



Market Alert Summary

Energy Procurement Solutions

CBRE Perspective

Winter's here, now what?: The warm start to winter has provided natural gas price relief from the Fall highs. The 12-month natural gas strip has dropped 24% since October, however electricity prices have not dropped as much 8 – 10%. The high price of coal and other fuels are contributors to the final price settlements. The chance of price spikes in January and February remain but may not be as severe starting from the current lower price level and with natural gas storage above the 5-year average.

- **Demand:** Commercial consumption is 5% above last year and near 2018/2019
- **Supply:** Natural gas storage above 5-year average but coal generation and prices at highs
- **Renewables:** National REC prices remain high – finding and securing vPPAs are difficult as demand is increasing and supply is lagging
- **Infrastructure:** generation and pipeline/equipment issues in TX and CA have other regions seeking regulatory increases or more control over grid resiliency (PJM)
- Give us a call or visit our website cbre.us/eps and get a free supply analysis

Electricity Value Summary

Summary of regional electricity price assessments and market perspective

- Historical Percentile, Historical Average and Weighted Average provides indicators of where current prices are in terms of value, expected, high or extreme price position
 - Historical Average (7 years) and Weighted Average (40%, 30%, 20%, 10%)

Region	Perspective	Price Position	Historical Percentile	Historical Average	Weighted Average	Risk / Reward Ratio
ISO - NE	Neutral	Above	70th	Above	Above	1 : 1
NYC	Neutral	Above	75th	Above	Above	1 : 1
PJM East	Neutral	Above	75th	Above	Above	1 : 1
PJM West	Neutral	Above	80th	Above	Above	1 : 1
ERCOT	Bullish	Above	95th	Above	Above	1 : 3
CA - ISO	Bullish	Above	95th	Above	Above	1 : 3

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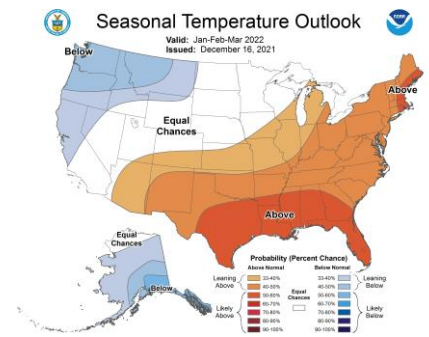
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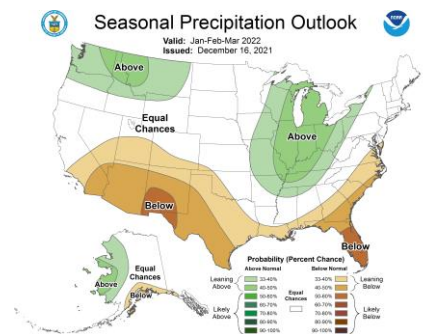
Weather

Winter – Bearish, so far: the East and South have a better chance of above normal temperatures and the Northwest has a better chance of below normal temperatures and has an above normal chance of additional precipitation

Temperature



Precipitation





Market Alert Regions

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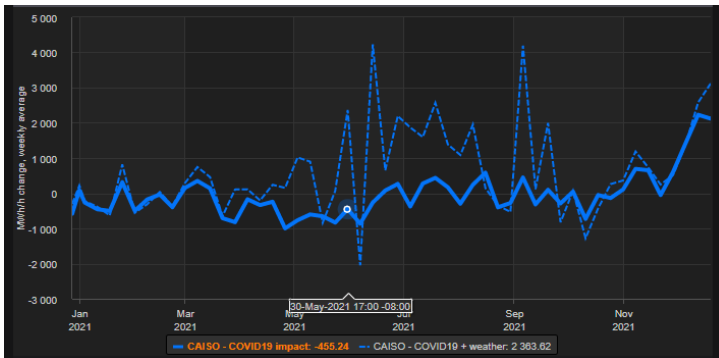
Electricity

Demand is outpacing supply.

