

# Uncharted Territory: US Natural Gas Market Ahead of Winter

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**S&P Global**  
Platts

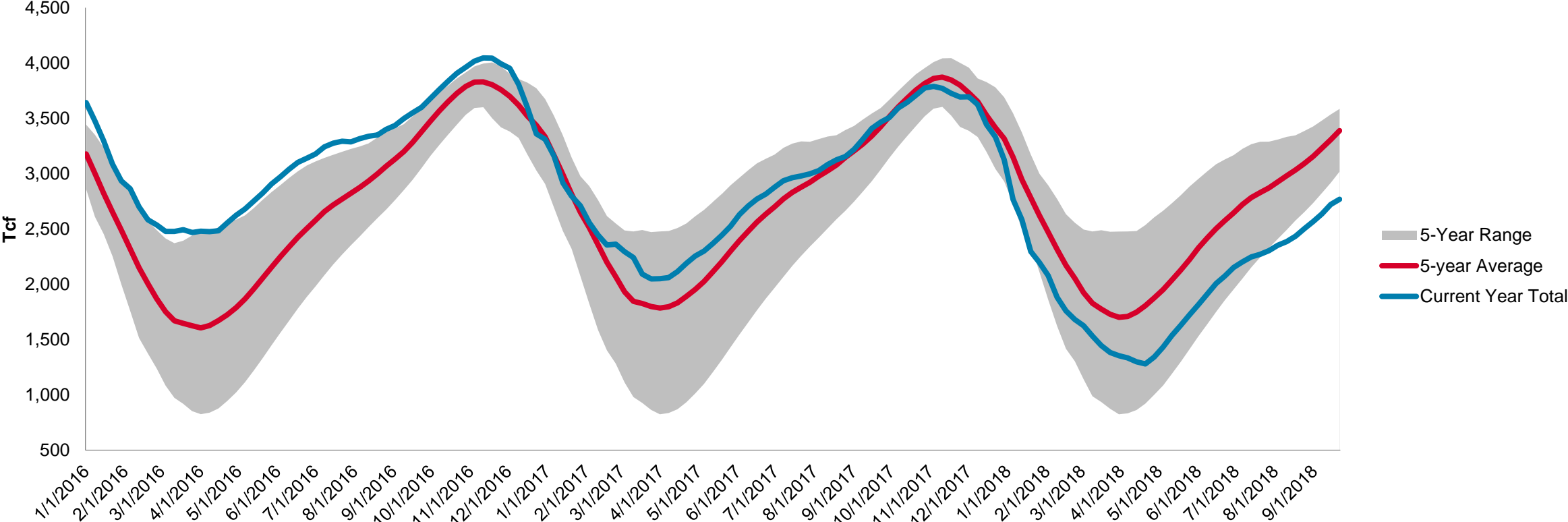
# Agenda

- NYMEX begins to budge in waning weeks of injection season
- Fundamentals alter pricing dynamics from Waha to Los Angeles
- Want to see pricing volatility? Look towards the regional levels
- A Post-VPM World: Developments in Mexican pricing since July 2017

