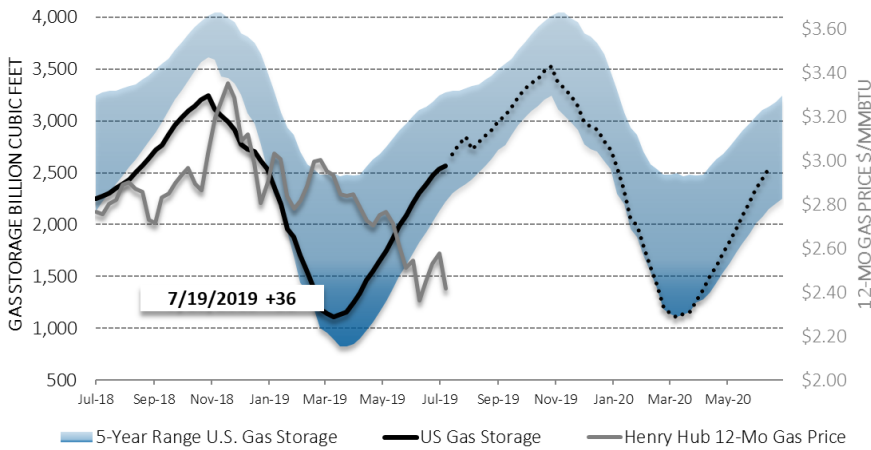


WEEKLY UPDATE

PRICE TRENDS

Natural Gas Storage vs Natural Gas Price



NATURAL GAS

- The EIA reported Thursday morning that, for the week ending July 19, U.S. inventories increased by 36 bcf, more or less matching market expectations of 35 bcf. During the same week last year, inventories grew by only 24 bcf. Total stockpiles now stand at 2,569 bcf.
- The August NYMEX futures contract, which will expire early next week, had traded around \$2.250/MMBtu before the release of the storage report and quickly dropped as low as \$2.229/MMBtu within minutes afterward.
- Total U.S. consumption of natural gas was unchanged week over week, averaging 68.3 Bcf/d according to data from PointLogic Energy. Natural gas consumed for power generation declined by 2% week over week despite reaching a record high in mid-July.

POWER MARKET

ERCOT The combination of last week’s low RT prices, a cool front moving across the entire state early in the week, and ebbing loads has triggered a selloff in forward prices for this summer. For August, the 5x16 peak price was down by more than \$6/MWh for the week and is now around \$75/MWh while the 7x24 price is around \$51/MWh. Strips for 2020 and beyond have remained relatively flat but are still priced well below \$30/MWh.

Fixed Price Wholesale Power 7X24				
	Houston	North	West	South
2020	\$30.25	\$28.52	\$26.76	\$28.62
2021	\$29.47	\$27.33	\$25.33	\$27.43
2022	\$28.58	\$25.84	\$23.63	\$25.98
2023	\$27.43	\$24.57	\$22.12	\$24.74
2024	\$26.32	\$23.30	\$20.44	\$23.47

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IN THE NEWS

Energy Information Administration: The United States set a new record for natural gas consumption by electric power plants (power burn) of 44.5 billion cubic feet per day (Bcf/d) on Friday, July 19, according to S&P Global Platts. Since July 1, 2019, U.S. power burn has exceeded the previous record of 43.1 Bcf/d—set on July 16, 2018—on five days: July 10 and July 16–19. Much higher-than-normal temperatures, structural changes to the power sector (particularly in the Northeast), and low natural gas prices all contributed to increased natural gas consumption by electric generators.

Oilprice: Despite the growing importance of environmentalism and the public scrutiny concerning the fossil fuel industry, natural gas has maintained its importance in the global energy mix. Rising power demand and installation of renewables such as wind and solar have strengthened the need for on-demand energy production, for which gas is the only alternative currently. Resource-rich countries are reaping the rewards of an expanding industry with ever-larger volumes being exported.

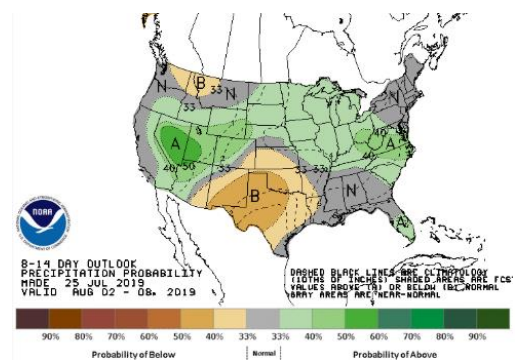
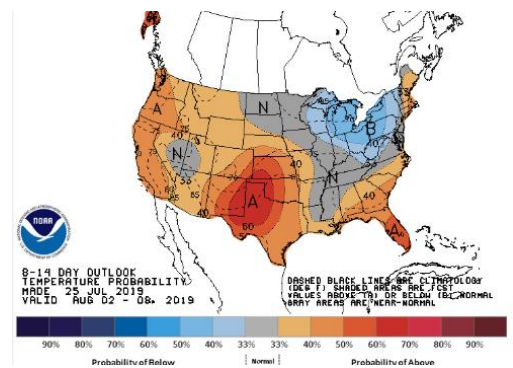
The largest importers of natural gas remain Europe and East Asia due to their large markets and few domestic options. This year, however, the fundamentals of the market have been upset due to unusual developments. Historically the spread between Asian and European gas hubs has been in favor of the former, which has been able to attract more cargoes due to higher prices. A combination of factors is making the task of traders harder as the apparent destination with the highest rewards is becoming less straightforward.

University of Texas at Austin KUT: For the first time ever, wind has surpassed coal as an energy source in Texas. Data released this month by the Electric Reliability Council of Texas shows wind created 22 percent of the electricity used in the first half of the year, edging out coal by 1%.

Texas is the largest consumer of coal in the country, according to the Energy Information Administration, but cheap natural gas and renewable energy prices are biting into coal's market share. Another reason for wind's competitiveness this year could be the weather. Many of the coal plants in Texas are "peaker plants," meaning they operate only when electricity demand is high. A mild spring and summer may have kept demand lower than expected and some of those plants offline.

WEATHER

- Temperatures should be around their seasonal averages in most of the country over the 1-to-5-day forecast period. Texas should experience some cooling.
- During the 6-to-10-day forecast period, temperatures in the western half of the U.S. will be slightly above average in while a cooling trend extends across the Mid-Atlantic and Northeast.



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