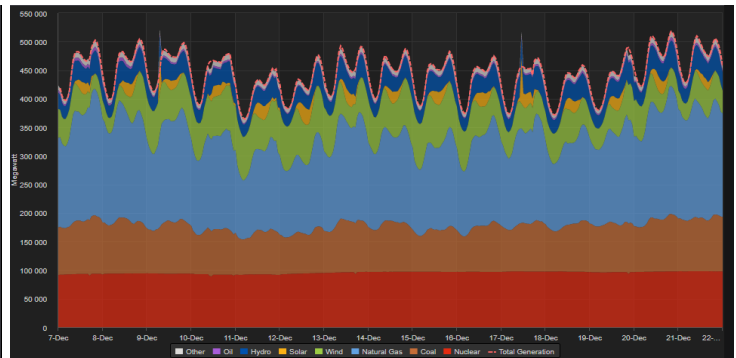
- **Demand:** Manufacturing demand above pre-COVID levels, residential demand remained strong and commercial use is returning
- **Supply:** Natural gas is the largest fuel source for generation but there is still coal generation especially in certain regions. Coal fired generation is at highest level in over 7 years and **prices remain well above recent averages.**
- **Weather:** Above normal temperatures in large consuming regions is helping lowering prices but cold weather risks remain for January and February



Daily Prices



Natural Gas Production



Power Generation

Region Summary

Forward 12-month supply commodity costs have jumped since this time last year.

Region	12-Month % Increase	Commentary
ISO - NE	90%	Generation fuel costs and source mix combined with demand drive up prices from last year. In addition, NE saw a greater drop last year than other regions.
NYC	95%	Generation fuel costs and source mix combined with demand drive up prices from last year. In addition, NY saw a greater drop last year than other regions.
PJM East	70%	Prices are higher due to increases in fuel cost, demand and regulatory changes.
PJM West	80%	Prices are higher due to increases in fuel cost and higher demand.
ERCOT	125%	ERCOT transmission and generation concerns require attention and price spikes are likely. Even with higher prices, fixed price is recommended. Ancillary charges are on the rise.
CA - ISO	60%	Generation concerns due to drought have prices elevated and reversing the trend will take more mild temperatures and some rain.



Market Alert Natural Gas

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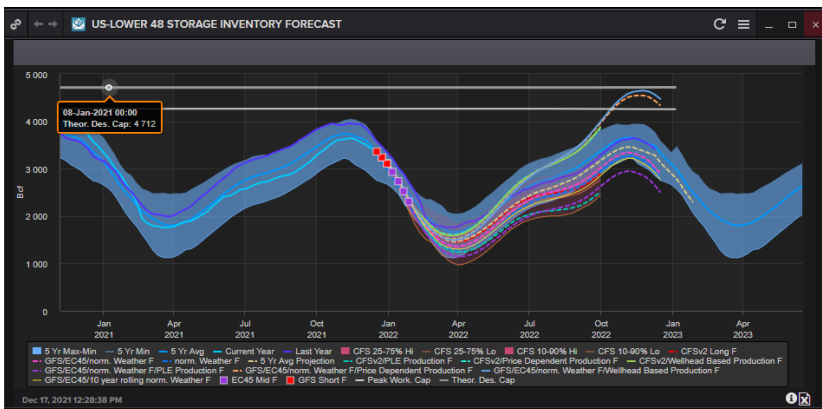
Natural Gas

The mild start to winter has natural gas storage above the 5-year average, first time since April. As a result, natural gas prices have trended back down below \$4.00, however localized basis has remained strong in fear of the rest of winter weather.

- **Demand:** Consumption is below the 10-year average for residential, commercial, and industrial however, gas-fired generation for power is at an all time high
- **Supply:** Production is hovering near 95 Bcf and back to 2019 highs – additional 5 Bcf is offsetting 2.5 Bcf increase in LNG from summer levels
- **Storage:** National storage is behind last year but above the 5-year average – end of winter projections to be within historical range which in October had most projections were below the low end of the range
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NYMEX 12-month strip down 24% from October



Storage levels below 5-year average and most projections are at or below 5-year average at end of season

Value Summary

Natural gas is ABOVE most value parameters.

- Based on historical percentiles, averages and risk/reward ratio, natural gas pricing is elevated. It will be difficult to beat contracts from 2020 and utilities with programmed hedging policies.
- 12-month rolling average is increasing fast with recent upward trend
- There is an equal chance of prices increasing by 20% as decreasing by 20%

Value Parameters

Current	\$3.82	
Average	\$3.15	X
12M Rolling Average	\$3.84	=
Weighted LR Average	\$3.04	X
Percentile	80%	X

Risk to Reward

One to one