# Key Pricing Trends in US Market As Winter Approaches

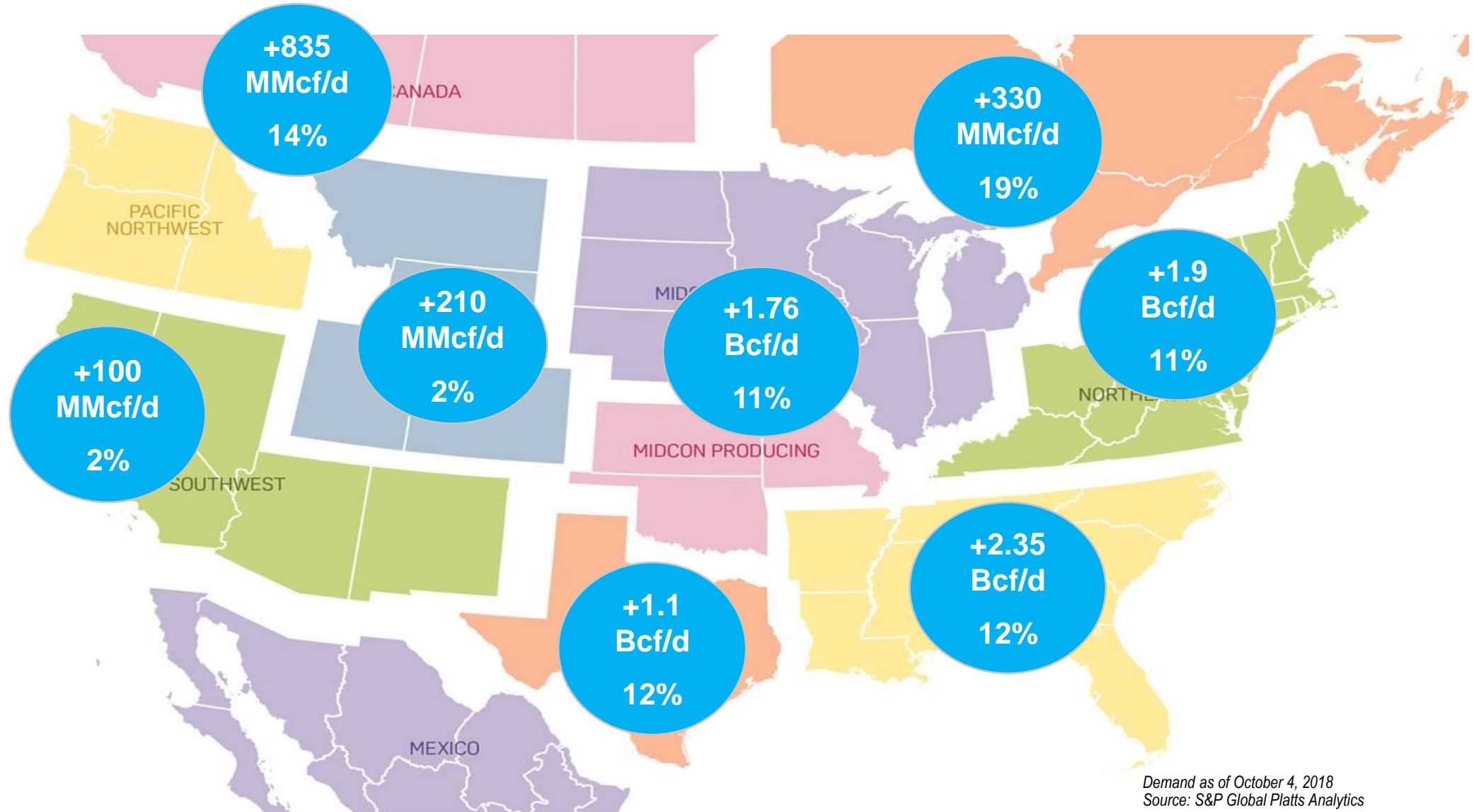
# Storage...a good starting point

## National Storage Stocks, 2016- Present



Source: US Energy Information Administration  
Data as of week ending September 21

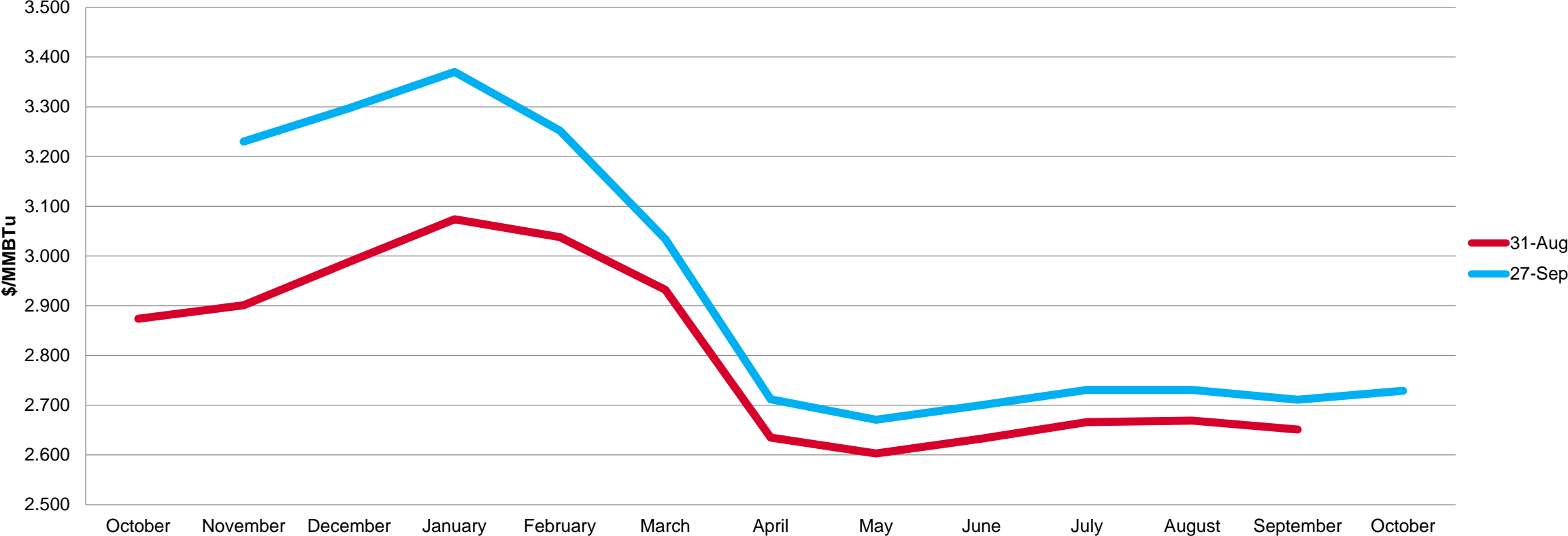
# 2018 demand...all indications point to the bulls...



