



## Communication to Hedging Committee

January 5, 2023

Ladies and Gentlemen,

Tony pointed out that the market fell hard again today and is sitting at levels not seen since 2021. Today's decline is being attributed to a storage report that came in lower than expected. But the actual storage report came in at a 221 Bcf withdrawal which now puts the market at a 208 Bcf deficit to the 5-year average and a 303 Bcf deficit to last year at this time.

The weighted average pricing is now the following:

Feb 23-June 23 = \$3.592 (we are 70% hedged already)

July 23 - June 24 = \$4.295 (we are 20% hedged already)

July 24 - June 25 = \$4.419 (we are 20% hedged already)

I am trying to put together a full report that expresses my current market opinion and explains the market beyond bullet points, but that unfortunately takes about 4-5 solid days to make sure all the opinions are backed up by mathematical modeling. In summary, I could support moving from 70% to 90% for the remaining 2023 months in the current fiscal year, and moving from 20% to as much as 50% for the 23-24 and 24-25 fiscal years. I would recommend however, letting the market continue to trend down for another week or so. The two-week US forecast is much warmer than normal, and the EU forecast is for continued record warm temps.

Although the weather has come in as bearish as anyone could have hoped, I also want to stress that there are still some bullish forces at play that will likely come back into focus as the winter ends. The oft-delayed Freeport LNG terminal is getting ready to start back up at 1.2 Bcfd. Venture Global's Calcasieu Pass LNG terminal is also experiencing delays in reaching full operating status. Lower prices will likely mean lower rig counts, lower E&P earnings, and lower capital budgets for 2023. Overall US and EU policy remains anti fossil fuels, despite record amounts of coal and NG being used in 2022. Again, all this will be explained in detail in my next report.

### Mark Jergens

Midwest Energy Logistics

Direct (614) 477-0313

[mark.jergens@gmail.com](mailto:mark.jergens@gmail.com)

[www.midwestenergylogistics.com](http://www.midwestenergylogistics.com)

