NATURAL GAS MARKET UPDATE

AUGUST 2020



MARKET SUMMARY

BIGGEST FACTOR: WEATHER

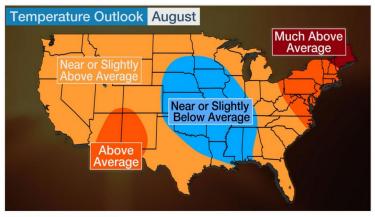
Record weather patterns across the United States have led to extreme market volatility and energy price spikes in August 2020.

PROCUREMENT TAKEAWAY

Facilities with open positions should consider hedging before prices potentially rally any further due to weather anomalies and increasing demand.

WEATHER (BULLISH)

TAKEAWAY - Heatwaves across the Western United States, combined with an active storm season on the east cost, have led to volatility and prices spikes in American energy markets.



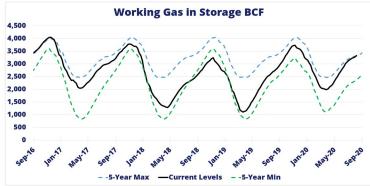
Source: The Weather Company

California was beset by its first rolling blackouts since the 2001 energy crisis, as a mid-August heatwave slammed the Western U.S. Some argue the outages are due to the state's shift away from natural gas-fired generation in favor of renewables like solar.

Hurricane Isaias hit the Carolinas in early August before being downgraded to a tropical storm as it moved further north up the east coast, leaving millions of people without power.

STORAGE (BEARISH)

TAKEAWAY - The average rate of injections into storage is 11% higher than the five-year average so far in the refill season.



Source: EIA

STORAGE (CONTINUED)

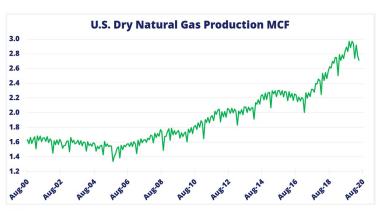
The \$8 billion Atlantic Coast Pipeline, which was to cross the Appalachian Trail and carry natural gas from underground wells in West Virginia to customers in Virginia and the Carolinas, has been called off by its developers, causing some to question the fuel's future.

LNG exports are on the rise - eight vessels with a combined carrying capacity of 29 Bcf departed the U.S. between August 6 and August 12.

Net injections into storage totaled 58 Bcf for the week ending August 7. Working natural gas stocks totaled 3,332 Bcf, which is 443 Bcf more than the five-year average and 608 Bcf more than last year at this time.

PRODUCTION (BEARISH)

TAKEAWAY - EIA expects that rising demand heading into winter, combined with reduced production, will cause upward price pressures.



Source: EIA

Natural gas prices hit a record low during the first half of the year as the coronavirus pandemic and a mild winter reduced demand.

In the EIA's August Short Term Energy Outlook, natural gas production is forecasted to remain lower than the 98.3 Bcf/d production level reached in the first quarter of 2020, and final quarter 2021 production is forecast at 89.3 Bcf/d.

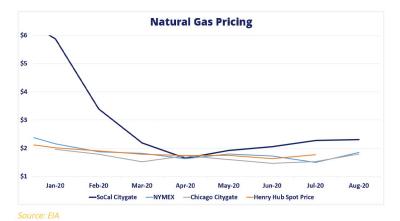
The share of U.S. electric power sector generation from natural gas-fired power plants is predicted to increase from 37% in 2019 to 40% this year. In 2021, the forecast natural gas share declines to 35% in response to higher natural gas prices.

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PRICING



IN THE NEWS

121 U.S. coal-fired power plants were repurposed to burn other types of fuels between 2011 and 2019, 103 of which were converted to or replaced by natural gas-fired plants.

Since July 1, 2020, U.S. power burn has exceeded the previous record of $45.4 \, \text{Bcf/d}$ - set on August 6, 2019 - on six days.

U.S. energy consumption in April 2020 fell to its lowest level in more than 30 years. In fact, energy consumption in April was 14% lower than in April 2019, the largest year-over-year decrease recorded since 1973.