Demand as of October 4, 2018  
Source: S&P Global Platts Analytics

# Sleep Walking to Winter?: NYMEX Budes...

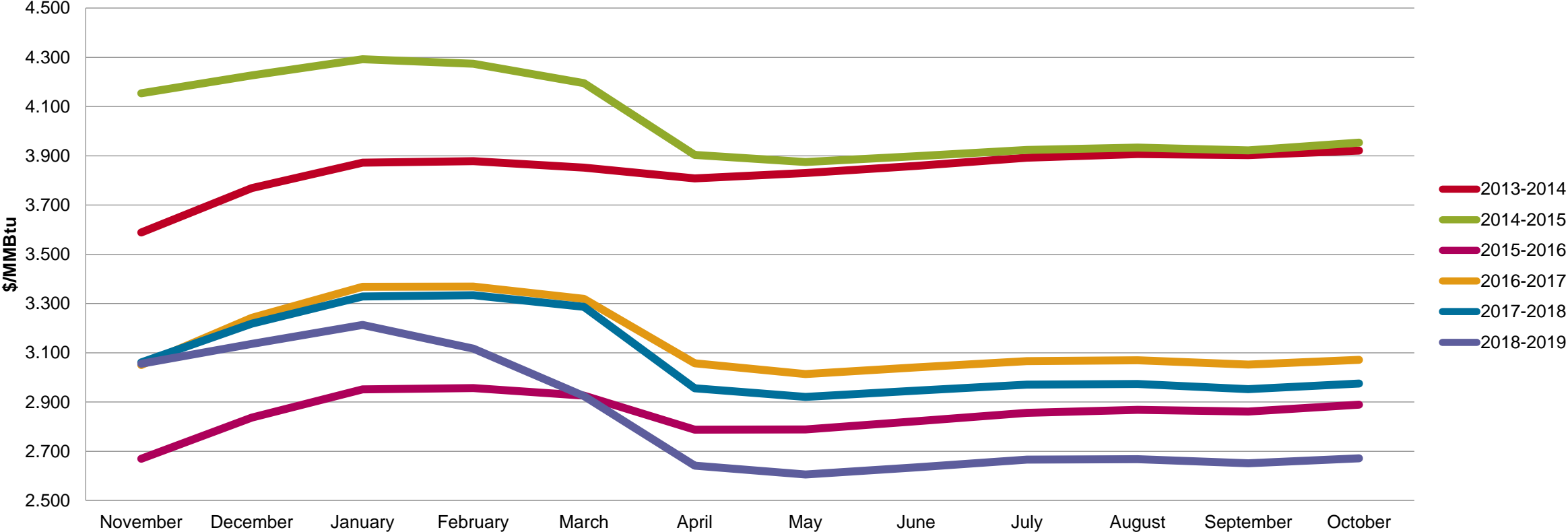
Dec-Jan contracts gain 10%



Source: S&P Global Platts, CME

# Increasingly Abundant Supply Eliminates Volatility

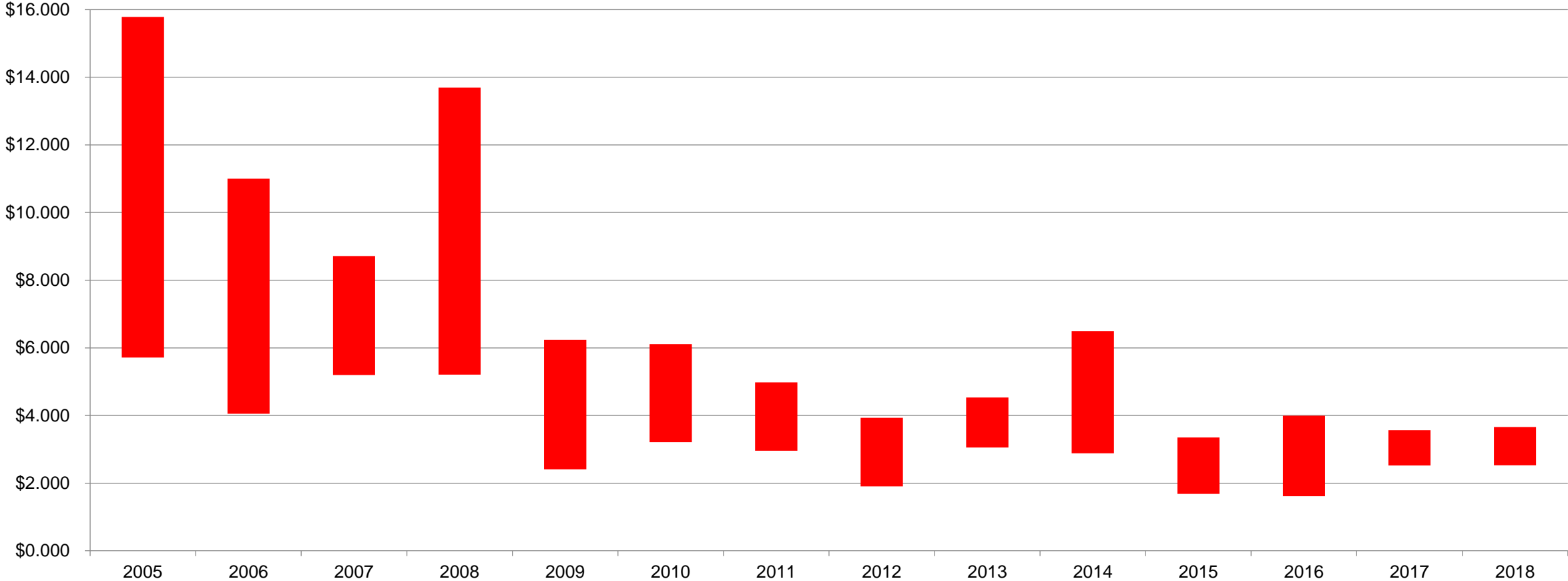
## NYMEX Curves Entering Winter, 2013-2018



