

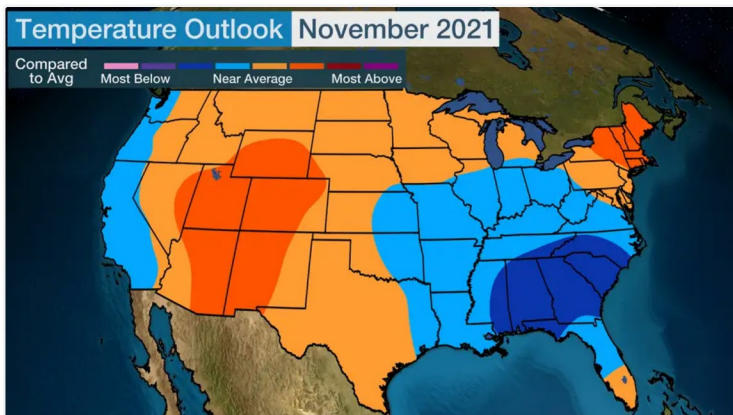
MARKET SUMMARY

BIGGEST FACTORS: MULTIPLE

Natural gas production and winter weather are key drivers. Concerns over supply and storage inventories could be mitigated if rising rig counts result in production increases and mild winter forecasts materialize.

WEATHER (BEARISH)

TAKEAWAY - Temperatures are falling, but heating season has been delayed relative to the 30-year norm, continuing a year-long trend of warmer temperatures. This has a bearish effect on pricing.



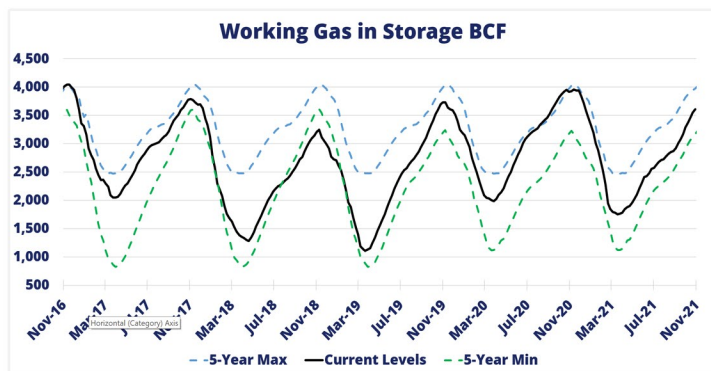
Source: The Weather Company

Above-average temperatures are favored across the South and most of the eastern U.S. as La Niña climate conditions have emerged for the second winter in a row.

NOAA's 2021 Winter Outlook calls for wetter-than-average conditions across portions of the Northern U.S. which may help with hydrogeneration capacity.

STORAGE (BEARISH)

TAKEAWAY - In a stark YoY turnaround, storage fields added ~70 Bcf compared to last year's 27 Bcf draw, with a forecast showing injections extending at least until mid-November.



Source: EIA

Gas storage is only 3.4% below the five-year average. Historically, injection rates have slowed as the winter season approaches.

PROCUREMENT TAKEAWAY

Recent natural gas price rallies may slow or possibly weaken for a brief period. Be ready to execute a short-term winter hedge quickly. Plan to reevaluate risk tolerance and procurement strategy in spring 2022.

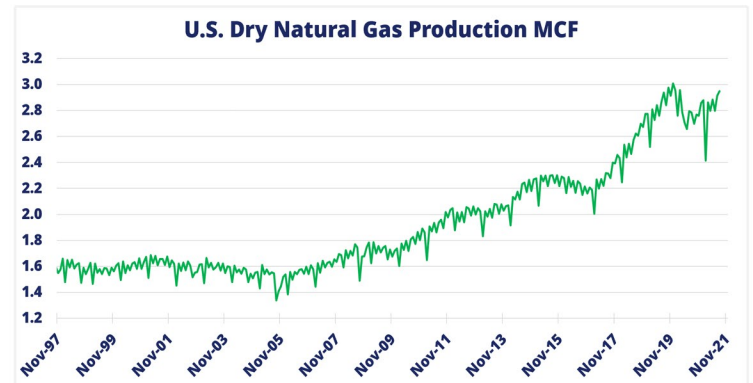
STORAGE (CONTINUED)

However, this year injections remain strong thanks to mild temperatures and lower demand. Inventories are likely to close the gap.

Aliso Canyon's maximum storage level has been raised 21% for winter reliability. This temporary increase will serve winter season heating

PRODUCTION (NEUTRAL)

TAKEAWAY - Gas supplies have rebounded to their highest level since Hurricane Ida in August, approaching near-record levels since Oct. 23.

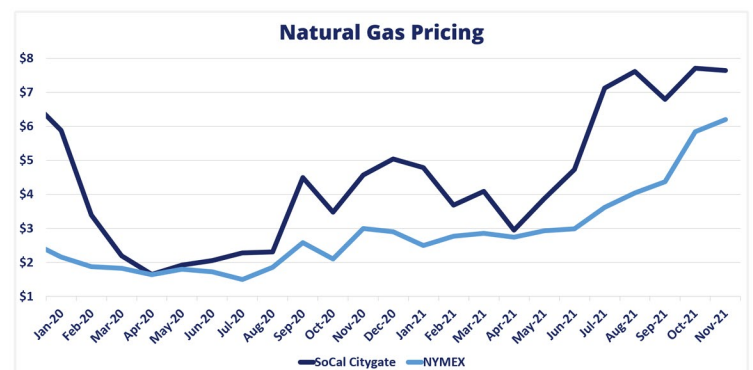


Source: EIA

Despite gains, more production is needed for prices to return to the historical range. Gas is being called on to replace other generation sources, like hydro and nuclear.

EIA reports gas consumption for power generation rose 3% in 2020. Low prices made gas a more competitive generation fuel, particularly compared with coal.

PRICING



Source: EIA

