

MARKET SUMMARY

BIGGEST FACTORS: WEATHER

A combination of winter weather and working from home (increased residential demand) have lifted prices to double their summer lows.

PROCUREMENT TAKEAWAY

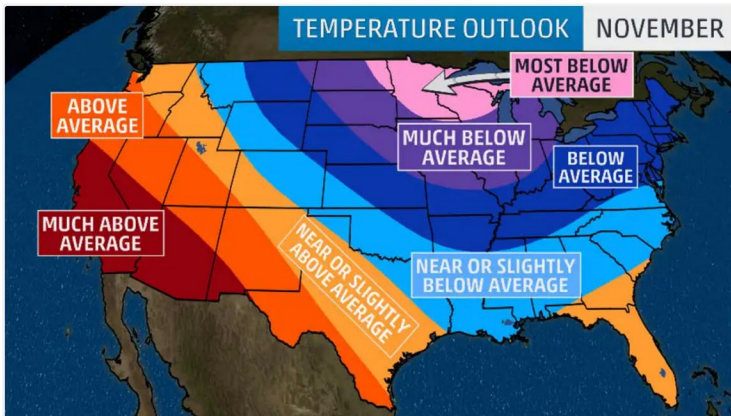
Natural gas price increases should be spurring a reassessment of your organization's risk tolerance to make sure your team is prepared for ongoing market rallies.

WEATHER (BULLISH)

TAKEAWAY - Early October forecasts for a cold winter saw prices rise to the highest level in almost 2 years, extending the rally.

PRODUCTION (BULLISH)

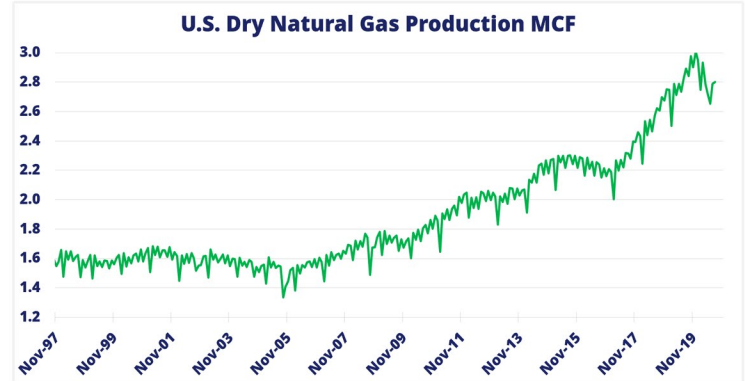
TAKEAWAY - Light production forecasts, combined with rising global demand for gas is expected to cause gas prices to soar next year.



Source: The Weather Company

Colder than normal weather continued price rallies throughout October.

More residential natural gas consumption is expected this winter compared to last, but there is a small reprieve for prices as a mild forecast is predicted for the next several weeks.



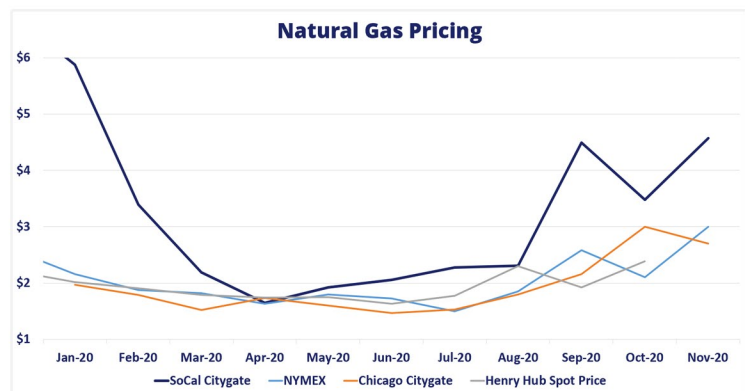
Source: EIA

EIA expects spot prices to remain above \$3/Dth through 2021, averaging \$3.13, up from average of \$2.07 for 2020.

