NEWSLETTER

OUR ENERGY MANAGER

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Economy

The combined fallout of the coronavirus shutdown and the OPEC+ battle are having far-reaching impacts on the energy industry. We are hearing rumblings in the marketplace regarding large oil companies restricting hedge transactions in an effort to preserve credit lines. In addition, some of these hedge transactions may be settled with these companies earlier than expected.

If you need to replace hedge transactions, or want to take advantage of the current market prices, we can help. Please contact us for more information.

The COVID-19 Pandemic is continuing to have a negative impact on the economy. For the week ending April 10th, the number of initial jobless claims was 5,250,000, bringing the total unemployment claims since the coronavirus shutdown to almost 22,000,000. This is roughly the amount of job gains that have occurred since the Great Recession of 2008-2009. With 40% of the world's population under some form of lockdown, the economic fallout has been dramatic. Analysts predict we could see unemployment rates peak around 20%, which would rival the 25% unemployment rate reached in the 1930s during the Great Depression.

Last week, the equity markets saw their best week in 45 years, with the Dow rebounding from its low of 18,000 to over 23,000. Prior to the coronavirus shutdown, the market had topped 30,000.

In energy news, the U.S. and OPEC+ reached a tentative agreement to cut production in response to the worldwide economic shutdown. OPEC and Russia agreed to 9.7 million barrels/day while non-OPEC countries agreed to cut 4 million in May. While this is a significant number, it is not enough to balance the demand destruction of 20-25 million. In addition, storage is nearing capacity, which has caused prices to plummet. Earlier this week, the May WTI crude futures contract traded as low as ($40.32), marking the first time in history that the contract traded below $0. The May contract settled at $10.11.

Oil companies have announced layoffs and furloughs as a result of the economic crisis. With prices turning negative and no way to restart demand, we expect to see these actions "trickle-down" and affect non-energy businesses.

We continue to see production cuts. The Baker Hughes rig count shows a dramatic decrease for the third week in a row, from 504 to 438, and producers have announced further cuts to their drilling budgets for 2020.

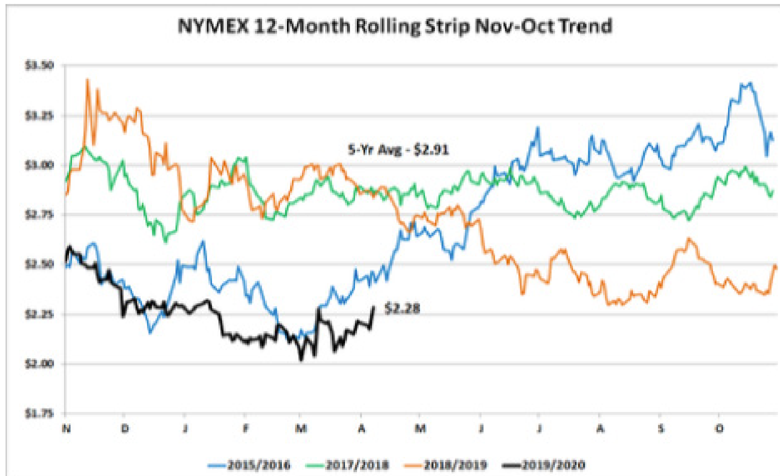
While gas and power prices have rebounded from the lows in March, commodity prices are still low and there are still opportunities to lock in favorable long term contracts and hedges. Contact us for more information and assistance.

Natural Gas

After the April NYMEX contract settled at $1.634, the markets rebounded on cooler-than-normal forecasts for much of the country. April cash prices traded higher as well before falling back on ample supply, decreased heating demand and forecasts showing a return to normal temperatures, then rising again on anticipated production cuts.

Future gas prices are trading higher, driven by the decrease in crude oil production, which also results in decreased natural gas production at these locations. Since gas demand is primarily weather-driven, we may see a situation where we go from the current oversupplied scenario to one where the supply-demand balance tightens, resulting in higher natural gas prices. The May contract is currently trading at $1.83.

