

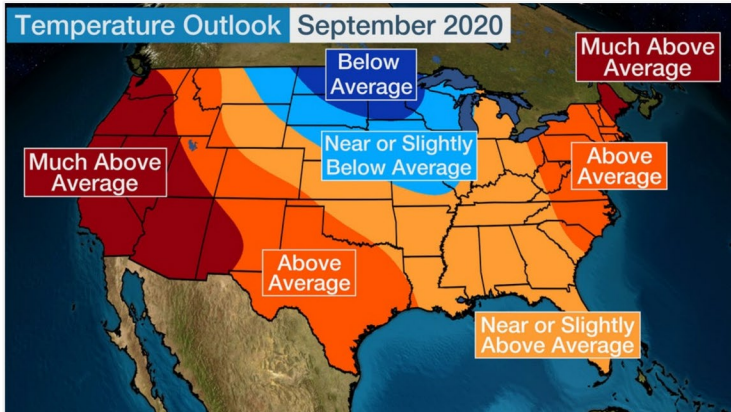
MARKET SUMMARY

BIGGEST FACTOR: WEATHER

Soft commercial demand due to the demand destruction caused by the COVID-19 pandemic continues to keep a lid on prices as well as the return of cooler temperatures to several key demand areas.

WEATHER (BULLISH)

TAKEAWAY - Mid-August saw price spikes as Hurricane Isaias hit the East Coast (high heat and humidity) and 100 degree temperatures drove CA power loads – spot gas national average jumped 20 cents.



Source: The Weather Company

California ordered rolling blackouts last month for the first time in 19 years - even as CA is a top 3 state for installed renewable energy.

Natural gas prices have been low and stable through the pandemic (lowest since 1989), but August saw prices unexpectedly rise 45% as analysts scrambled to describe the surge - August weather was not overly bullish, storage is abundant (20% surplus to year ago levels), and production is flat.

During hurricane season (should be mostly bearish), shale gas plays shift production away from the Gulf of Mexico.

September Bidweek prices rallied as LNG exports may begin to increase and winter is set as bullish as of now.

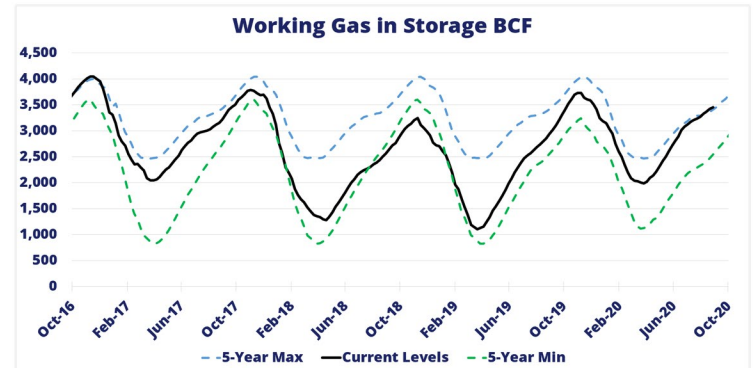
STORAGE (BEARISH)

TAKEAWAY - While U.S. gas consumption has decreased 2.8% year over year through May, Europe and Japan have decreased 7% and 5%, demonstrating U.S. consumption resiliency as power generation shifts from coal- to gas-fired plants.

PROCUREMENT TAKEAWAY

With many unknowns (hurricane season, LNG export demand, weather, production, etc.), facilities should reassess their risk tolerance to ensure it aligns with their procurement strategy.

STORAGE (CONTINUED)

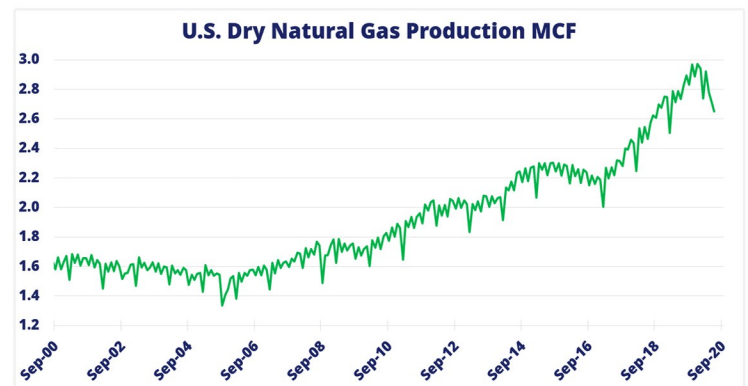


Source: EIA

The EIA forecasts a 3% and 5% contraction in 2020 and 2021, respectively.

PRODUCTION (BEARISH)

TAKEAWAY - Natural gas production increased by 5.3% year over year on average through May, offset by lower imports from Canada and increased Mexican exports - along with a buildup of storage levels.



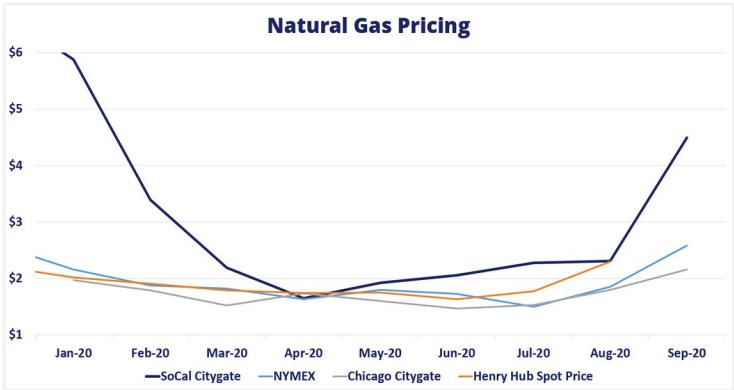
Source: EIA

Production is expected to contract in 2020 and 2021.

Low natural gas prices plus high summer temperatures and electric demand led to a daily record of gas consumed by power plants: 47.2 Bcf. The new gas record accounted for 45% of electric generation, followed by coal at 24%, nuclear at 17%, and renewable at 12%.

Price forecasts show average price of \$2.11 this year, followed by a jump to \$3.25 for 2021 due to production falls.

PRICING



Source: EIA

IN THE NEWS

The current Administration has rescinded regulations aimed at methane and VOC transmission, a move environmental groups were against and others supported to cut “burdensome and ineffective regulations.”