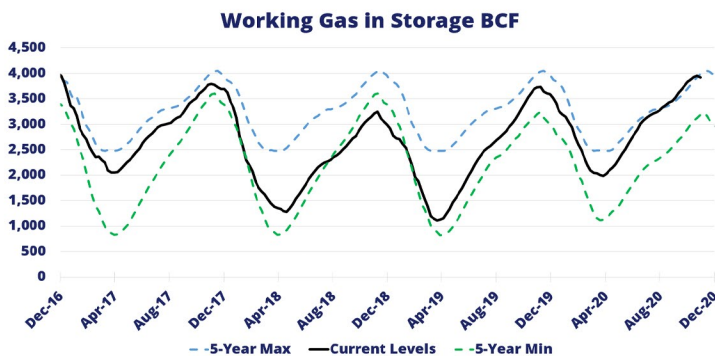
STORAGE (BEARISH)

TAKEAWAY - Natural gas storage inventories are strong, setting a new record. However, the surplus may be short lived as production is lower this winter than last and inventory pulls may outpace the five year average.

PRICING



Source: EIA



Source: EIA

Working natural gas stocks totaled 3,919 Bcf, which is 5% more than the year-ago level and 5% more than the five-year (2015–19) average for this week.

NOTEWORTHY

2020 will see the biggest drop in natural gas demand ever: 3%. This is 1% more than the demand lost after the 2008 financial crisis. Next year will see a 3% increase compared to 2020 but uncertainties cloud the outlook.

ELECTION RESULTS 2020

AT A GLANCE

While both recognize America's role as the globe's preeminent energy producer, the Biden White House will not be the friend to the fossil fuel industry that President Donald Trump was.

Biden's team will aim to push through a 'green growth' agenda that will emphasize low or zero carbon energy production, green industry manufacturing, and more climate friendly regulations. His efforts may be challenged by a Republican Senate.

CLIMATE

At the top of Biden's climate agenda is getting America back into the Paris Climate Agreement. Trump abandoned the deal in 2017. This puts the U.S. alongside 188 other signatories – including China – who have pledged to cap global warming at 2 degrees Celsius above pre-industrial levels.

Biden has pledged to prohibit drilling on federal lands, including the Arctic National Wildlife Refuge. The United States produced nearly 3 million barrels of crude oil per day from federal lands and waters in 2019, along with 13.2 billion cubic feet per day of natural gas worth some \$12 in public revenues. This will drastically set back U.S. oil and gas production, drive the oil and gas prices up, and make the U.S. more dependent on oil imports.

The president-elect has gone back-and-forth on the issue of fracking. In recent months Biden and Harris pledged that fracking will not be prohibited altogether, but rather a limited ban on fracking on federal lands could be in the works. Biden has also expressed plans to make it more difficult for new pipeline projects to obtain construction permits and to harden economic and environmental impact evaluation processes, as was the case with the Obama Administration.

CLEAN ENERGY

Biden's vision of a 'Clean Energy Revolution' shares aspects of the Green New Deal, linking a clean energy and climate agenda with a plan to create new jobs in the energy industry.

Biden has said he would "double down" on investment and tax incentives for carbon capture and sequestration (CCUS) technology. The Biden plan sets deadlines to eliminate emissions from power plants by 2035, and reach net-zero emissions across all sectors by 2050.

To fund the expansion of the clean energy sector Biden has proposed up to \$2 trillion in investment over the first four years of his presidency. However, Republicans will likely block such ambitious spending measures in the Senate.

A dismantling of Trump's tariff regime – which includes steel and aluminum – would also benefit areas of the energy sector that rely on these inputs for infrastructure such as pipeline and construction.

FOSSIL FUELS

Oil and gas producers won't enjoy the same support they received under Trump. Biden has declared he would cut off subsidies for fossil fuels, which, some environmentalists say, inject roughly \$20 billion into the industry annually.

Energy producers may find a silver lining in Biden's trade policy, which could attempt to restore trade relations with energy-hungry China and resume the once-steady liquified natural gas (LNG) sales.

FINANCIAL MARKETS

Energy stocks shouldn't experience much of a shake-up with Biden's election, and indeed markets have responded positively over the past few days.

The last four years saw renewable energy stocks rise even without major government support, while fossil fuel companies lost out.

Overall, the President has little sway over the trajectory of the stock market – particularly energy stocks. The biggest impact president-elect Biden could have is a successful recovery from the coronavirus pandemic, which would drive demand up for energy across the board.

