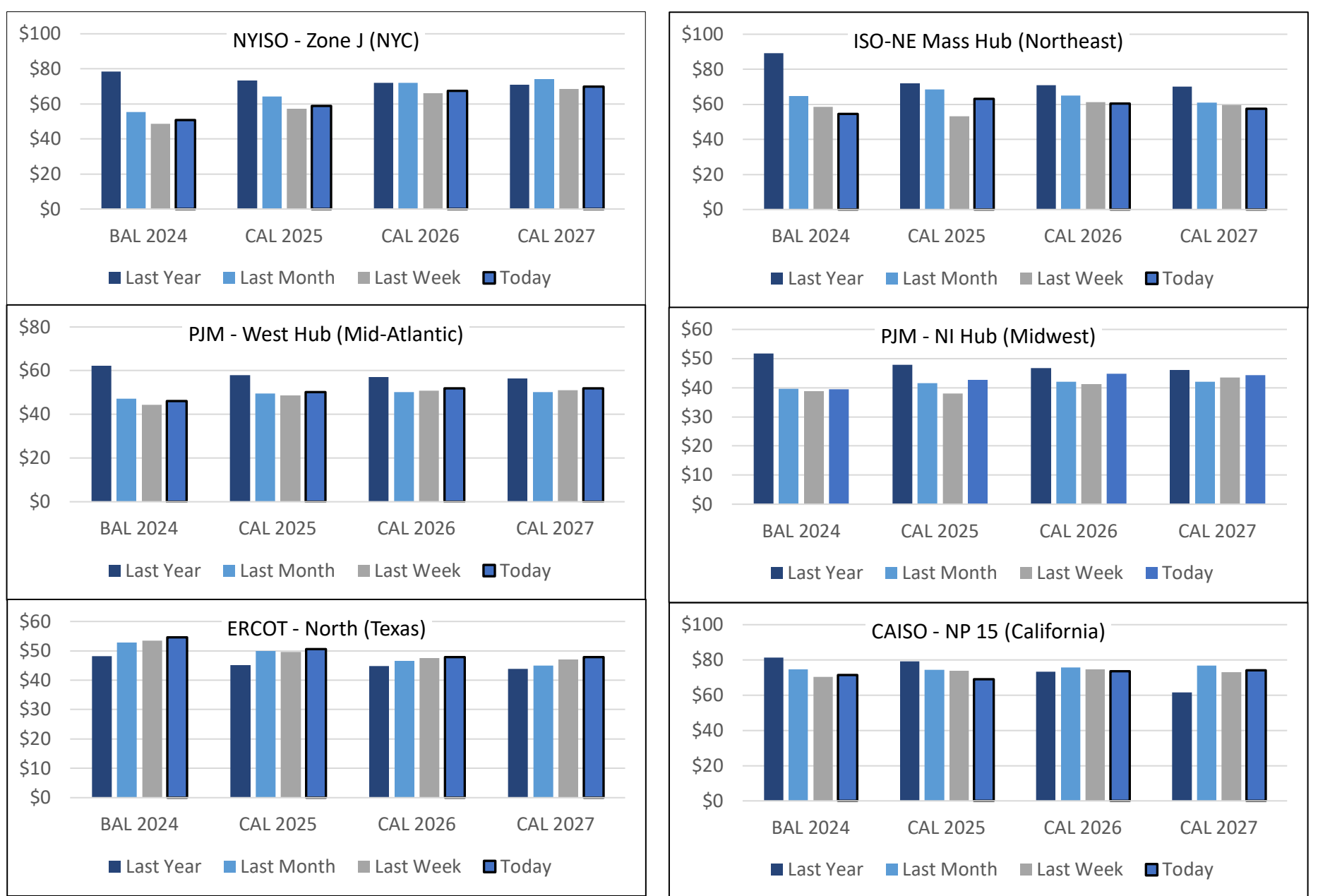
NYMEX Natural Gas Futures

Month	\$/MMBtu	% Δ
Feb-24	\$ 2.419	-2.9%
Mar-24	\$ 2.125	-8.2%
Apr-24	\$ 2.144	-6.5%
May-24	\$ 2.237	-5.2%
Jun-24	\$ 2.387	-4.9%
Jul-24	\$ 2.538	-4.1%
Aug-24	\$ 2.593	-3.4%
Sep-24	\$ 2.578	-2.7%
Oct-24	\$ 2.662	-2.1%
Nov-24	\$ 3.040	-0.6%
Dec-24	\$ 3.520	0.7%
Jan-25	\$ 3.811	1.4%

Note - Δ is change in price over past 30 days.



Electricity Market Update (Prices in \$ / MWh)



Bullish Factors Creating Market Support

- Natural gas production has fallen dramatically following well freeze-offs due to extremely cold weather.
- Turbulent sociopolitical events in the Middle East are typically associated with oil and natural gas price volatility. Tensions have left the Suez Canal without any current LNG carrier movement.
- U.S. LNG exports have returned to 14+ Bcf/day.

Bearish Factors Creating Market Resistance

- Spring-like weather conditions are expected for the balance of January.
- The EIA forecasts end-of-winter natural gas storage to exceed the 5-year average by at least 14%.
- Global LNG prices have reached six-month lows.

Electricity Market Commentary

- A group of 12 senators put forth legislation to block a Department of Energy rule aimed at installing more stringent efficiency standards for electric transformers. The group warns that forcing changes to the type of steel utilized in manufacturing will raise the cost of electricity for millions of Americans.
- Offshore wind projects are seemingly much less affordable than initial projections anticipated, causing states to re-evaluate ways to achieve their GHG reduction goals. More than 8 GW of proposed offshore wind capacity has been cancelled or are seeking additional revenue to fund project development.
- The Federal Energy Regulatory Commission (FERC) rejected a proposal to limit the size of the MISO interconnection queue, which is currently approaching 200 GW.
- FERC approved a natural gas pipeline project that will allow the Tennessee Valley Authority (TVA) to replace a 2.5 GW coal-fired power plant with a combined cycle natural gas plant by 2026, reducing projected CO2 emissions by 7 million tons annually.

Oil Prices

	\$/Bbl.	% Δ
WTI Crude	\$ 71.19	-8.6%
Brent Crude	\$ 80.06	-3.7%

	\$/Gal	% Δ
RBOB (Gasoline)	\$ 2.20	-1.2%
No. 2 Heating Oil	\$ 2.55	-9.9%

