

Natural Gas Market Update

January 2022



News From Gas South

As we celebrate the new year, we’re reflecting on our proudest accomplishments of 2021. To complete our acquisition of Infinite Energy, we integrated its customer base, added 150 new team members and rebranded Infinite Energy Center as Gas South District. As part of our annual giving, we committed \$17 million to solar projects and \$1.5 million to non-profit organizations in the communities we serve.

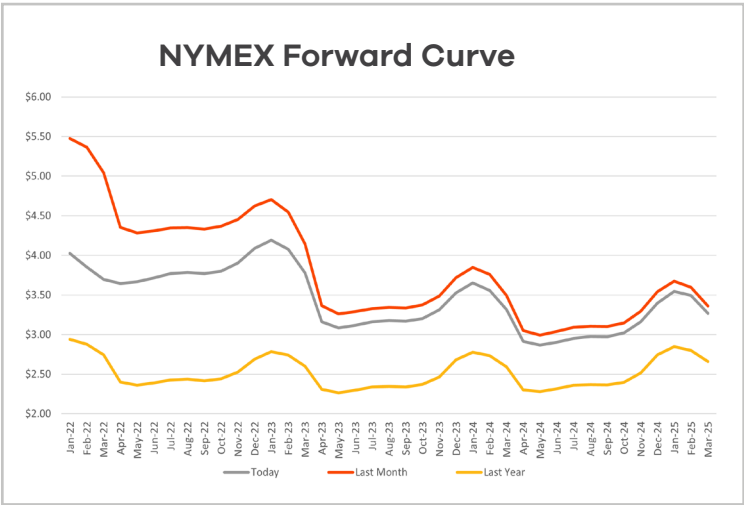
We look forward to continued progress in 2022 as we strive to provide an outstanding customer experience and “Be A Fuel For Good” in our communities. To read more, visit [GasSouth.com](https://GASouth.com).

Pricing Outlook

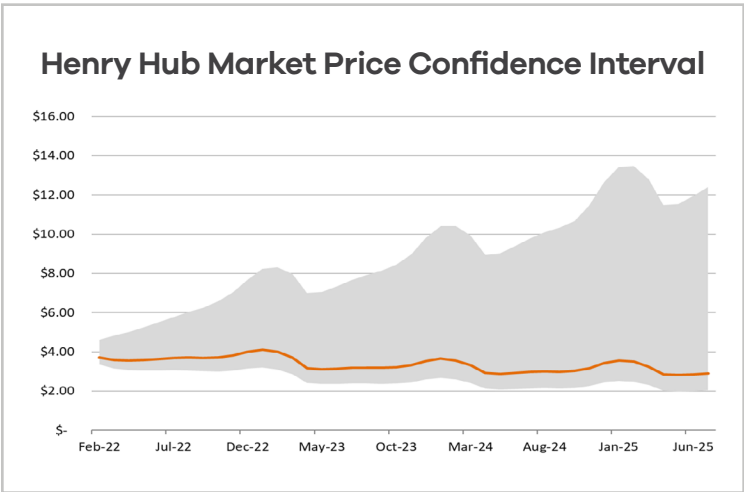
The January NYMEX natural gas futures expired last week at **\$4.024/MMBtu**. Persistent mild temperatures pushed the January contract as low as \$3.66 before its late-month rebound.

The record high temperatures have helped alter the fundamental landscape. As the core winter demand season unfolds, the outlook on natural gas storage, production and demand is more balanced.

Nonetheless, volatility in the marketplace remains high. Implied volatilities are currently hovering **near 50%** for both the February and March 2022 contracts. Spot market prices across the Southeast continue to trade at significant premiums when pipeline conditions are constrained.



As of the Dec. 29 contract settlement, the NYMEX curve was trading below levels from a month prior, in particular for the 2022 calendar year. Prices are still elevated compared to the same time last year.



NYMEX volatility in the marketplace remains, but it’s reduced from levels seen earlier this heating season.

