

News From Gas South

Recently, members of the Gas South team had the privilege to attend and present at the LDC Gas Forum Southeast. We got to hear the latest updates from experts in the industry, and now we want to share our top three takeaways with you about the future of natural gas:

1. Thanks to factors like the steady growth of the Haynesville and Permian wells, natural gas production is expected to increase by 17.5 Bcf/d from 2020-2030 as demand increases by 18.3 Bcf/d over the same time period.
2. Williams is developing five TRANSCO pipeline expansion projects that will add 1.59 Bcf/d in capacity by 2025.
3. Our team will be keeping a keen eye on how certain trends are evolving. In the political landscape, the Infrastructure Investment and Jobs Act (IIJA), natural gas bans (and bans on those bans), and FERC policies on pipeline certifications could all impact our outlook.

Pricing Outlook

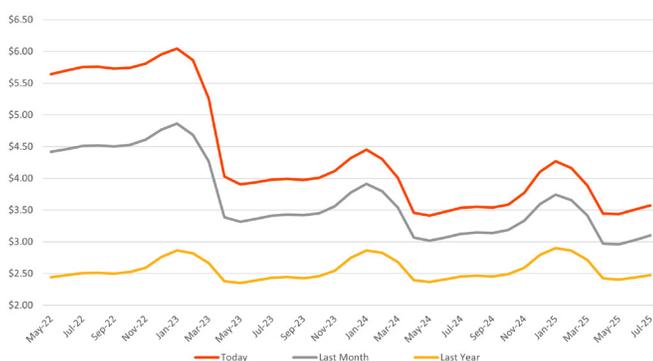
The April NYMEX natural gas contract rolled off the board at **\$5.34/Dth**. Prompt month prices subsequently jumped more than a quarter after the April contract expiry.

The ongoing conflict in Ukraine continues to upend the gas market, and volatility remains high. **Market prices are solidly above \$6 through Winter 2022-23.** The U.S. gas market has surged and remains shielded from global prices, as it has more than enough supply to meet domestic demands, and capacity constraints limit the volume of LNG that the country can export.

With the conflict between Russia and Ukraine continuing, U.S. LNG terminals are operating at about 90% of maximum send-out capacity—about 14 Bcf/d. Although Russia's gas supply is cut off from the rest of Europe, there are limits to how much U.S. exports could resolve the supply/demand imbalance, given the current infrastructure.

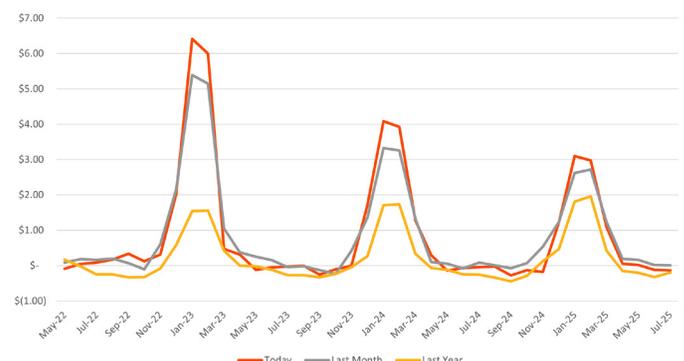
The EIA reported the first injection of the season into nationwide storage inventories on Thursday. The data showed a modest increase of 26 Bcf for the week ending March 25, and inventories are currently well below the five-year average.

NYMEX Forwards



The NYMEX strip is up significantly month-over-month and year-over-year as market and geopolitical fundamentals are creating a bullish market sentiment.

Transco Zone 5 Forwards



Transco Zone 5 market prices are being driven higher by sentiment similar to the NYMEX. Capacity expansion delays and increasing demand are also stretching prices.

Fundamental Analysis

Storage

According to EIA estimates, working gas in storage was 1,415 Bcf as of Friday, March 25, representing a net increase of 26 Bcf from the previous week. Stocks were down 347 Bcf compared to this time last year and 244 Bcf below the five-year average. Total working gas is within the five-year historical range. The average rate of withdrawals from storage is 7% higher than the five-year average up to this point in the withdrawal season (November-March).