Source: S&P Global Platts  
12-Month Curve as of end of September

# NYMEX Historical Volatility...increasingly range bound

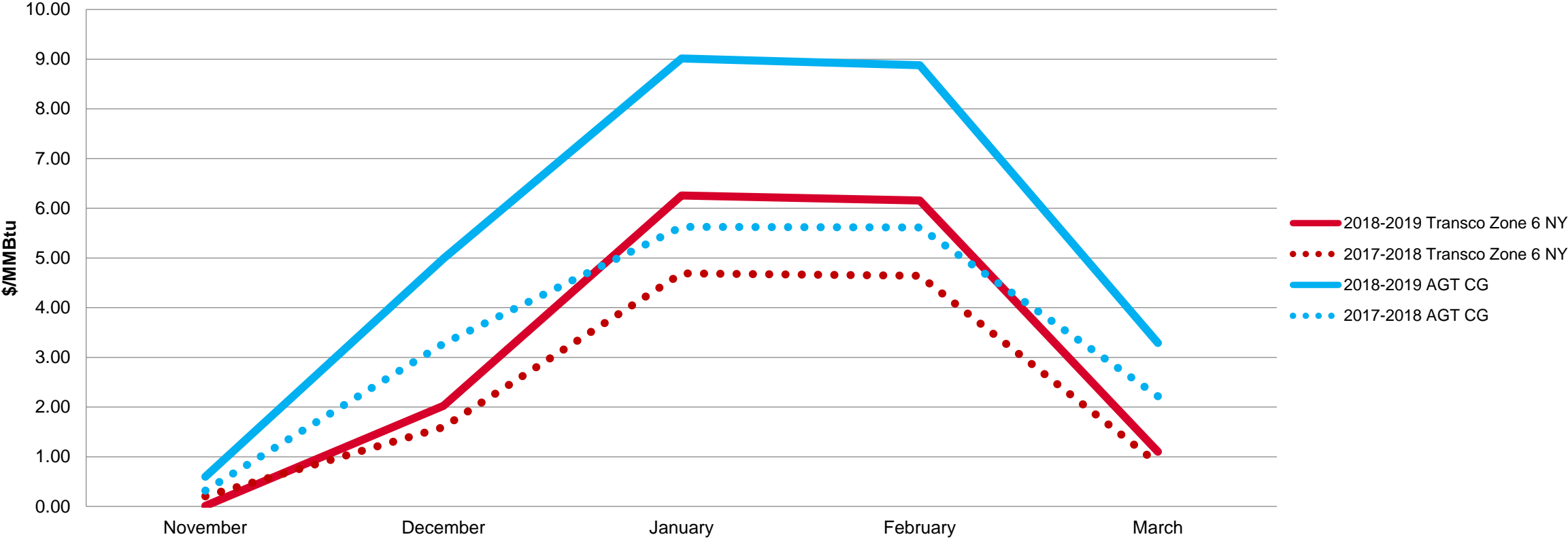
Production increases 45% from 2008





# Northeast Eyeing an Undersupplied Winter...

## Premium Northeast Points Eyeing Highest Level since 2015-2016 