

## June 2021 Market Update

By: Eva Kernan

Including market research provided by NRG's analyst team

Publish Date: 7/1/2021

### NYMEX Natural Gas Pricing

The July 2021 contract settled at \$3.617/MMBtu.

The August 2021 contract is trading around \$3.66/MMBtu (as of 7/1/2021).

### Natural Gas Storage Report

Current BCF in Storage (2021 vs 2020):

Week Ending	BCF	Week Ending	BCF
04-Jun-21	2,411	05-Jun-20	2,807
11-Jun-21	2,427	12-Jun-20	2,892
18-Jun-21	2,482	19-Jun-20	3,012
25-Jun-21	2,558	26-Jun-20	3,077

There is about 17% less in underground storage now than there was at this time last year.

### Weather (as of 7/1/2021)

**6-10 Day: Heat will build across the West, while the central to eastern US will be unsettled.**

**Officials are currently monitoring Tropical Storm Elsa.** Above average heat is expected across a large portion of the West and parts of the Northern Plains. Temperatures could be slightly cooler than normal across the southern and eastern US.

**11-15 Day: La Nina-like signs support hot weather across the western and northern US.**

Above average heat is expected to continue across a large portion of the western and northern US. Temperatures are expected to remain lower than normal across the southern tier.

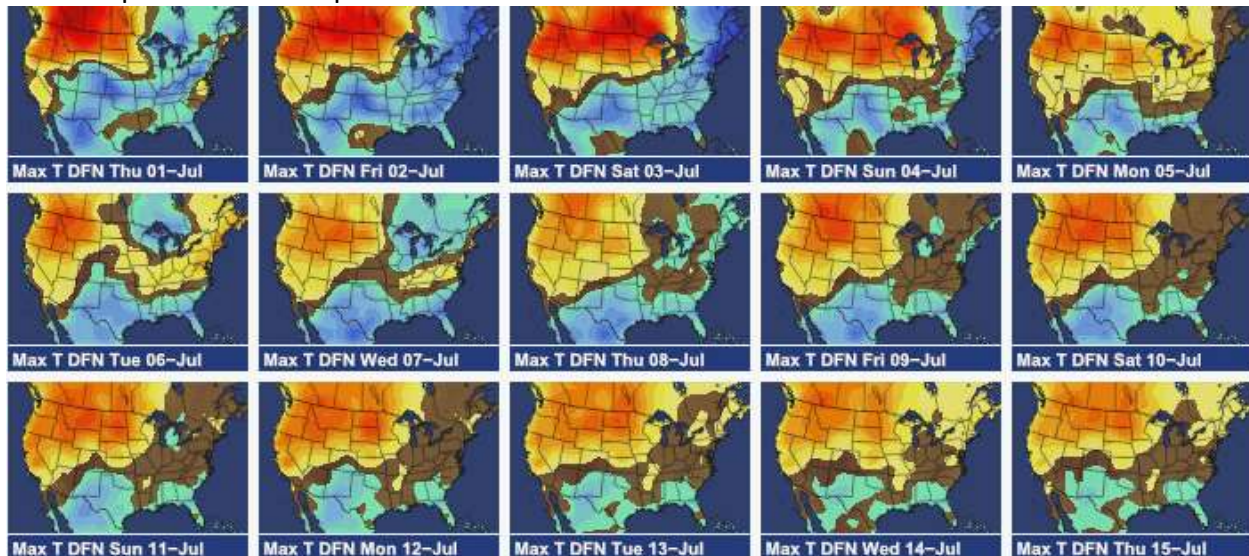


Photo and forecast courtesy of WSI Trade

## MARKET UPDATES

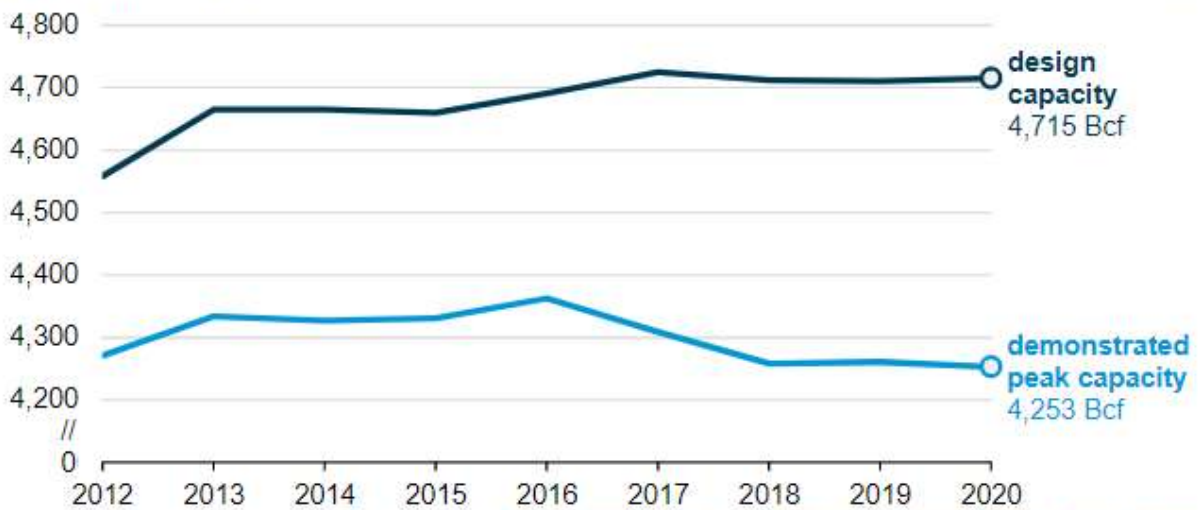
### U.S. natural gas storage capacity has remained flat over the past eight years

