

MARKET SUMMARY

BIGGEST FACTORS: STORAGE & GEOPOLITICAL EVENTS

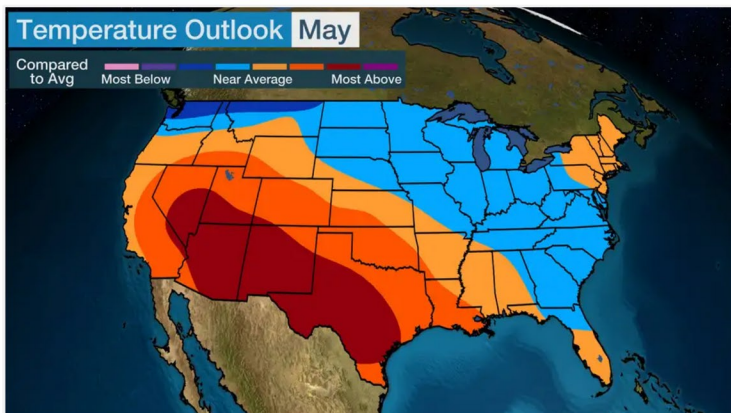
Low gas inventories, continued wartime uncertainty, and general commodities bullishness are causing upward pricing momentum. There appears to be no limit to how high prices could rise.

PROCUREMENT TAKEAWAY

The threat of double-digit summertime pricing is real. Risk can be mitigated with a diversified buying strategy. Many facilities are avoiding supplier premiums by relying on index-heavy strategies.

WEATHER (BULLISH)

TAKEAWAY - Short-term temperature outlooks will be a mix of some heating and some cooling before a broader flip to more heat come June.



Source: The Weather Company

Ongoing dry weather in the western U.S. has also helped drop the waters of Lake Powell to a level approaching the minimum needed to operate the Glen Canyon Dam hydroelectric power plant. With less water available for low cost hydroelectricity, gas will be called upon to make up the difference.

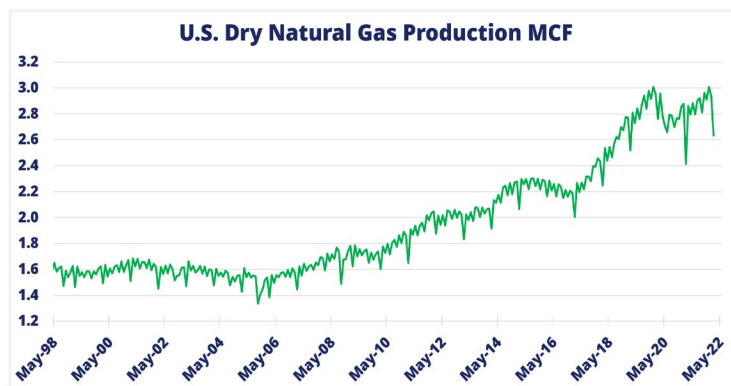
A second year La Nina is typically drier and hotter than the first.

STORAGE (CONTINUED)

Working natural gas stocks totaled 1,490 Bcf, which is 21% lower than the year-ago level and 17% lower than the five-year (2017–2021) average.

PRODUCTION (BULLISH)

TAKEAWAY - The EIA expects production to climb over the next year, offering minor price relief.

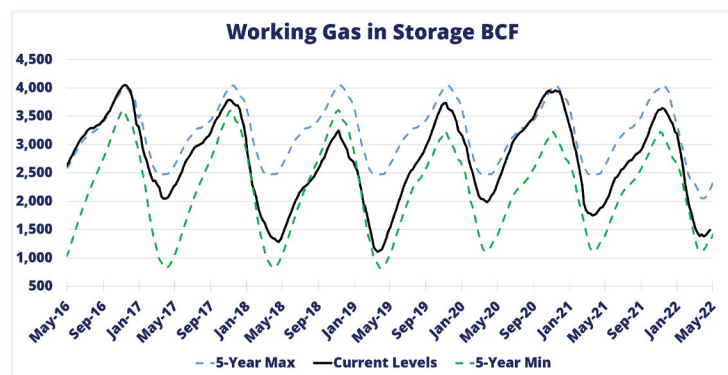


Source: EIA

The seventh U.S. LNG export terminal has begun production. The enormous facility is a reflection of America's role as the world's leading natural gas exporter - with still growing demand.