Fundamentals for Consideration

Storage

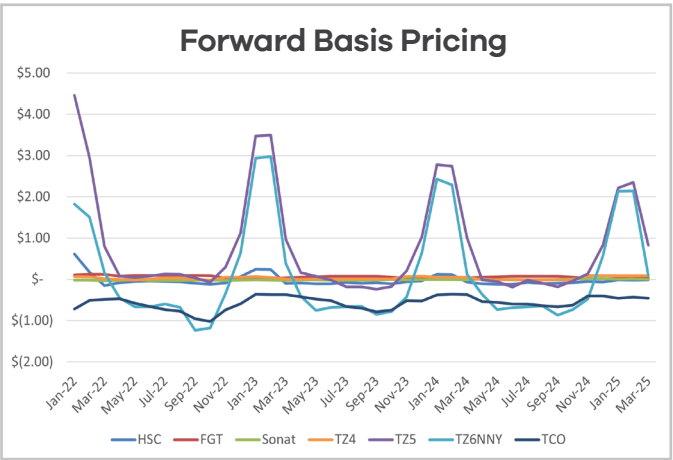
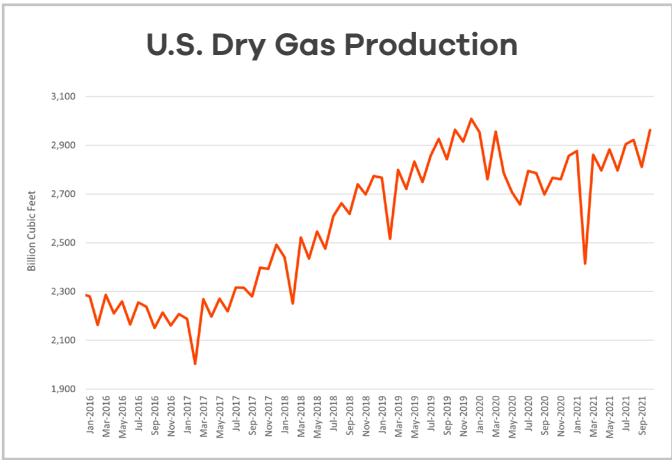
Nationwide storage stocks have rebounded from their injection season deficit. Mild temperatures and a shift in storage-pull economics have significantly slowed the pace of withdrawals typically seen at this time of year.

Weather

In December, nationwide temperatures were the second warmest reported since 1960.

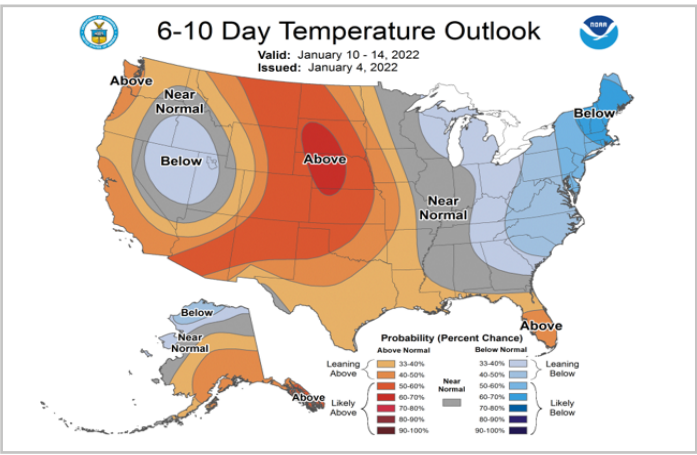
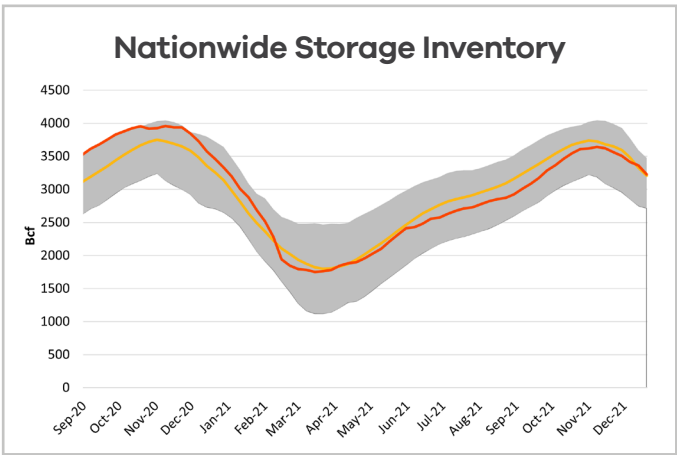
Production

Marketed natural gas production is the highest it's been since December 2019.



U.S. dry gas production has returned to its pre-COVID-19 levels. Cold January temperatures are causing some temporary wellhead freeze-offs and driving spot market prices higher.

Transco Zones 5 and 6 continue to show steep winter season market premiums, even while NYMEX forward prices have declined.



Mild weather has slowed the pace of December withdrawals, and nationwide inventory is now trending higher than the five-year average.

A wave of low pressure is forecast to develop through the Southeast.