

# Natural Gas Market Update

December 2023



## Pricing Outlook

The December NYMEX natural gas futures contract expired at **\$2.71/dekatherm**, settling well below November's \$3.16/dekatherm. Since taking over the prompt month position, the January contract opened at \$2.84/dekatherm and has succumbed to downward pressure due to mild weather and a surprising build in underground storage to start the month. This increase in storage defied analyst expectations of a seasonal draw. Natural gas calendar years 2025-2030 plummeted from a liquidation of length from bullish expectations after Exxon announced a delay to an LNG buildout for its Golden Pass facility, which will now extend from mid- to late-2024 to mid-2025. Calendar strips were down collectively by 16¢, with greater shorts in the winter.

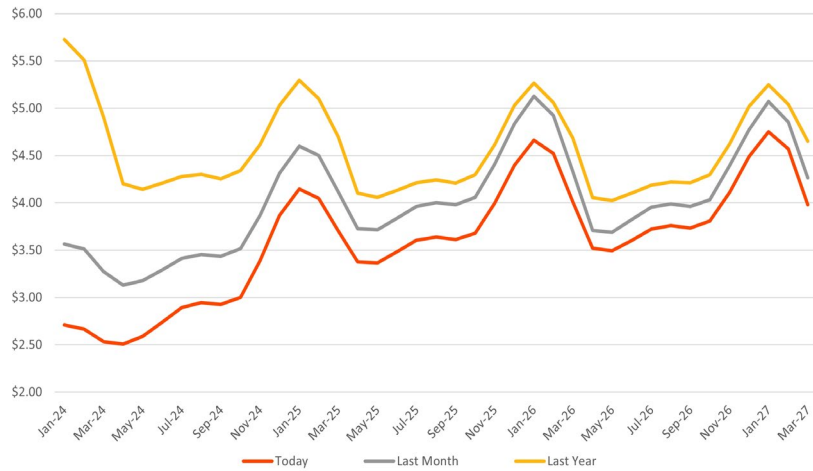
In the week ending December 6, U.S. natural gas prices exhibited mixed trends driven by varying market dynamics in different regions. In the Southeast, gas prices declined due to weaker demand, with Transco Zone 4 falling 5% to \$2.75/MMBtu. Henry Hub also dropped 3% to \$2.65/MMBtu. In contrast, Northeast gas prices increased due to rising demand and colder weather. In the second week of December, we saw a significant decrease in the price of Transco Z5S gas for this winter, mostly attributed to the projected warm weather through the end of the year.

Turning to consumption, it's estimated that natural gas use in the residential and consumer sectors will average nearly 40 Bcf/d for the rest of the winter season, which is 2% below the five-year average. This number was mostly driven by the Energy Information Administration (EIA) weather forecast, which was close to normal for the rest of the winter. This marks 44 fewer heating degree days than the five-year average, the EIA said. The agency raised U.S. gas consumption estimates by 230 MMcf/d for the fourth quarter, totaling 93.28 Bcf/d, and by 240 MMcf/d in the first quarter of 2024, totaling 104.22 Bcf/d.

## In The News

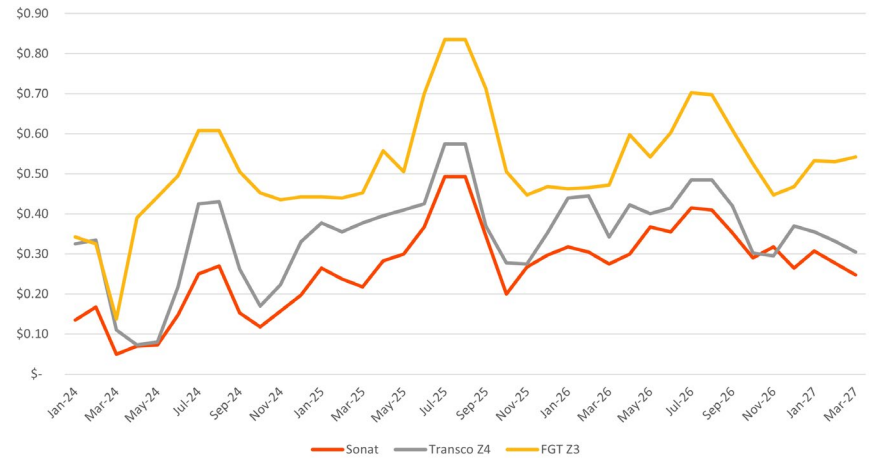
The U.S. Department of Energy (DOE) published a draft needs study in March that found transmission capacity may need to double by 2040. This echoes estimates from researchers at Princeton University and the Massachusetts Institute of Technology, who have estimated that it may even need to triple by 2050. FERC is working to finalize a transmission planning and cost allocation rule aimed at supporting regional projects. In addition, the DOE has received funding for transmission programs under both the bipartisan infrastructure law of 2021 and the Inflation Reduction Act, and the department launched new rulemakings to speed project approvals. These developments in transmission capacity have the potential to significantly influence natural gas prices in the future.

