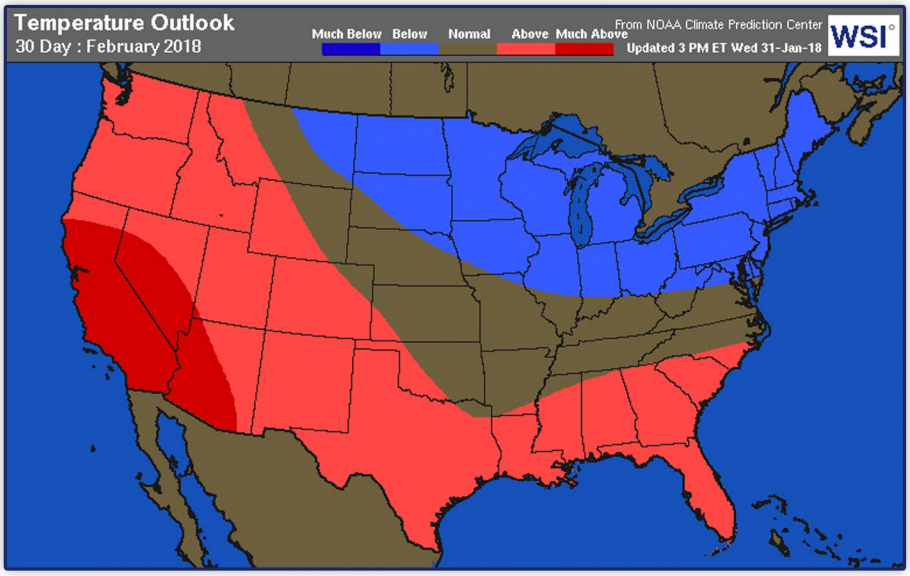
ecom-energy

February 2018
Market Update

Market Summary

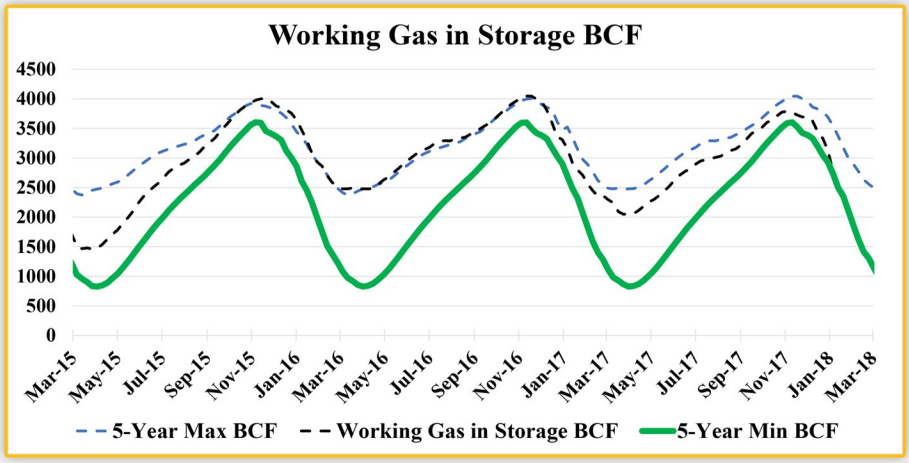
Despite all-time production highs, frigid weather in the Polar Vortex 2.0/Bomb Cyclone in the eastern United States drove gas prices to annual highs during winter. Moderate February forecasts are bringing stability back to the market as the United States looks long-term to increase L.N.G. exports.

Weather



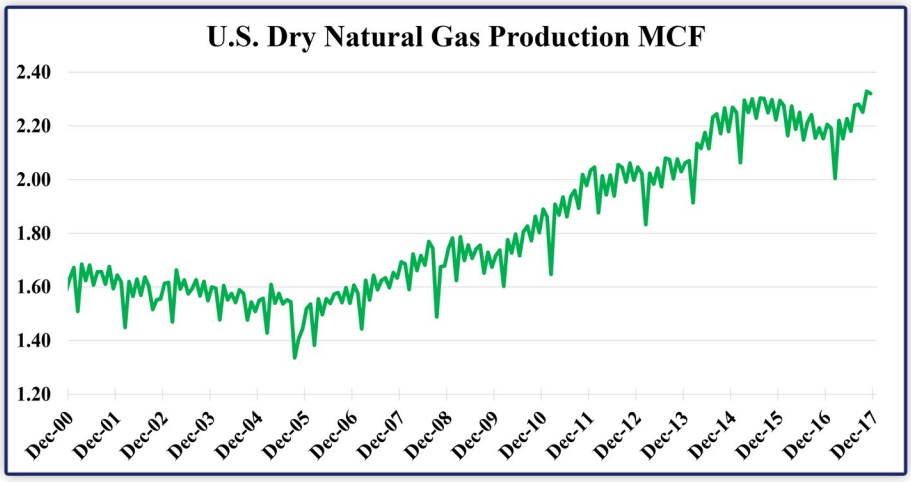
- The end of January saw gas prices hit one-year highs as forecasts once again call for frigid temperatures in parts of U.S., prompting further inventory declines. Oil settled above $65 per barrel for the first time since December 2014.
- More recent forecasts have called for moderate cold as prices decrease in response, beginning to stabilize after Polar Vortex 2.0/Bomb Cyclone.