Winter

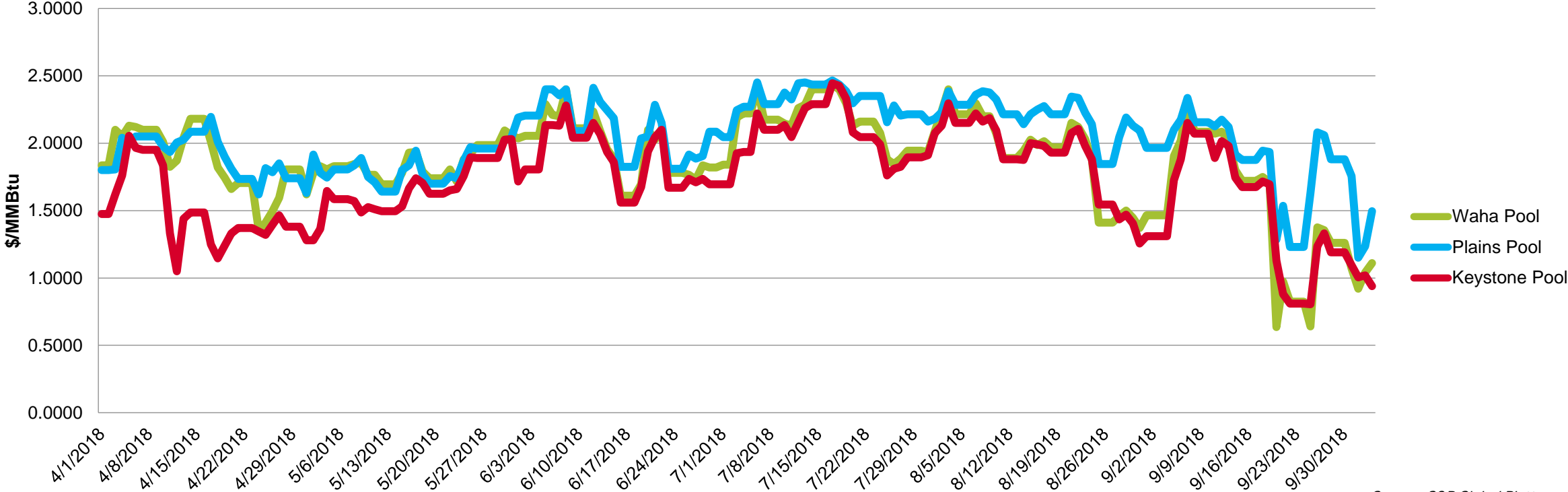


Note: Winter strip as of October 1, 2018  
Source: S&P Global Platts

# El Paso, Permian: Constrained or Fundamental Shift?

*As Permian gas grows, so does differential among pools*

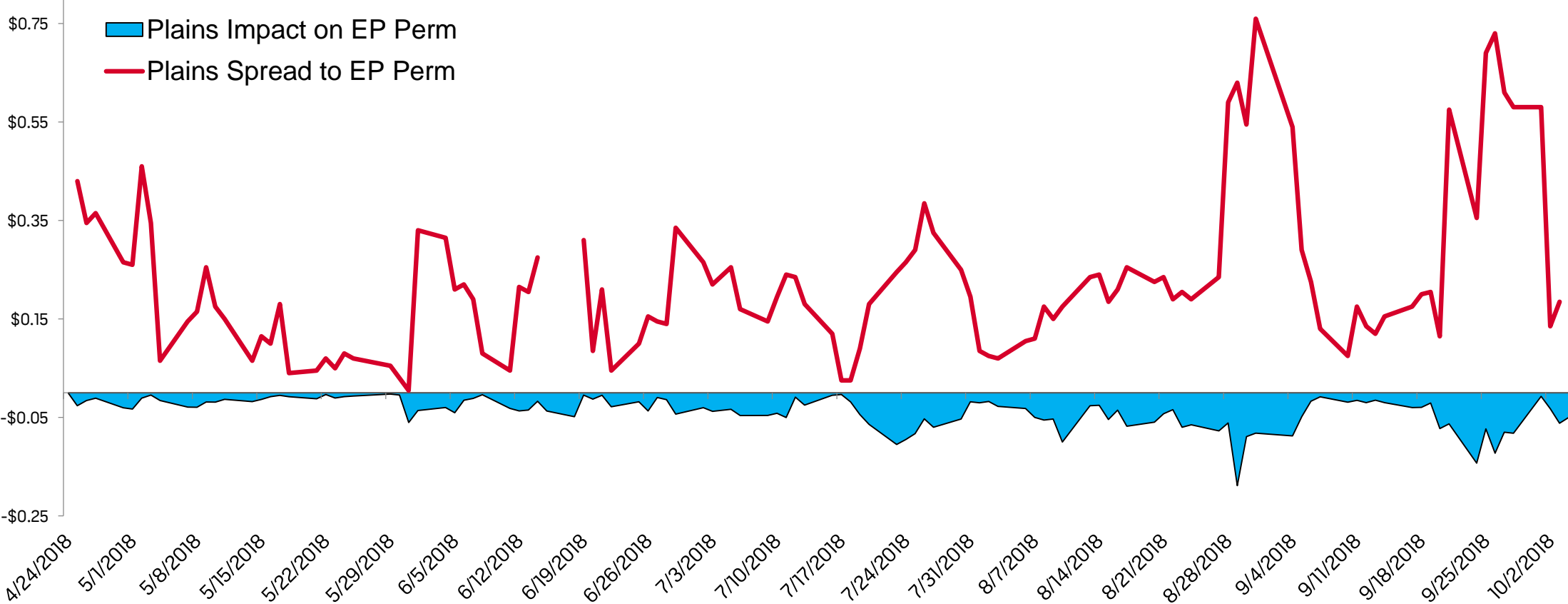
### Plains Pool Diverges April-October, 2018



