

ABAG Publicly Owned Energy Resources (ABAG POWER)

Executive Committee

June 17, 2020

Agenda Item 5.c.

Report on Natural Gas Program

Subject: Market Price Comparison

Background: Beginning this calendar year in the range of \$3.00/MMBtu, western and northwestern pricing have since declined, averaging \$2.32 at PG&E's Citygate during April 2020, compared to \$3.23 in April 2019.

Several factors have contributed to the year-on-year decline in pricing:

- The COVID-19 crisis has resulted in significant decreases in global demand for oil production, of which natural gas is a common byproduct. To balance supply and demand, production cuts were proposed but not adopted due to opposition of by many of the world's largest oil producers and exporters, resulting in further downward pressure on prices. Later, however, there was international agreement for record-level production cuts through 2020.
- Many U.S. firms have independently committed to limit gas production to buoy prices. The sustained decline in prices has pushed many firms to the brink of bankruptcy, with others significantly reducing planned infrastructure investments.
- National gas storage inventories are at a 40% surplus compared to last year, and a 15% surplus compared to the five-year average. Storage inventory provides an opportunity to hedge against price fluctuations.
- Most of the country experienced a warm winter with many regions continuing to experience higher than average temperatures, further decreasing demand for heating fuels.

The gas price at "Henry Hub" in Louisiana, a major U.S. benchmark, has been volatile, frequently jumping from its lowest level in two decades – \$1.60/MMBtu – and now hovering around \$1.77/MMBtu as of June 1, 2020.

Issues: None.

Recommended Action: None.

ABAG Publicly Owned Energy Resources (ABAG POWER)

Executive Committee

June 17, 2020

Agenda Item 5.c.

Report on Natural Gas Program

Attachment: Market Price Comparison

Reviewed:

DocuSigned by:
Brad Paul
6/11/2020
8C3380BA165B4D1...
Brad Paul

Market Price Comparison