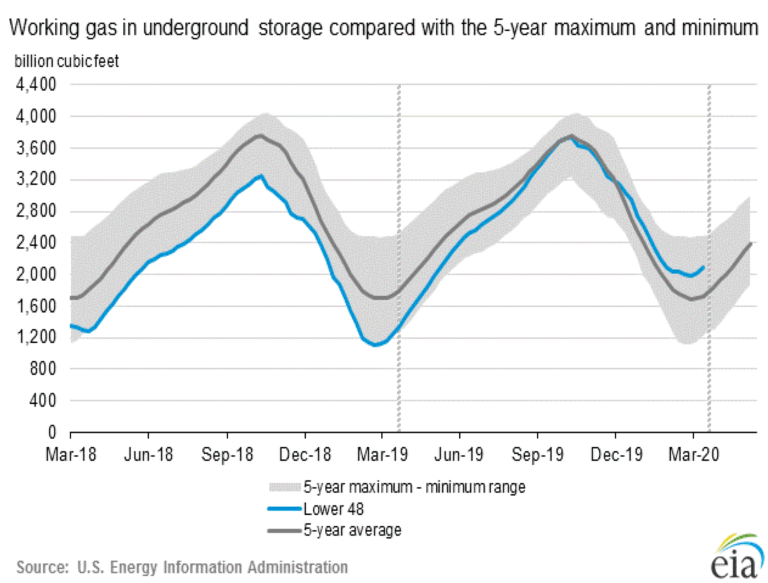
In New England, annual pipeline maintenance begins on Algonquin Gas Transmission, the region's largest pipeline. During this time, 700 BCF of capacity will be unavailable. While it has traditionally made sense to perform the maintenance in the summer, the region may see an increase in the chance of a power outage as gas-fired transmission has increased in the area.



NYMEX Futures Pricing ($/MMBtu)	Week Ending 4/17/20	Week Ending 4/10/20	W-o-W
NYMEX Prompt	$1.75	$1.63	$0.12
NYMEX 12-Month Strip	$2.35	$2.14	$0.21
Balance 2021	$2.47	$2.39	$0.08
Winter (Nov 20-Mar 21)	$2.87	$2.65	$0.22
Summer 2021 (Apr-Oct)	$2.20	$1.98	$0.22
Calendar 2022	$2.54	$2.37	$0.17
Calendar 2023	$2.62	$2.45	$0.17

Natural Gas Storage

The week of April 10th ended with 2,097 BCF of natural gas in storage, which is 876 BCF higher than last year, and 370 BCF higher than the five-year average. Inventories are still within the five-year range but are now 21% higher than the five-year average. Most forecasts expect storage to be at or above 4 TCF at the start of the 2020-2021 winter heating season.



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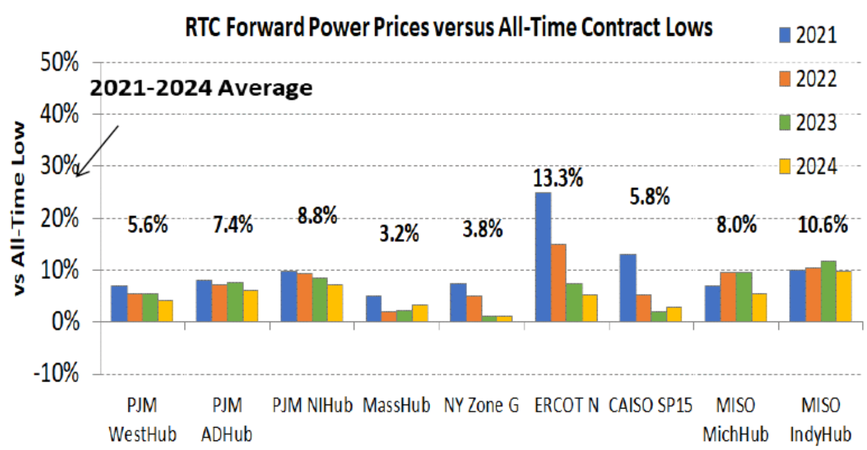
Power

Power prices rebounded off the lows of March, and we saw increases for the remainder of 2020 in all regions. Texas and California are also trading higher for 2020 relative to 2021-2024, citing concerns over higher gas prices, tighter gas supplies and potential lack of wind generation in Texas and limited gas supplies, low hydro and aggressive regulatory initiatives in California. Prices for 2021-2024 increased 1.6% on average across all markets.

Power usage has decreased since the coronavirus shutdown has prompted governors to issue stay-at-home orders. The peak usage times have shifted because of the sharp increase in remote workers.

In New Jersey, the state regulators are weighing options resulting from the recent FERC PJM ruling that would allow them to ensure residents have adequate power supply while meeting the state's goal of becoming carbon neutral by 2050. One option they are considering is procuring the state's requirements outside of the PJM capacity auctions. Regardless of which option they choose, the clean energy initiatives will likely result in increased power prices to ratepayers.



Weather

The early-mid month cold snap impacting much of the country has faded in the South and West, where forecasts predict above-normal temperatures. Forecasts also show temperatures in the Southeast going from below-normal to above-normal, and below-normal in the Northeast.