

The Advisor

DATA-DRIVEN, HOLISTIC ENERGY CONSULTING

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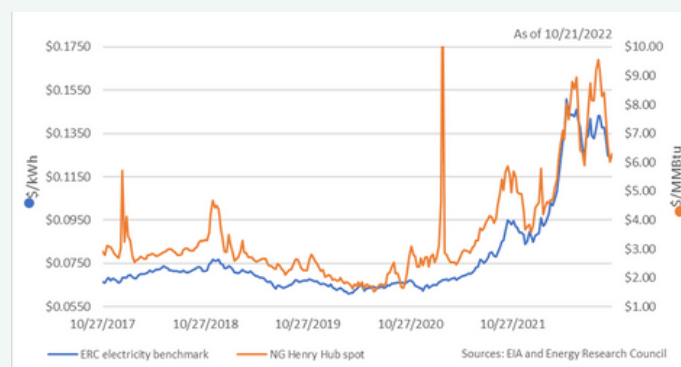


MARKET MOMENT

Improved natural gas storage levels and a warmer-than-average winter weather forecast here in the United States, along with lower global LNG prices, helped drive natural gas spot pricing down nearly 30% since our last update. Calendar strip prices are far less volatile but also moved lower. National benchmark electricity prices also retreated, down an average of 7% over the last month. Prices in Texas were down nearly 15% while New York saw the smallest drop of the competitive electricity markets, down less than 5% (figure 1).

Retail Electricity and Natural Gas Price Comparison (Henry Hub)

Figure 1



Source: Energy Information Administration, Energy Resource Council

DRIVING PRICES HIGHER

Renewable power pricing - Prices for solar contracts have risen 30 percent since this time last year, while wind contract prices were up 37 percent, according to LevelTen Energy, which runs an online marketplace for buyers and sellers of renewable energy (figure 2). Demand from companies and governments for long term wind and solar contracts, solar panel cost increases and tariffs on imports of solar equipment from China all contributed to the increase.

DRIVING PRICES HIGHER

DUC count - Drilled but uncompleted wells (DUCs) were estimated at 4,283 wells in August, the fewest since October 2013 (figure 3). Due to continued market uncertainty and limited access to new investment capital, oil and natural gas producers have focused their spending on existing operations. Ultimately, new wells will need to be drilled to offset the natural reduction in well productivity.

DRIVING PRICES LOWER

Natural gas storage - Working gas in storage is now within the five-year historical range at 3,342 Bcf. Inventories are 3% less than this time last year and 5% below the five-year average of 3,525 Bcf (figure 4).

Early winter forecast - A third straight La Niña winter, something that only happens every 10 – 20 years, is expected to bring a dry, mild winter for the southern tier of the U.S. with continued drought in the Southwest. Cooler and wetter-than-normal conditions are forecast for the Pacific Northwest and around the Great Lakes. La Niña winters are generally on the warm side but often bring volatile weather patterns with periods of extreme cold (figure 5).

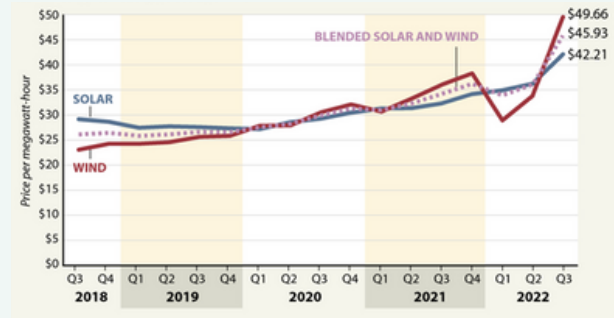
DID YOU KNOW?

Coal shipments to U.S. power plants fell by more than half between 2010 and 2021 as the country transitions away from coal to natural gas-fired electricity generation and ultimately to renewables. 449 million short tons (MMst) of coal were shipped to power plants last year, down from 957 MMst in 2010.

