

MARKET SUMMARY

BIGGEST FACTORS: WEATHER, SUPPLY & DEMAND

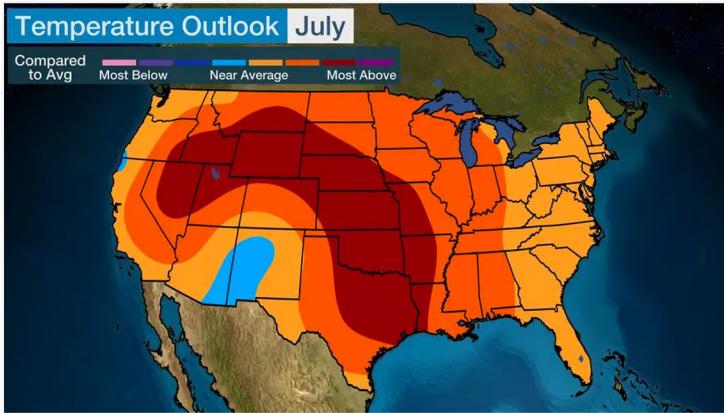
A decrease in demand from cooler temperatures and the temporary closure of the Freeport LNG export terminal has reduced prices, but lagging supply and a warm July may keep them from falling further.

PROCUREMENT TAKEAWAY

The steep drop in natural gas prices since the Freeport LNG terminal explosion proves the need for a proactive team like Ecom-Energy to monitor the market for hedging opportunities.

WEATHER (BULLISH)

TAKEAWAY - Monthly and all-time heat records were shattered in at least a half-dozen - countries to close out June - a sign of more to come.



Source: The Weather Company

Assuming California's drought conditions persist, EIA reports hydroelectric generation will be 48% less than normal this summer.

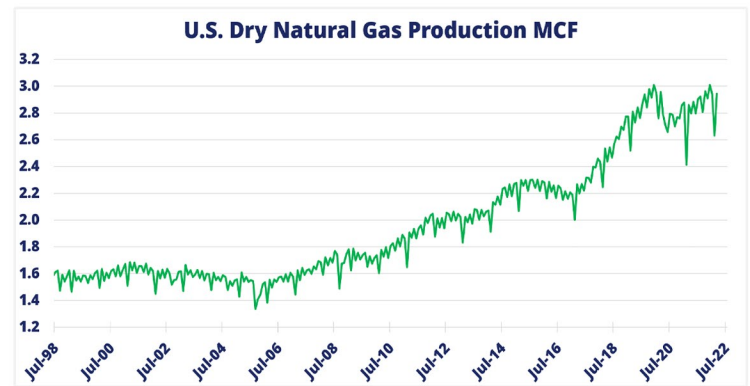
Futures prices fell more than 6% following Independence Day weekend as a slightly cooler shift to near term weather forecasts added to headwinds from a prolonged shutdown of the Freeport LNG export plant.

STORAGE (CONTINUED)

For the week ending June 24, stocks totaled 2,251 Bcf, which is 322 Bcf lower than the 5 year average and 296 Bcf lower than last year.

PRODUCTION (BULLISH)

TAKEAWAY - Production lags forecasts despite a recovery in rig counts as the industry continues to face a lack of investment. Production recovery is a key driver of pricing through 2023.

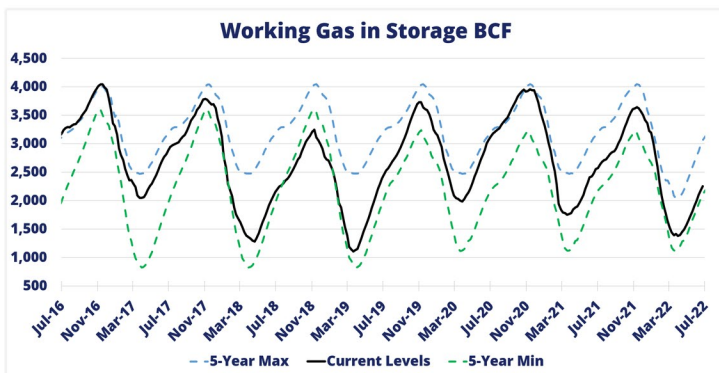


Source: EIA

While rig counts are increasing at a steady pace, production growth may be limited as producers exercise capital discipline and face labor shortages as well as supply chain issues. Pipeline capacity remains an concern.

STORAGE (BEARISH)

TAKEAWAY - The Freeport outage will benefit gas storage with possible further disruptions in hurricane season.

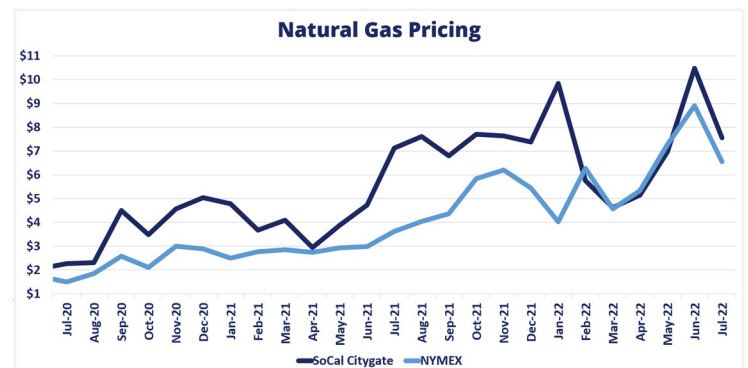


Source: EIA

The EIA has been reporting larger-than-expected injections into storage, confirming looser balances as a result of an explosion at the Freeport LNG export terminal.

PRICING

TAKEAWAY - Recession fears are leading to depressed pricing. This, coupled with the Freeport LNG export terminal closure, have led to a hedging opportunity.



IN THE NEWS

Global natural gas consumption is expected to contract slightly in 2022 and grow slowly over the following three years as Russia's war in Ukraine pushes up prices and fuels fears of further supply disruptions, according to the International Energy Agency's (IEA) latest Gas Market Report.

Today's record high gas prices are depressing demand and causing some gas users to switch to coal and oil, while recent sharp cuts in Russian gas flows to Europe are raising alarms about supplies ahead of the winter. The turmoil is damaging natural gas' reputation as a reliable and affordable energy source, casting doubts about the role it was expected to play in helping developing economies meet rising energy demand and transition away from more carbon-intensive fuels.

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Europe's energy woes have escalated as Norwegian oil and gas workers strike, shutting three fields in the North Sea and causing a spike in natural gas prices.

Norway's state-owned energy company, Equinor, said it had shut the fields after some of its employees went on strike over a pay dispute. The three fields produce the equivalent of about 89,000 barrels of oil a day, more than 30% of which is natural gas. Norway was the second largest source of natural gas to Europe last year, after Russia. The disruption comes at a critical moment for the region.

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A heat wave caused electricity use in Texas to reach an all-time high in June, but the state's power grid appeared to hold up without major disruption. Power demand surpassed 75 GW, overtaking the previous record of 74.8 GW in August 2019. Still, the state's capacity remained well above that, according to the Electric Reliability Council of Texas (ERCOT).

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Fossil fuels -petroleum, natural gas, and coal - accounted for 79% of the 97 quadrillion British thermal units (quads) of primary energy consumption in the United States during 2021. About 21% of primary energy consumption in 2021 came from fuel sources other than fossil fuels, such as renewables and nuclear, according to EIA data.

The 4-quad increase in U.S. primary energy consumption last year was the largest annual increase on record and was mostly attributable to a gradual return to pre-pandemic levels of activity. The increase in 2021 follows a 7-quad decrease in 2020, which was the largest annual decrease on record.