The Weekly Update:

The EIA reported a rise of 45 bcf in natural gas supplies for the week ending August 14, 2020. The current inventories are 3,420 bcf which is an increase of 580 bcf compared to last year and an increase of 438 bcf compared to the five-year average. Sep20 natural gas contract is trading up $0.05 ining at $2.51. The Oct20 crude oil contract is down $0.14 trading at $43.25. Power prices the past week have remained stable for the most part.

The price of oil doesn’t directly affect electricity prices because most of the power generation in the U.S. is reliant on natural gas, nuclear, coal, or renewable resources. In the short-term, both oil and natural gas prices decreased yesterday due to interferences in supply and demand caused by the expected damage Hurricane Laura is going to cause offshore rig operators near the borders of Louisiana and Texas. The storm will make landfall in an area that accounts for more than 45% of the U.S. petroleum refining capacity and 17% of all oil production. The Federal Bureau of Safety and Environment Enforcement (BSEE) said that just over 84% of offshore oil production which is about 1.6 billion bbl/yr was shut down as of last night. This represents 15% of total domestic oil production and because of this VFTI futures for the months of Oct ‘21-April-21 are each down about $0.25. 61% of offshore natural gas production was taken offline which equates to about 3.7 Bcf/d but this didn’t have much of an effect on the natural gas 12-month strip because it only slid down about $0.02/MMBtu during yesterday’s trading period. Oil prices often spike before a major storm as production slows but consumers will not likely see big price changes because the coronavirus pandemic has reduced demand for fuel.

Natural gas pricing plays a key role in electricity power pricing due to the increasing reliance on natural gas fired generators as nuclear, coal, and oil generation is retired and mothballed. As the marginal unit of generation, gas prices are directly correlated to power pricing (more so in some regions such as NYC vs. others such as parts of PJM). We keep an eye on natural gas market fundamentals in order to provide insights into forward power pricing for our clients. Gas production has grown and surpassed any speculation that production would not be able to keep up with demand due to LNG and Mexican exports.
2014 - 2020 YTD Locational Marginal Pricing (LMPs)

The information contained herein has been obtained from sources which EnergyWatch Inc. believes to be reliable. EnergyWatch does not represent or warrant as to its accuracy or completeness. All representations and estimates included herein constitute EnergyWatch’s judgment as of the date of the presentation and may be subject to change without notice. This material has been prepared solely for informational purposes relating to our business as an energy management company. We are not providing advice regarding the value or advisability of trading (“Commodity Contracts”) as defined in the Commodity Exchange Act, 7 U.S.C. §§ 1-25, et seq., as amended (the “CEA”), including futures contracts, swaps or any other activity which would cause us or any of our affiliates to be considered a commodity trading advisor under the CEA.

EnergyWatch does not make and expressly disclaims, any express or implied guaranty, representation or warranty regarding any opinions or statements set forth herein. EnergyWatch shall not be responsible for any reliance upon any information, opinions, or statements contained herein or for any omission or error of fact. All prices referenced herein are indicative and informational. This material shall not be reproduced (in whole or in part) by any other person without the prior written approval of EnergyWatch. Brand names and product names are...