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APPI ENERGY

The Advisor

DATA-DRIVEN, HOLISTIC ENERGY CONSULTING

In This Issue

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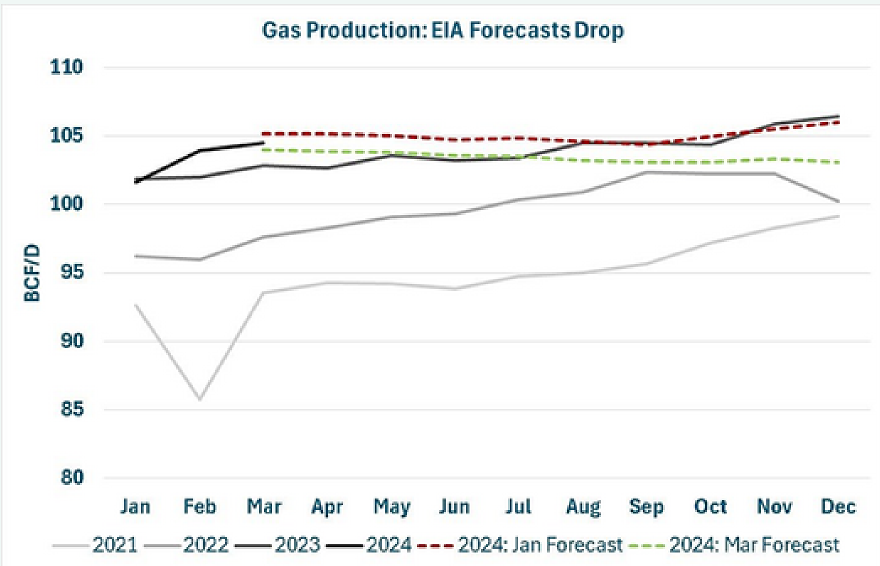
MARKET MOMENT

Mild weather this month has allowed for US natural gas storage levels to reach five-year highs, driving prices down at the beginning of the month. However, the top eleven natural gas producers announced a 13% spending cut for 2024, which led the market to rally mid-month. These price increases are likely temporary due to production reaching record levels at the beginning of this year and the expectation that it will continue to set records for over half of 2024. The EIA production forecast has dropped since this announcement, but their most recent short term energy outlook (STEO) still forecasts an average production of 104 Bcf/d for 2024. This is about 3 Bcf/d higher than the average over the last 3 years (*figure 1*).

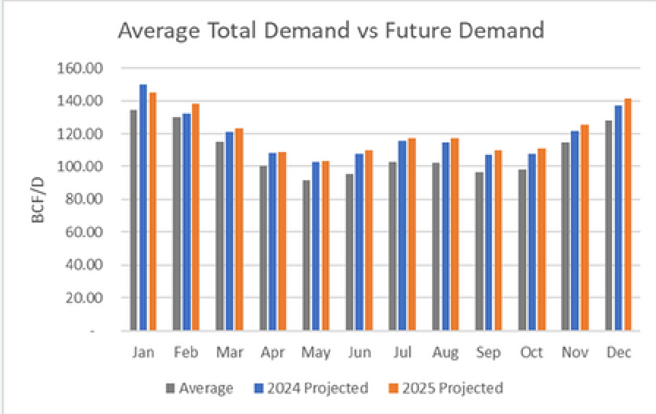
figure 1



DRIVING PRICES HIGHER

Decreases in production have such a large impact on the market because of the supply and demand balance. In recent years, that balance has been tightening, and it is expected to tighten further in the coming years (if demand does not exceed supply). Average energy demand (including power, industrial, LNG, etc.) is 109 Bcf/d from 2018-2023. Demand in 2024 is expected to average 119 Bcf/d and increase again in 2025 to 121 Bcf/d (*figure 2*). Despite some recent delays for LNG terminals, demand is still expected to increase in the coming years. This increase is why further out years are hesitant to move despite bearish near-term fundamentals.

