

# IMGA gas NEWS

Interstate Municipal Gas Agency

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## MARKET COMMENTARY

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### End of an Era

We've ended the last trading days of the March 2023 prompt-month natural gas contract, and it expired at \$2.451 on Friday 2/24. It even traded below \$2 for a moment and, though that price wasn't sustainable, this may give bulls in the market a ray of hope. The lack of winter weather in January and February, however, has left natural gas storage levels healthy and the bears in firm control of the market.

It's staggering to think that compared to one year ago, on February 24, 2022, the prompt-month March 2022 natural gas contract was trading at \$4.568. Exactly one year later, the prompt-month, March 2023 contract expired at \$2.451. This clearly shows just how much more bearish the market is now when compared to last year, especially when considering the prompt month was approaching \$10 in the fall of 2022.

### Beyond the Prompt Month

Looking at the prompt month only can be a bit misleading, though. We also need to look further out in the curve to get a better understanding of what's happening. This chart shows prompt month natural gas pricing for February 24 in 2022 and 2023, plus the January price for each of the following two years:

	2/24/2022		2/24/2023	
Nearest March	Mar-22	\$4.568	Mar-23	\$2.451
Upcoming January	Jan-23	\$5.095	Jan-24	\$4.162
Following January	Jan-24	\$4.056	Jan-25	\$4.481

First, let's focus on the relationship between next March and the upcoming January. On February 24, 2022, the January 2023 contract was trading at an approximate 50-cent premium compared to the prompt month. January 2024 was discounted to both and trading around \$4. The

premium for winter 2023-2024 over March 2023 was fairly small, and the following year was trading at a steep discount. Long story short — the market was not overly concerned about long-term natural gas pricing.

Skip forward a year and the story is entirely different. The prompt month has tanked following spring-like temperatures in January and February, but January 2024 is trading at a massive premium compared to the prompt month. It's still just north of \$4 while the prompt month flirts close to \$2. Additionally, the 50-cent premium from a year ago, between March and January, is now around \$1.70.

January 2025 is trading even higher, approaching \$4.50. These prices tell us that even though the prompt month is low, there's no guarantee this pricing will continue over the course of the next year or two. All of this simply reinforces the fact that natural gas pricing volatility remains incredibly high right now, despite the strong storage situation and low prompt month.

### Long-Term Outlook

So, what does all of this mean for end users? Essentially, customers who are already locked into fixed energy contracts should be considering a variety of factors right now. Over the past year we've seen just how high energy prices can go when bullish events compound on each other, and now we're seeing the exact opposite. In contrast to the past couple years, however, we're seeing a premium in future-year pricing, which means 12-month prices are cheaper than 36-month prices.

To be clear, we're not saying 36-month prices are necessarily bad; they're just higher than shorter-term costs. In fact, securing 36-month pricing at a slight premium might be the best strategy for customers if volatility re-emerges. After all, it's an excellent way to mitigate the potential risk of another spike in pricing like we saw last fall. In the end, both short- and long-term pricing options are viable and, as we mentioned in the previous market commentary, that's a good problem to have in a fluctuating market.



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# IMGA 2023 Annual Meeting

The IMGA Annual Meeting will be held on Tuesday, March 28th at the Northfield Inn & Suites in Springfield, Illinois. The event is **FREE**, but you must register in advance by calling our office at 217-438-4642 or emailing your information to [brubenacker@imga.org](mailto:brubenacker@imga.org).

IMGA has reserved a block of rooms at a discounted rate. If you need a room, please contact the hotel directly at 866-577-7900 or [www.northfieldinn.com](http://www.northfieldinn.com).

Come join us for a day filled with informative sessions, networking, and a delicious breakfast and prime rib and shrimp lunch buffet! We have a lineup of speakers from DTE Energy, J.Aron/Goldman Sachs, and American Public Gas Association. Topics will include updates on combating natural gas bans, market manipulation, RNG utilization, prepaid natural gas opportunities, and fundamental factors affecting the natural gas markets.

We look forward to seeing you on March 28th!



## Interstate Municipal Gas Agency

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