

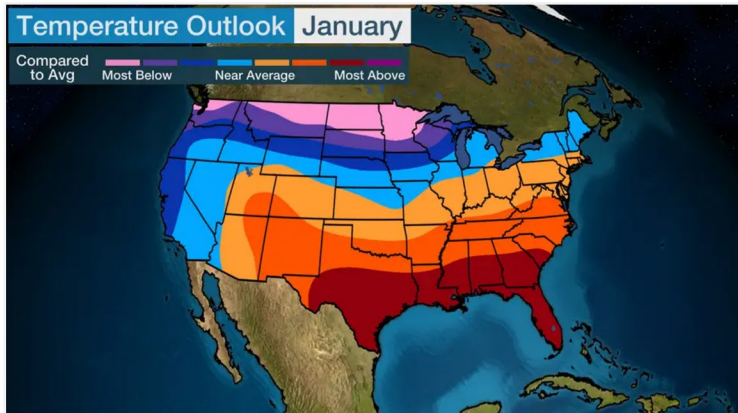
MARKET SUMMARY

BIGGEST FACTORS: WEATHER

Bearish fundamentals have dominated winter thus far, dropping national prices to summer levels. Still, CA prices remain elevated, and changing weather patterns could provide support as heating begins to ramp up.

WEATHER (BEARISH)

TAKEAWAY - Despite wet weather in the West, December 2021 was the second warmest on record in the U.S., keeping high winter prices at bay.



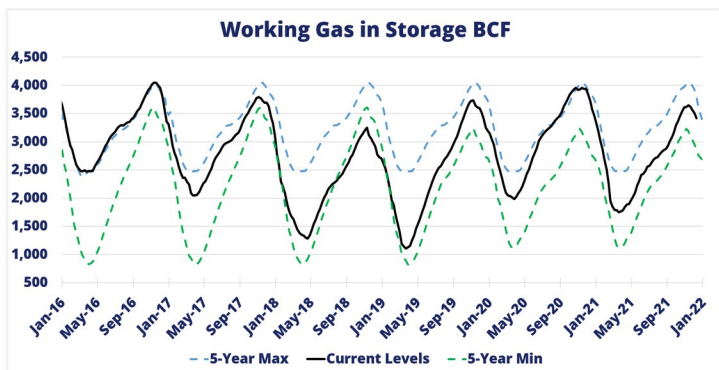
Source: The Weather Company

Natural gas closed out 2021 with a rise of ~47% - its best 12-month performance since 2016 - supported by higher cooling demand in the summer months, hurricane-related disruption in supplies, and a strong liquefied natural gas (LNG) export trend.

The temperature pattern for January closely resembles what is typically expected in La Niña winters, and is similar to what was seen in much of December, especially in the South and the far northwestern U.S.

STORAGE (BEARISH)

TAKEAWAY - Storage inventories have made an impressive return to the historical range after nosediving following February 2021's Arctice Blast.



Source: EIA

Given ample storage inventories, forecasts will likely need to serve up a bullish weather-driven demand outlook for late January and early February in order to sustain elevated natural gas prices.

PROCUREMENT TAKEAWAY

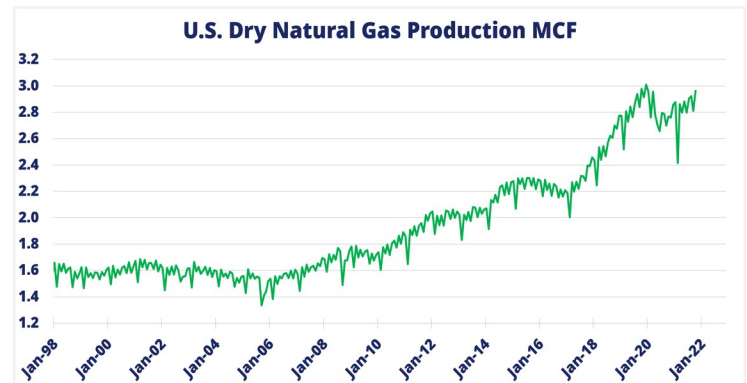
Despite a warm winter start and record production forecasts in 2022, CA markets are not supportive of hedging strategies. Customers should work with Ecom-Energy to evaluate the best long-term strategy.

STORAGE (CONTINUED)

Working natural gas stocks totaled 3,195 Bcf to end 2021, which is 5% lower than the year-ago level and 3% more than the five-year (2016–2020) average for that time period.

PRODUCTION (BEARISH)

TAKEAWAY - U.S. gas production, excluding Alaska, rose about 7% in 2021, more than erasing 2020's pandemic-related decline.

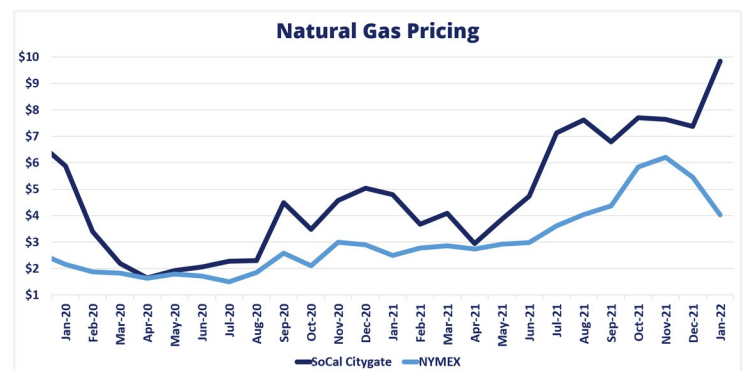


Source: EIA

Production recovered to ~96 Bcf/d at the end of 2021, largely on depletion of drilled but uncompleted (DUC) wells. How producers manage 2022 DUC inventory along with new well development will be key to production growth this year.

Overseas buyers purchased 13% of U.S. gas production in December, a seven-fold increase from five years earlier. The trend will remain in 2022.

PRICING



Source: EIA

IN THE NEWS

The United States is now the world's leading exporter of liquified natural gas as Europe's energy crisis and shortages in China send demand for American shipments soaring.

The United States will be the biggest exporter in the world through 2022 as a whole, according to forecasts from ICIS and the US Energy Information Agency. Demand is expected to remain high in Europe, where there are fears about natural gas supplies from Russia as tensions grow over a military buildup at its border with Ukraine.

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During Texas' first strong cold front of the winter, natural gas production in the state's top energy-producing region dropped by ~25%. While the lights largely stayed on across the state, the gas system's performance during a brief cold snap raised more questions about the grid's ability to handle extreme winter weather.

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The European Union has drawn up plans to classify some nuclear power and natural gas plants as green investments that can help Europe cut planet-warming emissions, a landmark proposal that, if approved, could set off a resurgence of nuclear energy on the continent in the coming decades.

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In a controversial move, the New York City Commission is set to approve a measure which would ban the burning of natural gas in all new buildings beginning as early as 2023. Under the proposal, buildings smaller than seven stories must rely on electricity starting at the end of 2023, and larger buildings will have an extra four years to comply.

Buildings account for 68% of NYC's greenhouse gas emissions, and most of the emissions come from the burning of natural gas. Large cities such as New York cannot meet their greenhouse gas emission reductions without banning the burning of natural gas.