Source: S&P Global Platts

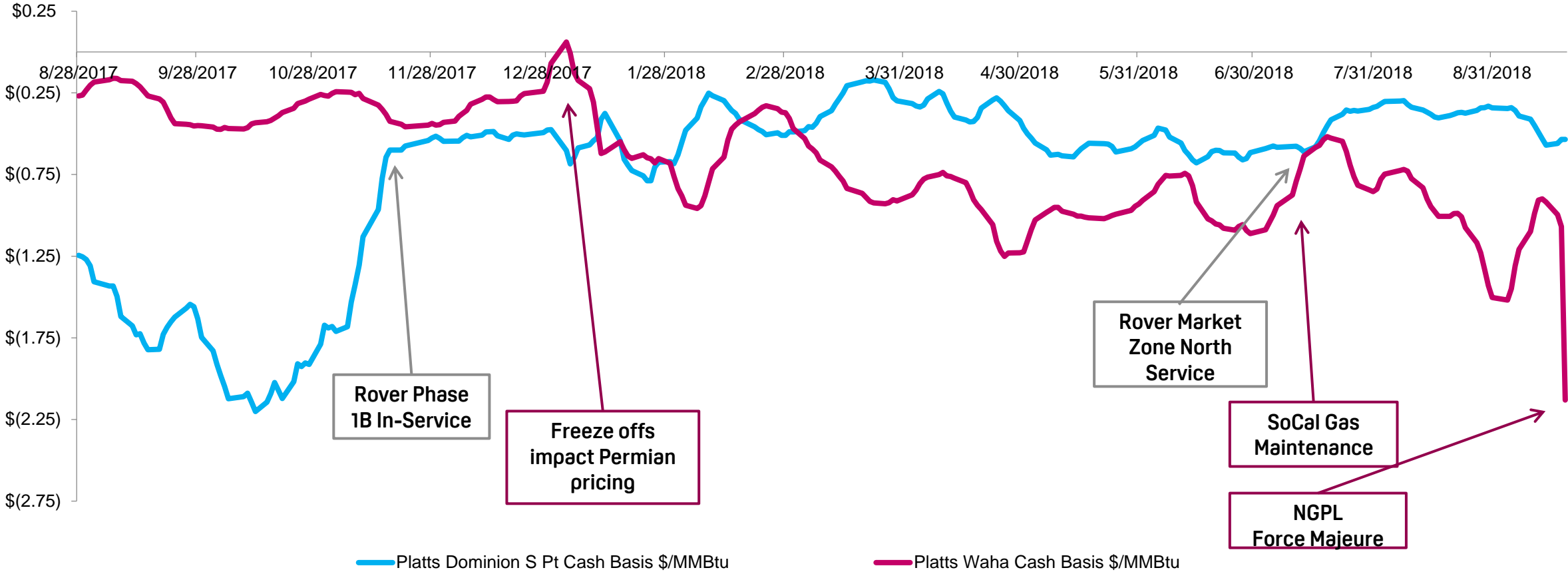
**Key question: With downstream export and infrastructure growth, will this persist?**