## NYMEX Forwards



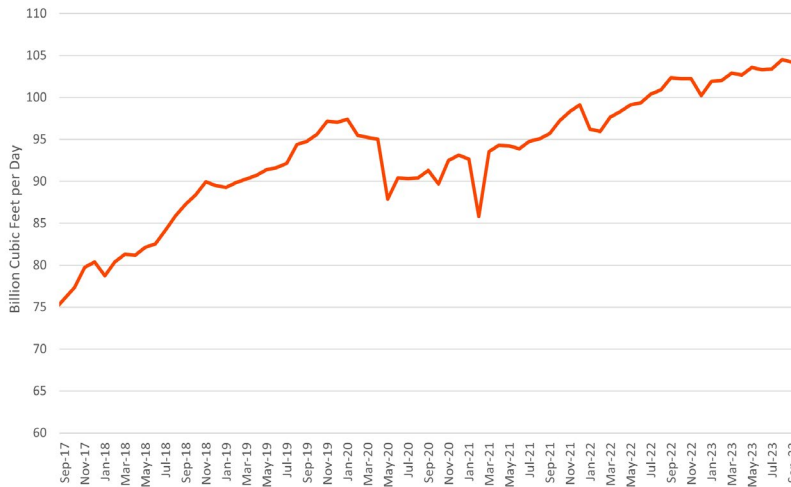
Sustained production increases and a mild start to the winter season have been large factors driving NYMEX futures downward in the short term.

## Basis Forwards



The long-term Southeast basis curves have started to gather consensus in the long-term seasonal shapes. Seasonality reflects increased power demand in the region and forthcoming regional LNG export facilities coming online.

## U.S. Dry Gas Production



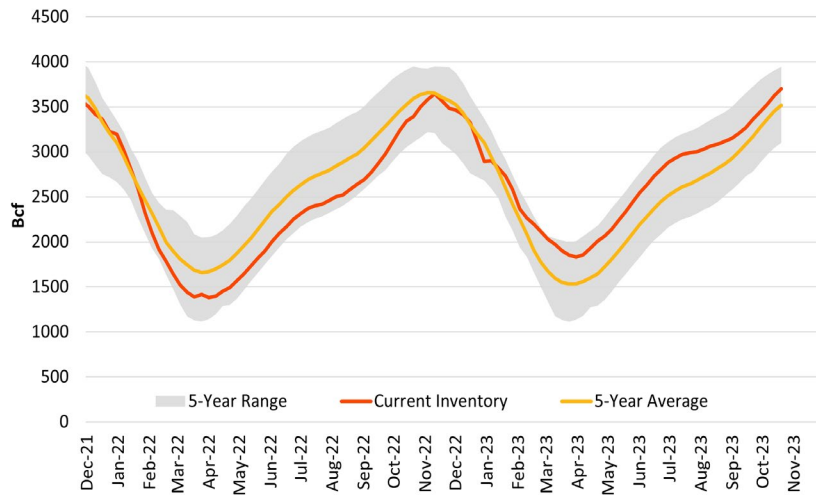
U.S. Dry Natural Gas Production continues to remain near or at all-time highs. Though the official report is on a two-month lag, industry indicators have not shown any sign of a slow-down to date.

## NYMEX Prompt History



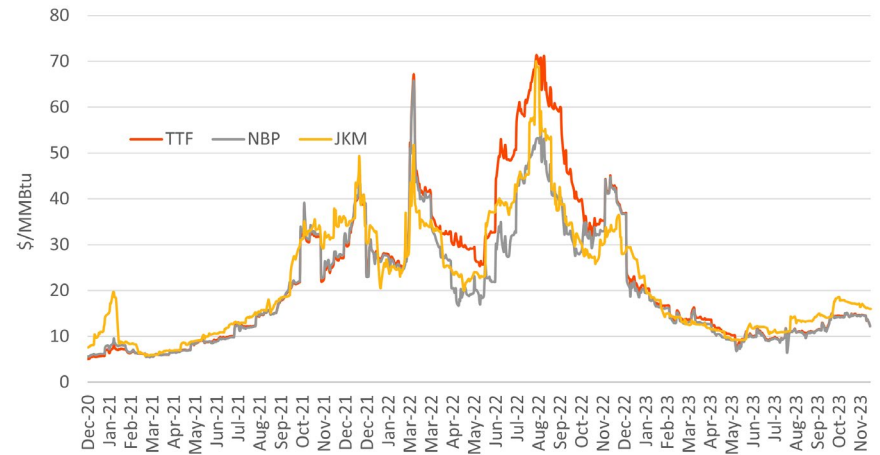
The Dec. '23 and Jan. '24 contracts both faced significant downward movement after taking over the prompt contract. Dec. '23 shed over 60¢ after taking over the prompt position and Jan. '24 has already shed over 20¢. The average settlement price for 2023 was over \$3.90 less than 2022.

## Nationwide Storage Inventory



Storage inventory has continued to rise, with only one week of a net withdrawal through the first month of the winter season. Current mild winter weather forecasts and low prices may limit overall withdrawal levels this winter.

## Global LNG Prices



Global LNG prices remain elevated compared to Henry Hub but have seen similar declines in recent prompt month prices.

## News From Gas South

This holiday season, we're grateful for our customers and partners who help us *Be A Fuel For Good* in the communities we serve. Our latest campaign for Giving Tuesday, in partnership with GAgives and the Georgia Center for Nonprofits, resulted in a \$167,106 in fundraising and matching donations. This gift went to our 10 Fuel For Good Allies, who will help children in need so they can live successful lives.

Be sure to follow us on all social channels to hear more about our efforts to *Be A Fuel For Good*: [f](#) [X](#) [@](#) [v](#) [in](#)