

Energy Market Update

January 2024

Edge Insights energy experts are constantly monitoring energy market conditions to help ensure the best possible pricing and contract terms for our clients. The following report is a snapshot of current conditions intended to help our clients stay informed of market dynamics.

MARKET OVERVIEW:

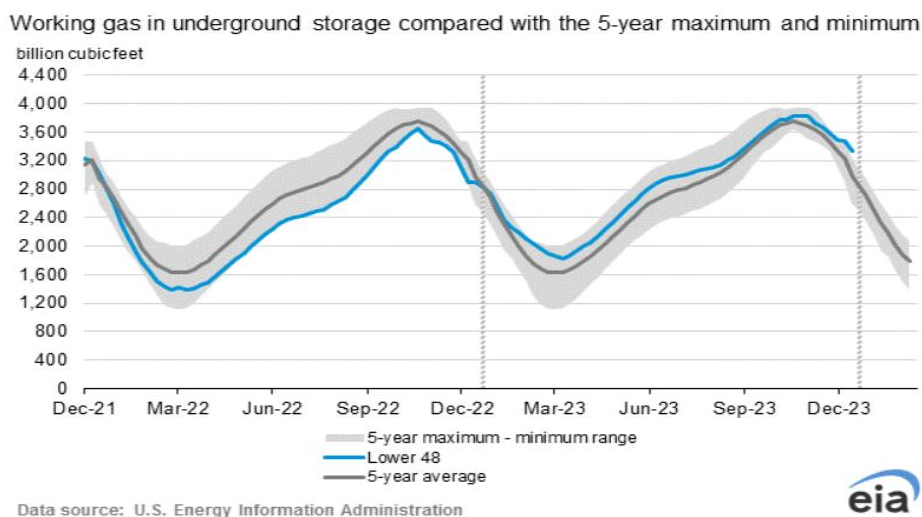
Colder temperatures have engulfed a majority of the U.S. causing higher demand for natural gas. This will affect the northeast in the coming days, causing wells to shut down production. Large gas accounts may be requested by the utility companies to constrain usage. This cold will increase the draw from storage for the next week or two, however a warmup is expected the last week of January. Beyond that is a bit uncertain, but air masses from Alaska down into western Canada are forecast to remain above normal. This will influence our temperatures though February and possibly avoid any more Polar Vortex occurrences.

According to the Short-Term Energy Outlook released Jan 11th, the Energy Information Administration is expecting natural gas spot prices to average under \$3 through 2025. Natural gas production is strong, but new Liquid Natural Gas plants are slated to open in 2025 that will add demand and eventually outpace supply. Visit [EIA.Gov](https://www.eia.gov) for details.

The attack from the Iran backed Houthis rebels in Yemen on oil tanker ships has invoked a response by our military. This activity will impact the free passages of oil from Saudi Arabia through the Red Sea. About 12% of the world's oil was moving through the region, however shipping companies are suspending or diverting routes to avoid the conflict. We expect global oil prices will be impacted, but due to high production in the U.S., we're not expecting a large price upswing in gasoline prices. This is a very volatile situation, and we all hope that it does not escalate further.

NATURAL GAS STORAGE UPDATE:

The storage report for the week ending 1/5/24 shows a withdrawal from storage of 140 billion Cubic Feet (Bcf). This puts levels above the 5-year average by 11.6%, and 15% above the same week last year. The current percentage of total capacity is 79% at 3,336 Bcf.