STORAGE (BULLISH)

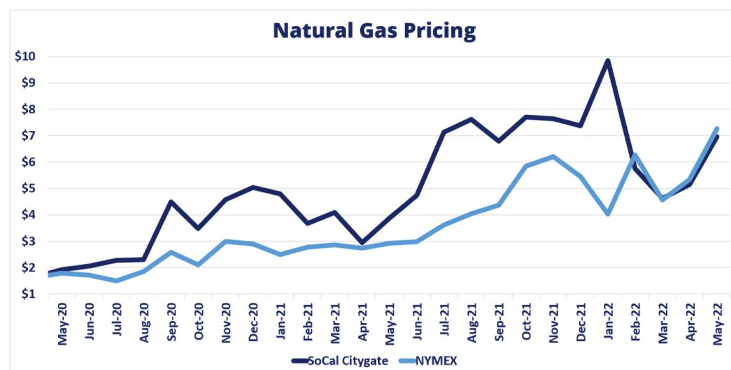
TAKEAWAY - Although low storage continues to bolster pricing, it is only one of many factors putting upward pressure on the market.



Source: EIA

Mid- to late-May is typically the seasonal peak for injections and could provide an opportunity for inventories to rebound.

PRICING



Source: EIA

IN THE NEWS

Costs for natural gas, which is used for heating and electricity as well as production of plastics and petrochemicals, jumped to a 14-year high. The spot price for natural gas at the benchmark Henry Hub crossed \$8, its highest level since 2008.

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The Federal Energy Regulatory Commission (FERC) has authorized the Calcasieu Pass liquefied natural gas (LNG) export terminal to commission the first six of nine liquefaction blocks. Each block contains two liquefaction systems called trains. The first authorization, issued in November 2021, was one of the initial steps toward full commercial service.

Calcasieu Pass is a 1.3 billion cubic feet per day (Bcf/d) liquefaction facility located in Cameron Parish, Louisiana. Similar to nearby LNG terminals, Calcasieu Pass will export LNG through the Calcasieu Ship Channel located on the Gulf of Mexico. Calcasieu Pass is the seventh U.S. export facility to begin producing LNG since 2016.

In addition to 18 mid-scale liquefaction trains, the Calcasieu Pass facility includes an onsite natural gas-fired plant to generate electricity for the facility's operations, three pre-treatment trains, two LNG storage tanks, and two shipping berths.

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Russia has stopped natural gas exports to Poland and Bulgaria, a move that investors fear could portend deeper global supply strains.

Prices climbed as traders in Europe pondered whether Russia's action against two of its neighbors in Eastern Europe foreshadows trouble in bigger markets such as Germany's. In the U.S., trading was driven by the prospect that producers could continue to ship abroad as much natural gas as infrastructure allows in response to tighter supply abroad.

Poland and Bulgaria depend heavily on Russia for most of their natural gas, but they're not the biggest users in the region. Germany, Italy, and Turkey import much more Russian gas by volume, and any attempt by Russia to cut off gas to those users would likely cause a bigger impact - and hurt Russia's revenues more, too.

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In 2021, China imported more liquefied natural gas (LNG) than any other country. Prior to 2021, Japan had been the world's largest LNG importer for decades.

China began importing LNG in 2006 and, with the exception of 2015, has imported more LNG each year since then. In 2021, China imported LNG from 25 countries. The largest six suppliers - Australia, United States, Qatar, Malaysia, Indonesia, and Russia - provided 85% of China's total LNG imports.