# Plains Pool Wreaks Havoc on El Paso, Permian Pricing



Source: S&P Global Platts

# Dominion South 2.0...Waha pricing at mercy of demand and constraints



Source: S&P Global Platts

# SoCal Bidweek Pricing...Winter Levels Kick in Early

## SOUTHERN CALIFORNIA GAS SYSTEM FACILITIES

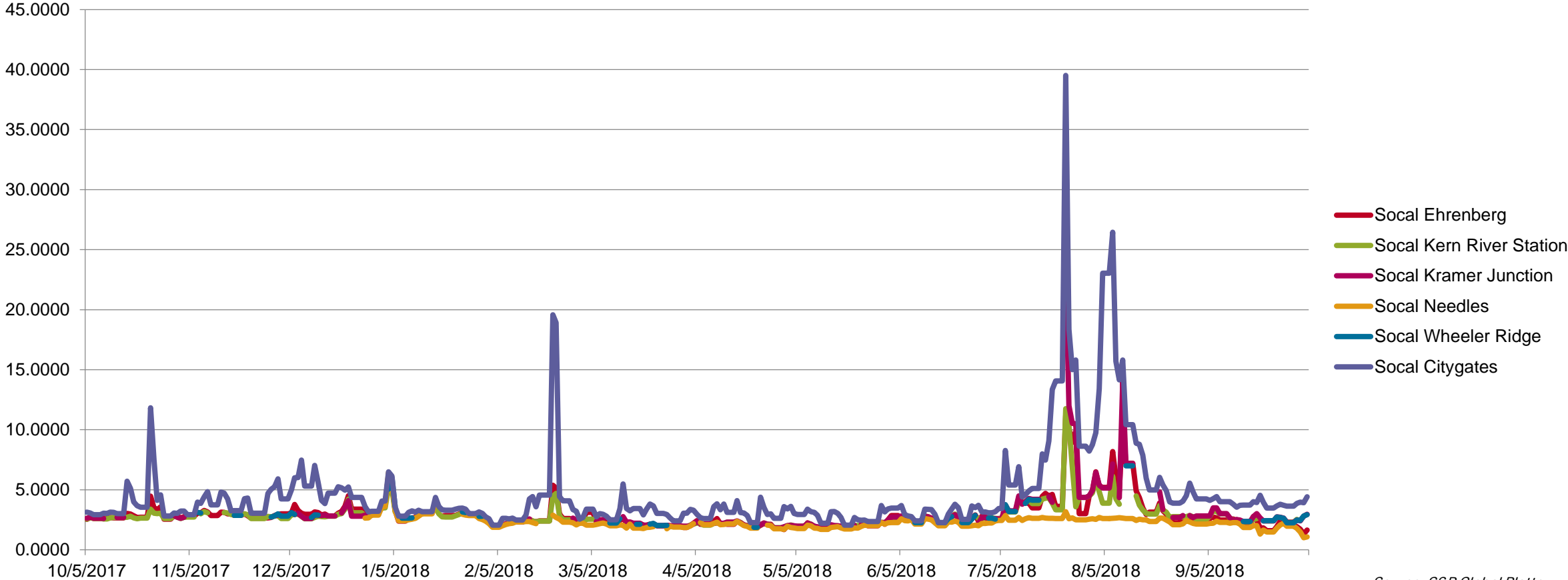


- SoCal CG October bidweek price at highest level since Oct. 2014
- SoCal winter strip trading \$1.87/MMBtu above year ago levels
- Aliso Canyon limited to 34 Bcf in total storage
- So close, but so far: Waha October bidweek settled at the lowest level on record at \$1.21/MMBtu

Source: S&P Global Platts Analytics  
Gas Daily, September 25, 2018

# Downstream of Permian: SoCal Market

## Constraints result in very different pricing occurrence

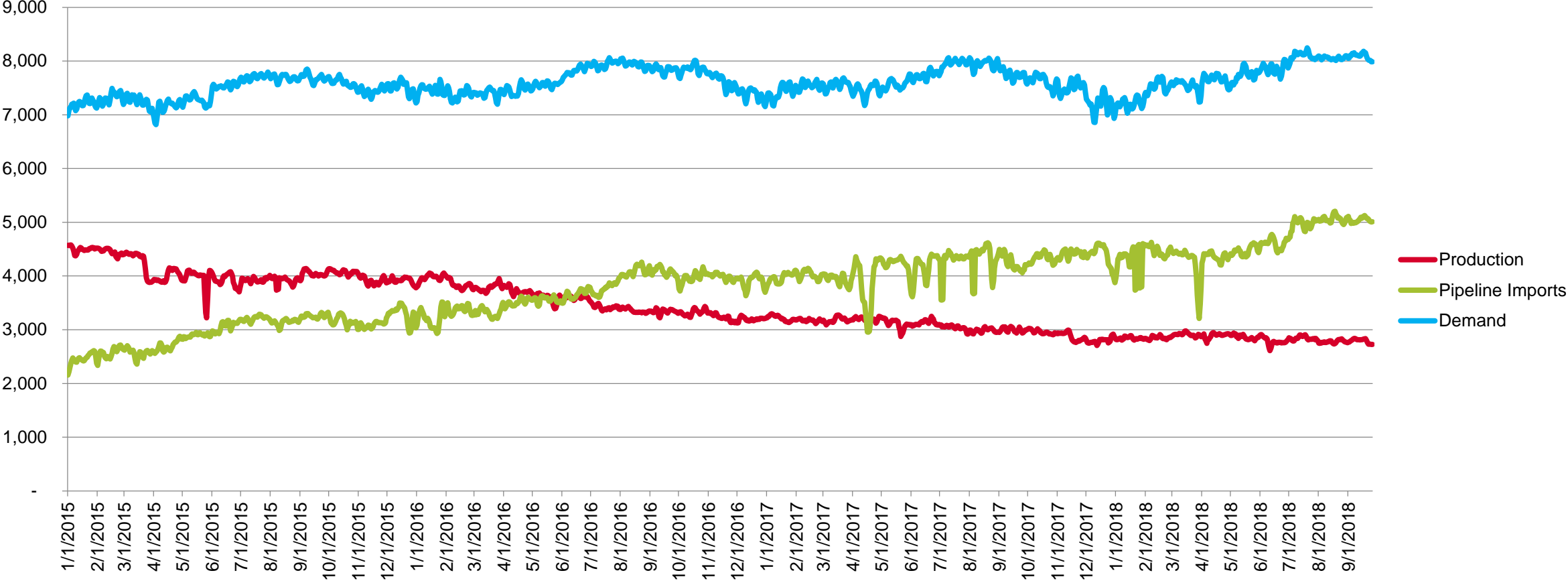


Source: S&P Global Platts

Methodology point: Needles averaged \$8/MMBtu below Ehrenberg and Kramer Junction while comprising 30% of the SoCal Gas index

