May 2023 Market Report

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Including market research provided by BUE's analyst team

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NYMEX Natural Gas Pricing

The June 2023 contract settled at $2.181/MMBtu.

The July 2023 contract was trading around $2.16/MMBtu *(as of publish date)*.

Natural Gas Storage Report

Current BCF in Storage (2023 vs 2022):

Week Ending	Total BCF	Week Ending	Total BCF
05-May-23	2,141	06-May-22	1,643
12-May-23	2,240	13-May-22	1,732
19-May-23	2,336	20-May-22	1,819
26-May-23	2,446	27-May-22	1,901

There is about 29% more in underground storage now than there was at this same time last year.

Weather *(as of publish date)*

6-10 Day: A retrogressive pattern will shift above-average warmth into the north-central and northwestern US, while seasonably cool weather overspreads the East.

Slightly cooler than average temperatures are possible across the East, Texas, and the southwestern US. Above-average temperatures are likely across Canada, the Northwest, the No. Plains, and greater Mississippi Valley.

11-15 Day: High latitude blocking and further retrogression will continue to impede summer heat, likely keeping CDDs shy of average.

The East and the southwestern US are expecting cooler than average temperatures. However, the Northwest, west-central Canada, and parts of the Mid-Con are expected to be warmer than average.

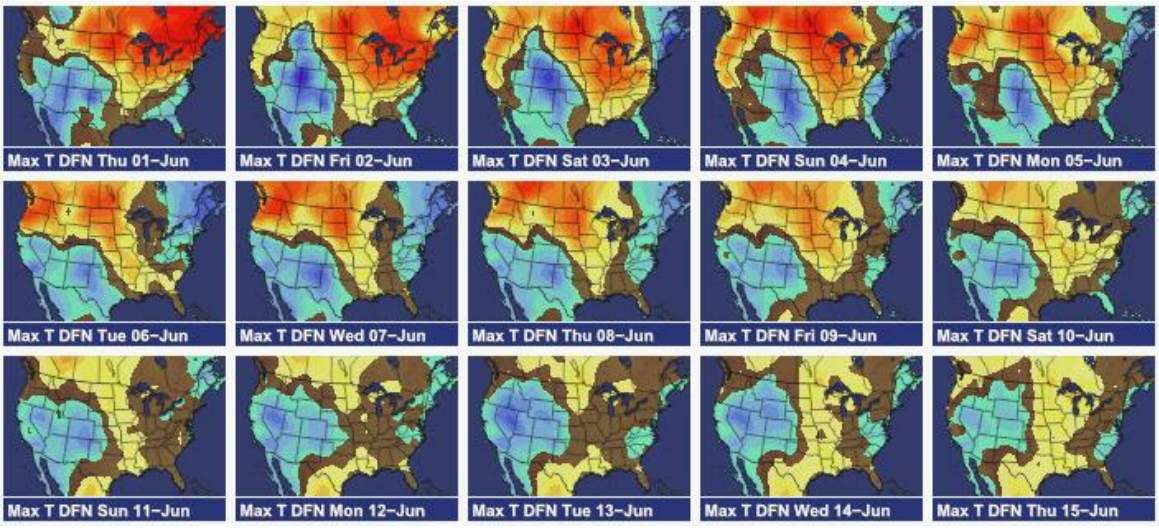

Photo and forecast courtesy of WSI Trader.

Market Updates

A mild winter reduced withdrawals from natural gas storage in the U.S. South Central

https://www.eia.gov/todayinenergy/detail.php?id=56340

According to the Weekly Natural Gas Storage Report, natural gas withdrawn from underground storage in the U.S. South Central storage region during the past winter heating season was one of the least on record at 239 billion cubic feet (Bcf). Winter heating degree days in the region were 10% below the 10-year average, reducing the need to use natural gas inventories to meet heating demand. Regional natural gas consumption in the residential and commercial sectors was 12% below the five-winter average. The South-Central storage region has the greatest maximum natural gas withdrawal deliverability of any storage region, and due to above-normal temperatures in the region, large net withdrawals from storage in the South Central storage region were uncommon this winter.

U.S. Henry Hub natural gas price expected to increase from recent lows

https://www.eia.gov/todayinenergy/detail.php?id=56501

The EIA reported an expectation that the U.S. benchmark Henry Hub ("HH") natural gas spot price will increase throughout 2023 from its recent lows. In April, the HH price averaged $2.16/MMBtu. They expect the monthly average HH price to reach $3.71/MMBtu in December. Additionally, the EIA forecasts prices throughout the remainder of this year will average roughly $2.91/MMBtu. This is more than a 50% decline from the 2022 average price of $6.42/MMBtu. The decline mainly stems from the mild temperatures during the 2022–2023 winter resulting in less-than-average natural gas withdrawals from storage. This is expected to change, however, as demand for natural gas (consumption for electricity generation and LNG exports) increases.

PJM, PSEG, others urge FERC to reject generator pleas to drop Winter Storm Elliott non-performance penalties

https://www.utilitydive.com/news/pjm-ferc-winter-storm-elliott-penalty-complaints/651620/

PJM urged FERC to dismiss complaints seeking to eliminate or reduce penalties for power plants failing to meet their capacity obligations during Winter Storm Elliott in December. The disputes center on about $1.8 billion in pending penalties the RTO issued after numerous power plants failed to provide electricity during the storm. A share of those penalties flow to generators that overperformed during the same period. In addition, PJM rejected a proposal that would reduce penalties for failing to provide power during grid emergencies.

Coming EPA power plant rules will put carbon capture to the test, but better oversight is needed, critics say

https://www.utilitydive.com/news/epa-natural-gas-power-plant-rules-will-put-carbon-capture-and-storage-to-the-test/648352/

According to a report by consultant Wood Mackenzie, carbon capture, utilization and storage (CCUS) projects in the US are expected to increase global CCUS capacity more than "sevenfold" by 2033. In the past, environmentalists have criticized CCUS infrastructure as being cost prohibitive and question its effectiveness under federal oversight, however, the sector is benefiting from increased funding and new regulations. The US Department of Energy has recently offered $2.5bn for CCUS pilot and demonstration projects. Fossil fuel companies Calpine and Chevron are among those looking to take advantage of new federal tax credits and grant funding for CCUS.