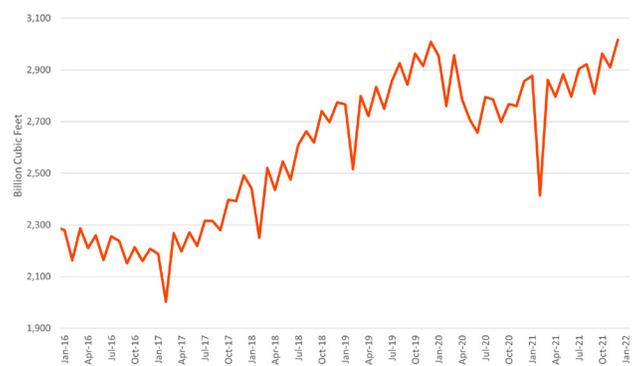
LNG Exports

Bloomberg estimates that the European crisis could cost end users €280 billion in higher energy prices. The events playing out in real-time are helping shape the Biden administration's dramatic pivot toward **more oil-and-gas-friendly policies**, with further shifts likely to help contain the economic fallout. Recently, **FERC has rescinded its latest guidance** for natural gas project certifications, in the largest manifestation of this shift. One of these projects, the Driftwood LNG facility in Louisiana, began initial construction for Phase 1. The project joins Golden Pass and Corpus Christi Stage 3, which are all likely to enter service in 2025-26—potentially lifting LNG export demand by 5.4 Bcf/d. **More LNG facilities** may gain traction as European and Asian offtakers **race to lock in supplies** amid current shortage risks. However, new pipelines, such as the Mountain Valley Pipeline, have repeatedly run into legal problems with the courts that are not under the administration's direct control.

Weather

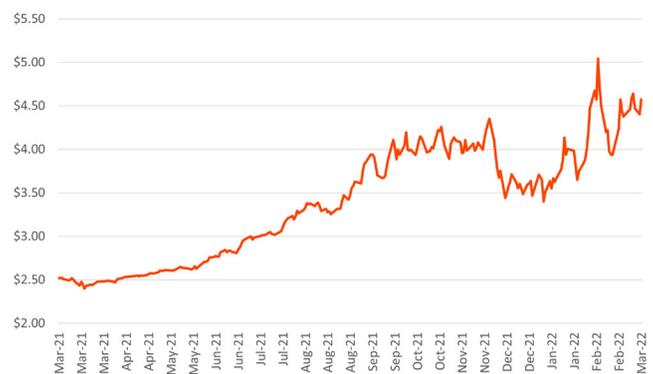
The modest weekend bullish shift was driven by forecasts for cooler weather adding 5.6 GHDDs across the central U.S. in mid-to-late April. Although the shift is small, if it sustains, it may provide a minor drag on the natural gas market's ability to rebuild storage and narrow gaping inventory deficits this spring. Early-spring forecasts typically remain low confidence until crossing the spring predictability barrier, often in mid-to-late April.

U.S. Dry Gas Production



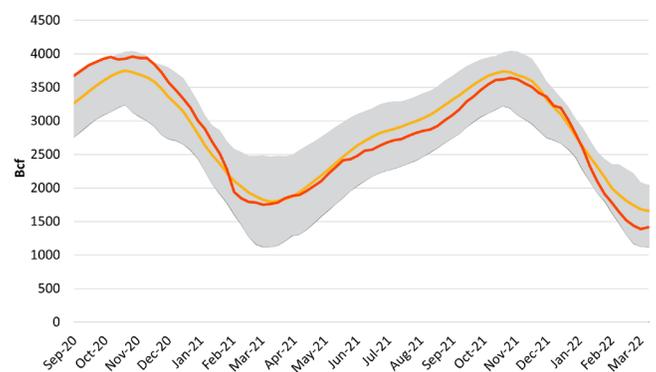
Dry gas production is near its all-time peak.

NYMEX Prompt History



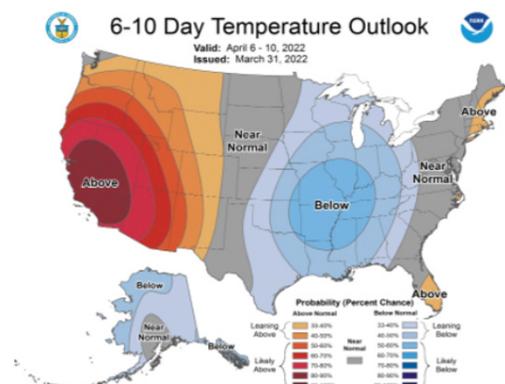
NYMEX prices remain elevated amidst bullish supply fundamentals stemming from conflict in Ukraine, strength in LNG pricing and below-average storage inventory.

Nationwide Storage Inventory



Durational cold temperatures in January led to increased storage withdrawals. Nationwide stocks now trail the five-year average.

NOAA 6-10 Day Temperature Outlook



Spring temperatures—and high pollen counts—are setting in across the Southeast.