<https://www.eia.gov/todayinenergy/detail.php?id=48216>

Both measures of storage capacity, design capacity and demonstrated peak capacity, have remained unchanged for the past few years. Design capacity increased 0.1% since 2019, but demonstrated peak capacity decreased by about 0.2% - mainly due to the large decrease in the Pacific region.

#### Annual working natural gas storage capacity in Lower 48 states (2012–2020)

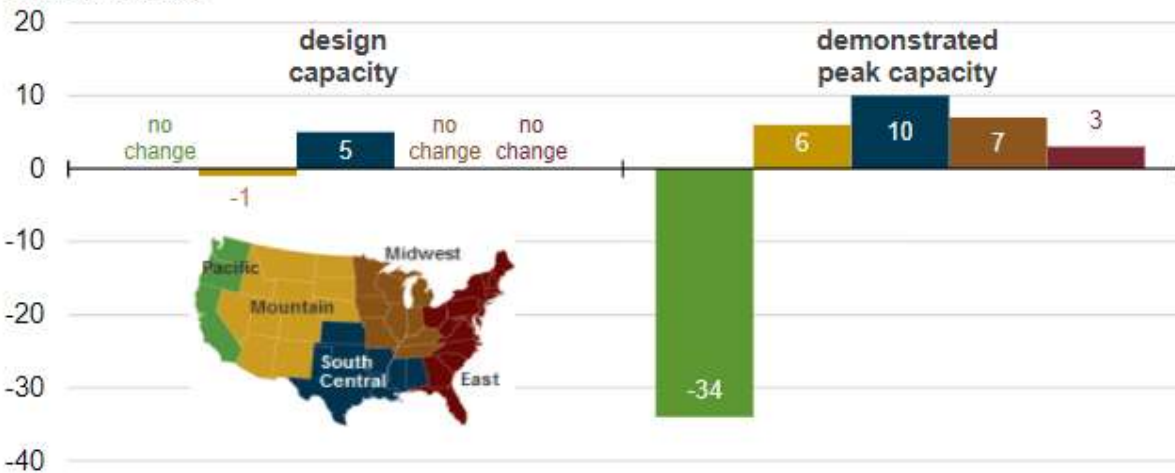
billion cubic feet (Bcf)



Source: U.S. Energy Information Administration, *Natural Gas Monthly* and *Underground Natural Gas Working Storage Capacity*

#### Change in natural gas storage capacity by storage region (2019–2020)

billion cubic feet



Source: U.S. Energy Information Administration, *Natural Gas Monthly* and *Underground Natural Gas Working Storage Capacity*

### **Electric power sector CO2 emissions drop as generation mix shifts from coal to natural gas**

<https://www.eia.gov/todayinenergy/detail.php?id=48296>

In 2019, the electric sector produced 1,724 MMmt of CO<sub>2</sub>, which is 32% less than in 2005. However, this trend could change due to high natural gas pricing. The Henry Hub natural gas spot price is forecasted to average \$3.07/MMBtu due to increases in consumption and exports that outpace expected growth in production and imports.

### **U.S. natural gas exports and non-power sector demand to drive higher prices through 2022**

<https://www.eia.gov/todayinenergy/detail.php?id=48456>

The Henry Hub natural gas spot price is forecasted to average \$2.93/MMBtu in 2022 as a result of supply outpacing US demand in the near future.

### **Nuclear capacity increases by 4.5 GW in long-delayed 'MOPRed' PJM auction, coal loses 8 GW**

<https://www.utilitydive.com/news/nuclear-capacity-increases-by-44-gw-in-long-delayed-mopred-pjm-auction/601208/>

Nuclear generation cleared the most additional capacity compared to the previous capacity auction, at an additional 4,460 MW. Gas generation increased by 3,414 MW and solar and wind increased by 942 MW and 312 MW, respectively. Meanwhile, coal-fired generation cleared 8,175 fewer MW than the last auction. In addition to lower load forecasted by PJM, transmission capability improved in some areas, contributing to the dramatic price drop of \$50/MW-day on average throughout the ISO, compared to \$140/MW-day in 2018.

### **New England states push for governance changes in ISO-NE, ahead of anticipated MOPR reform**

<https://www.utilitydive.com/news/new-england-states-push-iso-ne-governance-changes-mopr-caspr-reform/601342/>

Almost every state in the ISO New England (ISO-NE) footprint has an ambitious clean energy goal. But efforts by ISO-NE to prevent price suppression in the region resulted in tensions between the regional operator and state officials. Parallel to the issues in the PJM market, the states in New England are battling with the grid operator, stating unfair rulings in the current capacity auctions are interfering with laws binding them to provide clean energy. The uncertainty of the future of capacity translates to greater financial risk.