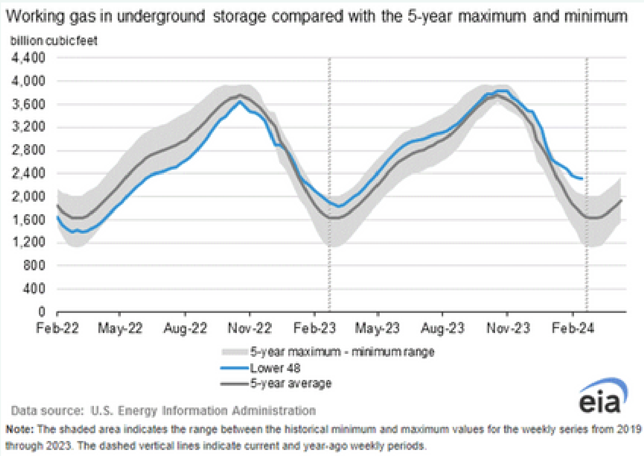
figure 2



DRIVING PRICES LOWER

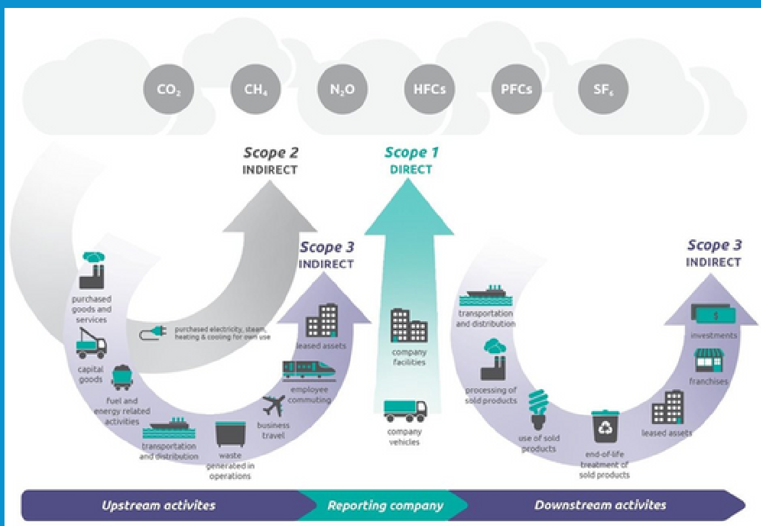
Solar and wind are expected to lead growth for US power generation in the next two years. The EIA predicts this will cover the increase in power demand, which will provide some relief for gas demand domestically. The LNG market also has the potential to be oversupplied. Expected increases in exports are being met by declining European demand. Additionally, the National Oceanic and Atmospheric Administration (NOAA) has observed a weakening El Nino. They are now predicting we will be in ENSO neutral conditions by April and in a La Nina by June. This doesn't mean that this summer won't be hot or above the averages meteorologists use, but it could mean a cooler summer than previously expected under the El Nino conditions. Finally, US gas storage has reached well above the 5-year average (*figure 3*). This is due to more mild weather since the January cold snap and record high production.

figure 3



DID YOU KNOW?

Earlier this month, the SEC issued guidance on climate related disclosures. Some of their new requirements include carbon reduction goals and climate related risks. One key requirement is reporting scope 1 (direct emissions) and scope 2 (indirect emissions) emissions. This applies only for large, accelerated filers and accelerated filers only. The original draft included reporting scope 3 emissions (or value chain emissions) but did not make it to the final version. While this originally seemed burdensome to manufacturers, it allows them to appeal to their buyer's sustainability efforts and provides overall clarity between sellers and buyers. 2025 data will be required when this disclosure goes into effect in 2026, so completing a scope 1 and 2 inventory should be a goal for 2024.



SOLUTIONS CENTER

NEW SEC CLIMATE DISCLOSURE RULE: OPPORTUNITIES AND CHALLENGES FOR SUSTAINABLE GROWTH

In early March the Securities and Exchange Commission (SEC) welcomed the new climate disclosure rule mandating disclosure of climate-related risks, emissions, financial impacts of severe weather events, carbon-reduction goals, and more. While the final rule marks a bipartisan compromise and emphasizes the need for addressing climate-related risks and opportunities, it also introduces challenges such as compliance burden and enforcement issues. Although some proposed requirements like scope 3 emissions disclosure were eliminated, the rule enhances transparency, standardizes reporting, and promotes long-term value creation. ISOS Group, our sister division with Environ, elaborates on this new ruling and urges companies to prepare for compliance by conducting climate risk assessments, developing greenhouse gas inventory management plans, engaging stakeholders, enhancing data management, and fostering continuous improvement. These preparations not only facilitate compliance with SEC regulations but also align with other pending regulations, positioning your organization for sustainable growth in an evolving reporting landscape.

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WHAT'S NEW?

EXPLORING THE OPTIMAL TIMING FOR RENEWING YOUR ENERGY SUPPLY CONTRACT

Envision this: Your organization currently committed to an energy supply contract, where the pricing may or may not align with your satisfaction. Although the contract won't expire for another year or more, you might be tempted to postpone any action, thinking, "I can address this later." Yet, delaying could have significant drawbacks. Let's explore the reasons why taking proactive steps sooner rather than later can benefit your organization.

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CLIENT CORNER

"We have been working with APPI Energy since 2015 and have had a great experience with their entire team. By negotiating and managing our electricity and natural gas supply contracts, APPI Energy has made the energy procurement process simple and easy for our team so we can focus on our business while simultaneously creating budget certainty. We appreciate and value the NAM's recommendation of APPI Energy and would recommend them to other NAM members."

Don Brown
Building Maintenance Supervisor
Irex Corporation

**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.*