

The Advisor

DATA-DRIVEN, HOLISTIC ENERGY CONSULTING

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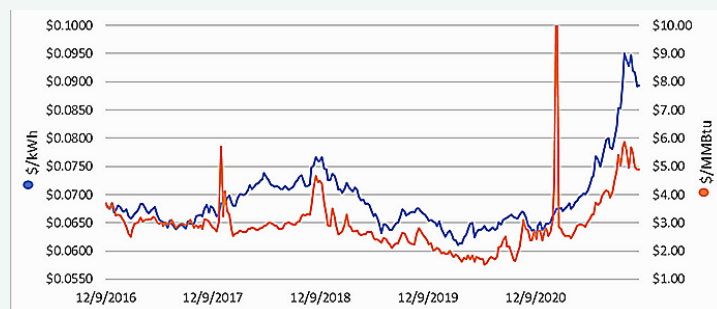


MARKET MOMENT

After several months of increased costs, prices for both electricity and natural gas moved lower, thanks largely to relatively warm December temperatures. Henry Hub natural gas spot prices are down over 22% while forward electricity benchmark prices are 6% lower since our last update. Of the competitive electricity markets, Texas and Delaware saw the largest drop, each falling over 8%, while Massachusetts prices moved 4% lower (figure 1).

Retail Electricity & Natural Gas Comparison (2016-2021)

Figure 1



DRIVING PRICES HIGHER

Liquefied Natural Gas - Two new liquefied natural gas processing units, each known as a train, will soon be fully operational in the United States, further increasing the total amount of natural gas that can be exported to higher-priced foreign markets.

Coal Supplies - Low supplies of coal, particularly mid-continent, are causing concern regarding the lack of alternative fuels for power generation in the event of extreme cold weather. Meanwhile, natural gas pipeline constraints and drought conditions in the Southwest are expected to continue into 2022. In the short-term, however, forecasts of up to 8 feet of snow in the Sierra Nevada mountains may help alleviate some of the shortage of hydropower in the region.

DRIVING PRICES LOWER

December Weather - Record warmth for December caused near-term natural gas prices to fall dramatically while natural gas storage levels are now within 2.5% of the five-year average (figure 2).

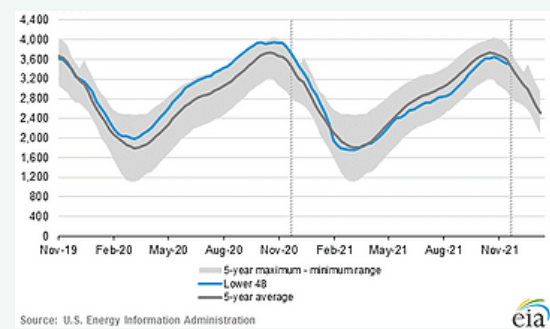
Natural Gas Production - Warm autumn temperatures, combined with record high prices, caused a surge of natural gas production towards the end of injection season. 105 natural gas directed rigs are now online, compared to 79 at this time last year with increased production expected to continue into 2022 (figure 3).

DID YOU KNOW?

Nearly 40% of the nation's coal-fired power plants were retired from 2010 to 2019. Of those remaining open, another 28% will cease operating by 2035. Retirements largely occur either when the cost of operating a plant exceeds expected revenue or when states with clean energy standards require a reduction or complete phase-out of coal-fired generation, even though some units may still be economically viable. As of 2020, coal accounted for 19% of total electricity generation in the U.S. (figure 4).

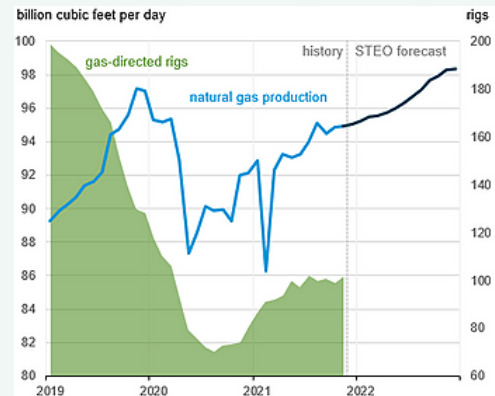
Working Gas in Underground Storage with the 5-year maximum and minimum

Figure 2



US Dry Gas Production (Bcf/day)

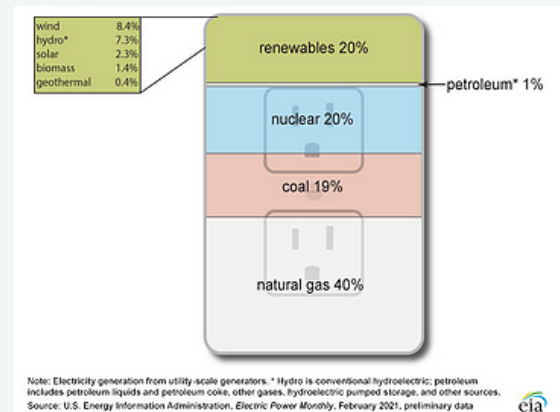
Figure 3



Sources of U.S. Electricity Generation 2020

Figure 4

Total = 4.12 trillion kilowatt hours





Is your organization looking to become "greener" or looking to meet a sustainability goals? APPI energy can take a holistic approach to your energy consumption and help put a strategy in place. Let's take a closer look at what exactly "holistic" means so you have a better understanding what our process entails.

[For more information, check out our article on the benefits of holistic energy >>](#)

WHAT'S NEW?

ARTICLE: 2021 saw an unprecedented level of volatility in the energy markets, with a variety of factors contributing. Let's take a closer look at these events and how they impacted the year.

[View Article Here >>](#)



VIDEO: The APPI Energy leadership team gives an overview of APPI Energy's services and why our unique holistic energy approach benefits your organization.

[View Video Here >>](#)



CLIENT CORNER

"APPI Energy minimized budgetary risk with a long-term, fixed-price electricity supply contract, and a long-term natural gas supply contract with managed costs. Our bottom line has improved as we substantially reduced our energy spend with the APPI Energy data-driven procurement and consulting techniques. APPI Energy is comprised of a strong group of experts who work closely with our management team, and who performed a full analysis of our current situation. They made specific recommendations, including tariff analysis, contract reviews, and apples-to-apples supplier price comparisons. They enable us to make the best buying decision on our timeline. In addition, the APPI Energy customer service team saved us money processing our energy sales tax exemption status. The energy experts also negotiated a substantial cost reduction of a hidden cost in an existing contract. We look forward to working with them on sustainable energy initiatives and efficiency programs. I recommend APPI Energy to all NP FDA members."

Brian Hildreth

Allen Harim Foods LLC

**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.*