U.S. Wind and Solar Contract Prices (2018-2022)

Figure 2

Price per megawatt-hour, Q3 2018-Q3 2022

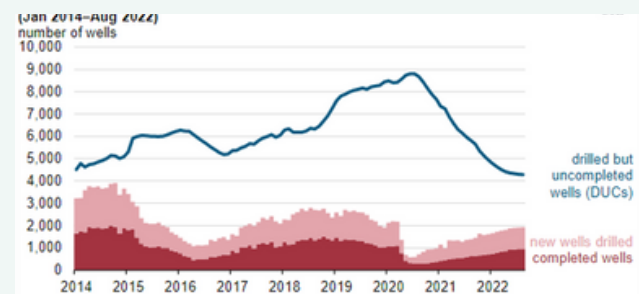


Source: LevelTen Energy

Certain U.S. Oil and Natural Gas Wells by Month in Major Shale and Tight Oil Basins

Figure 3

Jan. 2014 - Aug. 2022

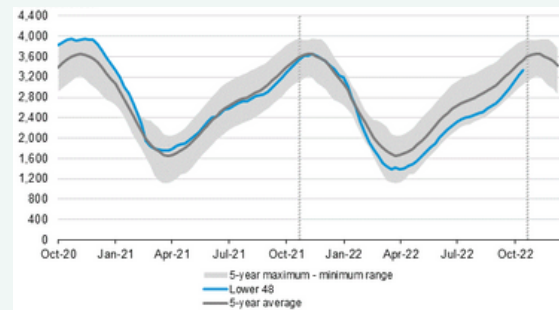


Source: Energy Information Administration

Working Gas in Underground Storage Compared with the 5 Year Maximum and Minimum

Figure 4

billion cubic feet

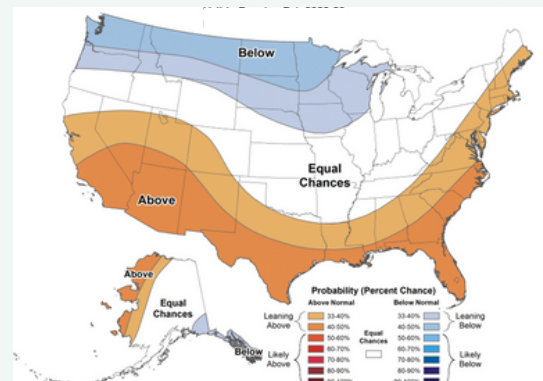


Source: Energy Information Administration

Seasonal Temperature Outlook

Figure 5

Dec. 2022 - Feb. 2023



Source: NOAA



CARBON ACCOUNTING & REPORTING - MEET YOUR ESG REQUIREMENTS

Companies are increasingly facing the need for dedicated environmental, social and governance (ESG) reporting systems.

APPI Energy can help explain what this means for your organization, as well as advise on the steps your organization should take to prepare.

[Learn More Here>>](#)

WHAT'S NEW?

Q&A: MITIGATING RISK IN A VOLATILE ENERGY MARKET

APPI Energy Vice President of Market Intelligence & Analytics, Dan Forgacs, provides some key insights into what's causing market volatility, as well as procurement strategies and energy solutions available to help mitigate that volatility.

[Learn More Here>>](#)



CLIENT CORNER



“APPI has an attentive team that not only assists to gain the best price and contract for your organization, but also helps afterward. They made sure that our contract terms were exactly what our organization needed and did all the negotiating for us, so the issue was resolved quickly and easily. We feel like we are in good hands with APPI and are grateful for their assistance on our account.”

SCOTT TALBOT

Executive Director

Danville Public Building Commission Inc.

**All market data above is at the national level, but regional and local energy market conditions can vary widely. For an in-depth review of current energy market conditions impacting your organization, please contact our team of dedicated, expert Energy Consultants: 800-520-6685 or info@appienergy.com.*