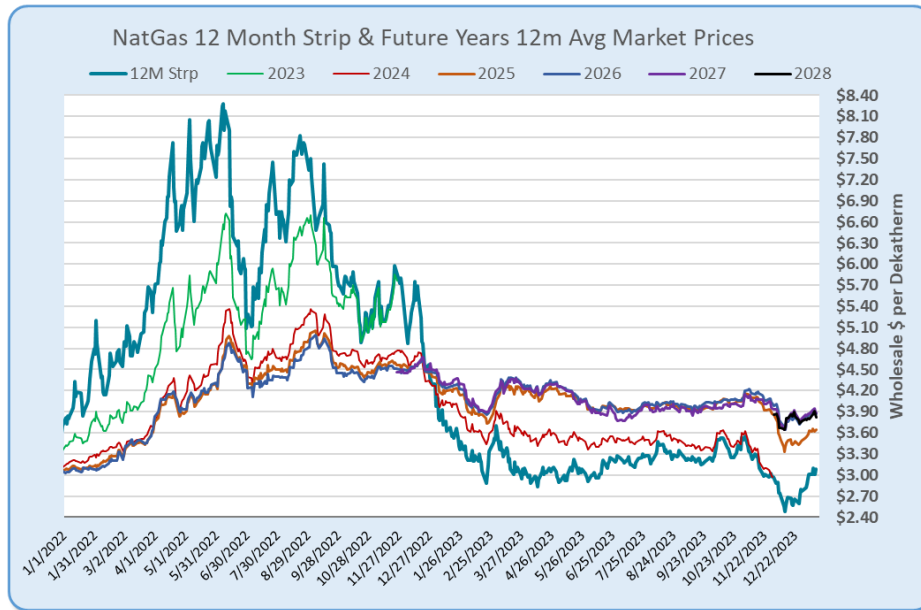


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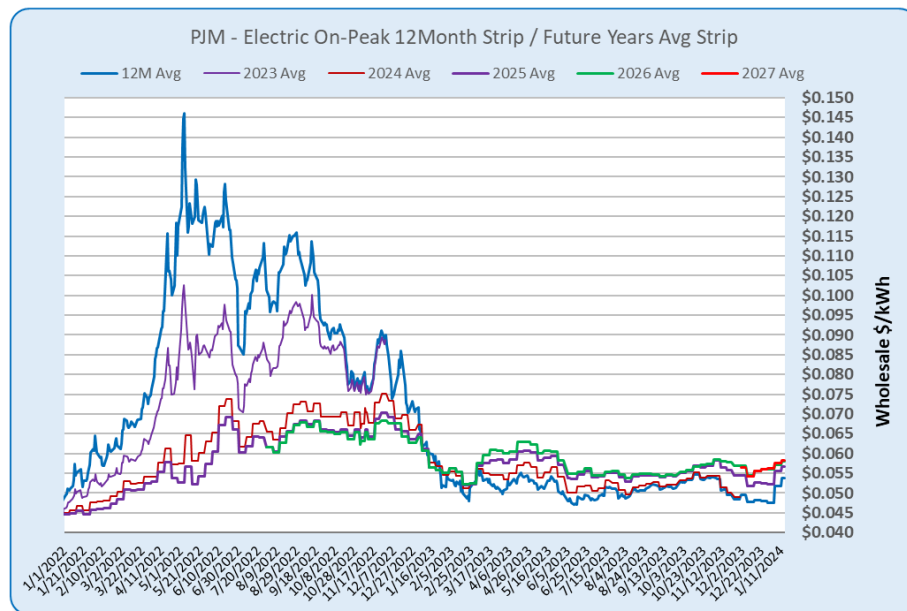
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The January natural gas Monthly Settlement Price (MSP) was determined on Dec 27th, at **\$2.619/Dth**, **down 8.7¢** from the prior month.

The chart below shows the natural gas NYMEX Futures historic to current market average strip prices.



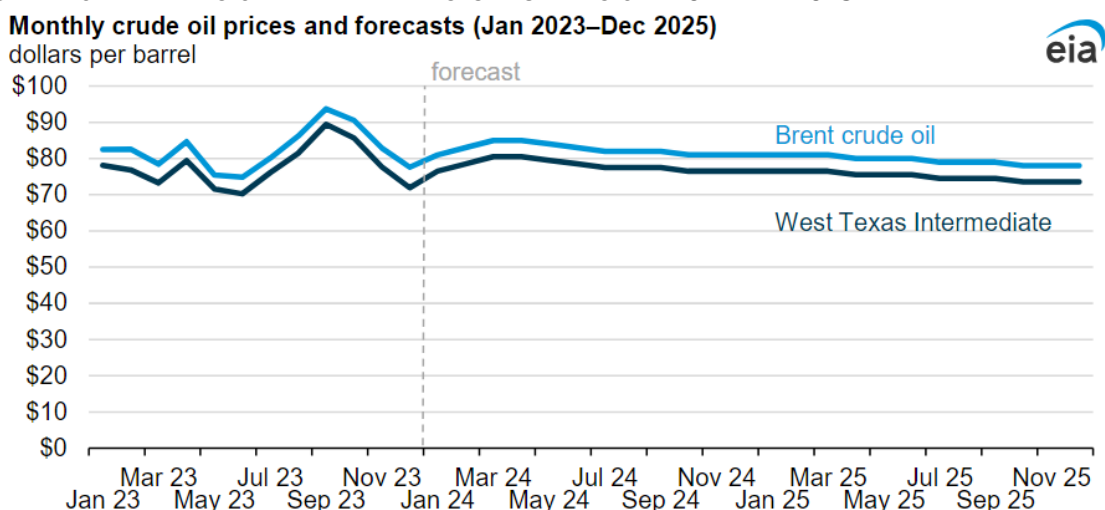
Electric Market 12-month average prices for current and future years shown in the chart below.



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ENERGY NEWS: EIA EXPECTS RELATIVELY FLAT CRUDE OIL PRICES IN 2024 AND 2025



We forecast average annual crude oil prices in 2024 and 2025 will remain near their 2023 average because we expect that global supply and demand for petroleum liquids will be relatively balanced over the next two years. We expect the Brent crude oil price will average \$82 per barrel (b) in 2024 and \$79/b in 2025, compared with its 2023 average of \$82/b. We expect that the price of West Texas Intermediate (WTI) will be slightly lower but generally follow the same path.

In the first quarter of 2024 (1Q24), we expect crude oil prices to rise somewhat, driven by OPEC+ production cuts leading to global stock draws of 810,000 barrels per day (b/d). As a result of the stock draws, we forecast the price of Brent will increase from \$78/b in December 2023 to \$85/b in March 2024. We expect that crude oil prices will gradually decrease after April 2024 with minor stock builds because global production increases more than consumption. We forecast stocks will increase by 110,000 b/d from 2Q24 through 4Q24 and by 280,000 b/d in 2025.

Full article at [EIA.Gov](https://www.eia.gov)



MARKET OPPORTUNITY:

Contract purchase rating is good, with the lowest prices for the shorter terms. Longer terms will provide cost assurance during energy market uncertainty resulting from geopolitical events. Evaluate your risk tolerance to determine the best terms for your energy purchases.

*The market opportunity is a ranking of how we perceive the timing of contract purchases for natural gas or electricity.
Information provided by the Energy Division of Edge Insights, Inc.*