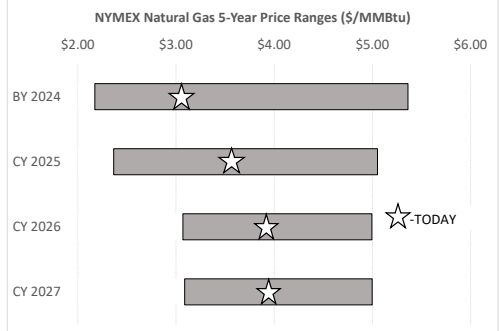




Thursday, June 27, 2024

**Natural Gas Commentary**

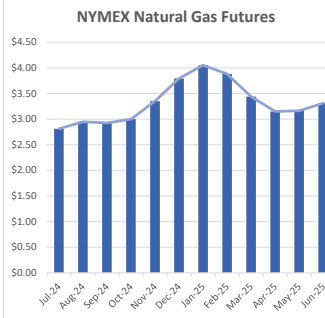
- Over the past month, natural gas futures seesawed as production declined, the storage surplus tightened, and a heat wave engulfed most of the country. The net price impact has been minimal with the biggest gains coming in the winter of 2024/2025 (↑ 5%), with losses in the 2028-2030 period (↓ 6%).
- While the U.S. natural gas storage surplus vs. the 5-year average has trended downward in recent months, it's important to note that Canada is approaching near-record storage levels, bringing the North American surplus to more than 800 Bcf.
- As the U.S. and other LNG exporting nations ramp up efforts to ship gas overseas, global markets (particularly Asia and Europe) are investing in import technologies to balance the supply glut. The majority of these projects involve floating storage regasification units (FSRUs) which cost half as much to build as an onshore LNG terminal and can be operational six times faster.
- The EIA reported that U.S. natural gas and oil flaring and venting fell to an 18-year low of 0.5% of gross withdrawals. This reduction in waste has been hastened ahead of the initial methane fees to be assessed later this year as part of the Inflation Reduction Act.
- Gas demand for power gen has increased from 32 Bcf/day to 45 Bcf/day in the past three weeks.



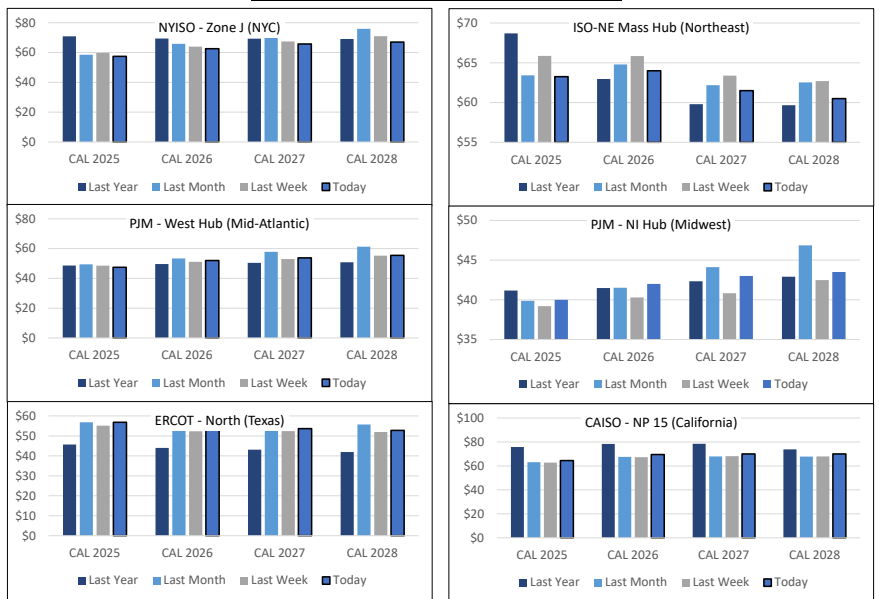
**NYMEX Natural Gas Futures**

Month	\$/MMBtu	% Δ
Jul-24	\$ 2.811	-0.5%
Aug-24	\$ 2.948	2.8%
Sep-24	\$ 2.926	3.2%
Oct-24	\$ 3.000	3.3%
Nov-24	\$ 3.351	3.7%
Dec-24	\$ 3.791	3.7%
Jan-25	\$ 4.052	3.4%
Feb-25	\$ 3.882	3.7%
Mar-25	\$ 3.439	3.6%
Apr-25	\$ 3.148	2.5%
May-25	\$ 3.163	2.0%
Jun-25	\$ 3.311	1.0%

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



**Electricity Market Update (Prices in \$ / MWh)**



**Bullish Factors Creating Market Support**

- Natural gas production remains below 100 Bcf per day, more than 5% below the highs established in 2023.
- The CFTC reported that net long natural gas positions reached the highest level since May 2022.
- The EU is imposing additional sanctions against Russian LNG imports.

**Bearish Factors Creating Market Resistance**

- North American natural gas inventories remain well above prior year and 5-year averages.
- Late-June heat wave expected to dissipate in many parts of the country.
- Latest EIA STEO forecasts natural gas prices to average \$2.50 per MMBtu across 2024.

**Electricity Market Commentary**

- Real-time electric prices moved higher across the country during last week's heat wave with NYISO Zone J (\$947/MWh) and ISO-NE's Mass Hub (\$773/MWh) seeing the highest hourly prices. ERCOT and PJM topped out just under \$200/MWh during the peak intervals.
- ERCOT wind and solar provided an all-time record of 37,897 MW of renewable electric output, representing 50% of peak load across the grid on June 18th.
- New York's Sunrise Wind and Empire Wind projects (1,740 MW total expected capacity) are scheduled to move forward after experiencing delays, however, the average cost of power production (\$150/MWh) is more than 80% higher than the initial contract rates. In-service dates could be as early as 2026.
- Pending FERC approval, CAISO will double its soft offer cap from \$1,000/MWh to \$2,000/MWh, posing additional risk to unhedged end-users. The change could take place as soon as August 1st.
- Environmental groups are pushing back on PJM's interconnection reform plan claiming that it fails to comply with FERC Order 2023.

**Oil Prices**

	\$/Bbl.	% Δ
WTI Crude	\$ 81.63	3.0%
Brent Crude	\$ 86.01	4.2%

	\$/Gal	% Δ
RB0B (Gasoline)	\$ 2.52	2.6%
No. 2 Heating Oil	\$ 2.29	-5.1%

**U.S. Temperature Forecasts**