Storage



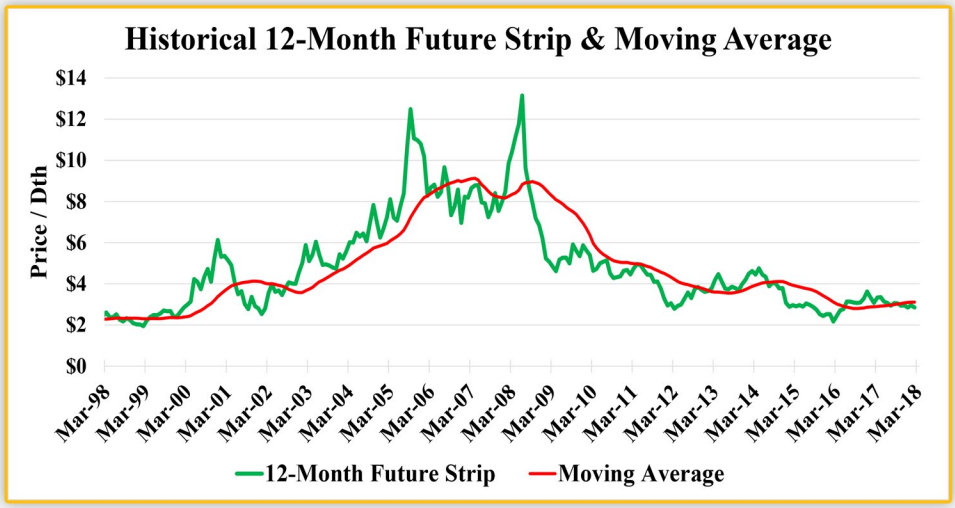
- Freezing temperatures in most of the Eastern U.S. at the beginning of January led to the biggest ever weekly withdrawal (288 Bcf) from gas storage since data collecting begin in 1994. The last record was set in January 2014 (382 Bcf) with the Polar Vortex.
- Almost 11.5% of all gas in storage was used during the above period to meet demand. A few more months of similar withdrawals would empty storage.
- Working natural gas stocks are 2,197 Bcf, which is 19% less than the year-ago level and 16% lower than the five-year average.

Production



- Production is expected to exceed consumption over the next two years, which has not happened in more than a half century. Permian (W. Texas), and Marcellus and Utica (Appalachia) shale plays will drive most of the growth, with prices expected to sit below the 2017 average.
- The beginning of February saw gas rigs at their highest levels since September 2017 - 30% higher than a year ago.
- Production in the lower 48 states reached an all-time high in early February – higher year-over-year by 7 Bcf/d.

Pricing



Bidweek

Month	SCG	NYMEX
Dec. '17	$6.38	$3.074
Jan. '18	$3.880	$2.738
Feb. '18	**$3.310**	**$3.631**

Prices per Mmbtu.

Noteworthy

- LNG terminal in Boston began receiving Russian imports of gas and oil as a lack of pipeline infrastructure in New England amid severe winter weather necessitated imports. New England has the highest gas costs in the nation and during the recent winter freeze much of New England's generating stations were forced to switch from gas to oil.
- The U.S. could become a net exporter of gas in 2018 for the first time since 1957 due to increased Mexico exports. Terminals are working to reach full capacity in the Gulf Coast. Additionally, terminal additions in Maryland, Georgia, Texas, and Louisiana are putting U.S. LNG capacity at the third largest in the world by 2019.
- Due to corporate tax rate cut, utilities may pass on tax savings to customers in utility rate decreases.
- Gas is expected to remain the dominant power source through 2019 as coal-fired plants are pushed to the sidelines. This year could see the largest increase in natural gas capacity in nearly 15 years.
- The California Public Utilities Commission proposed a moratorium on all new gas lines. This is due to half the pipelines serving Los Anageles County being shut down and the Aliso Canyon storage facility operating at reduced capacity ever since the large methane leak two years ago. This is an unprecedented step, as even suggesting a moratorium shows the severity of the situation. For now, a decision is delayed until next month.