# Mexico Pricing Dynamics: A Post VPM Environment

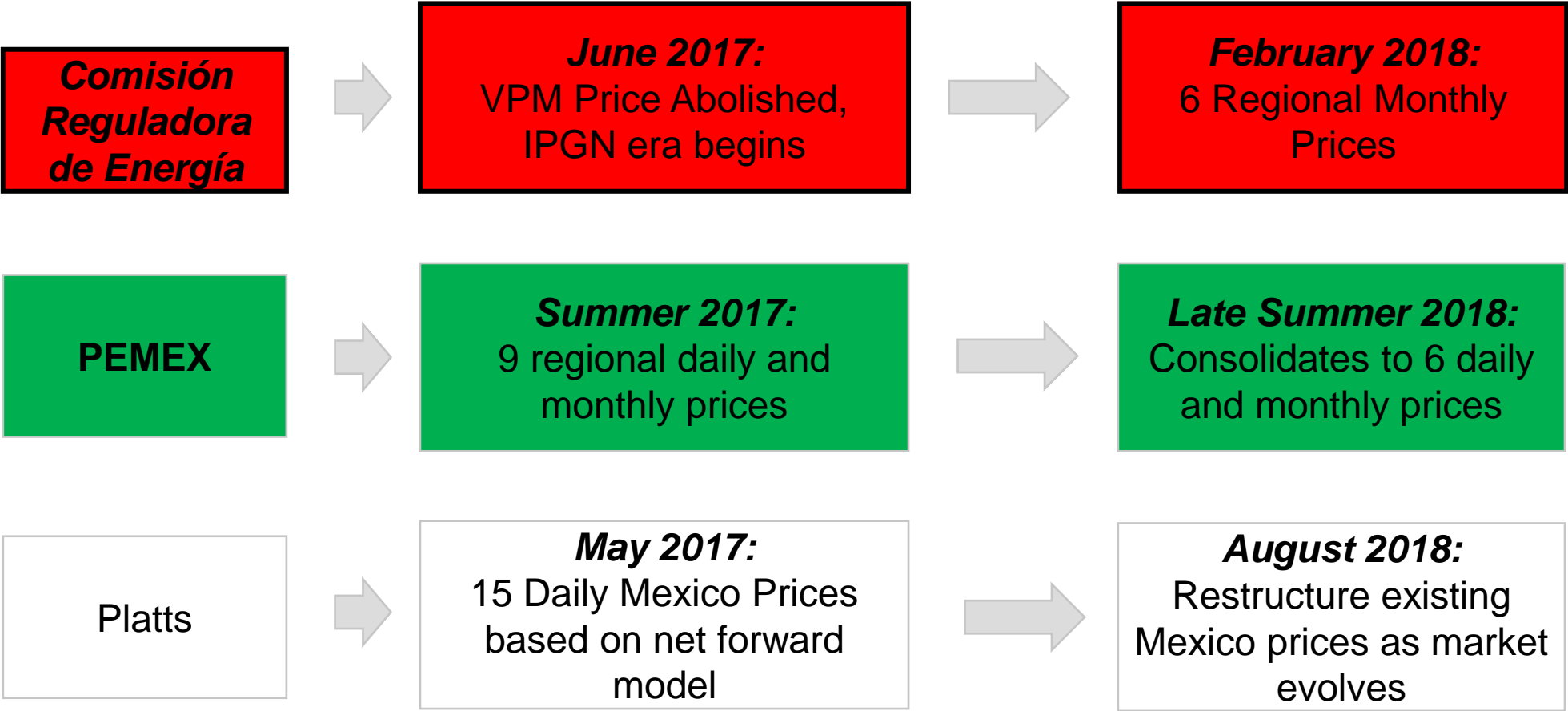
# A Crash Course: Mexico Energy Reform



Source: S&P Global Platts Analytics



# Mexico Pricing Developments: A Post VPM Environment



# Platts Mexico: The development of the net forward model



- Multiple evolutions in Mexican gas pricing have occurred in last year
- Platts began publishing net forward prices in May 2017 at 15 locations
- Platts Mexico daily are net forward prices from Platts South and WTX benchmarks
- Modeled prices are first step in a pricing evolution
- Goal is to have support of market participants in index development through submissions

# Mexico Daily Prices Evolve as the Market Does



# The Platts Plug: Methodology Session Tomorrow at 9am!

- Deep dive on Platts natural gas methodology
- In depth session on new Platts-ICE Natural Gas Index announced in late September
- Shifting Permian Pricing Dynamics: Upstream and downstream of WTX
- Impacts beyond Permian: Northwest, S. of Green River
- Evolution of Platts Mexico pricing

# Thank you



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