

BENCHMARK ENERGY

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Weekly Energy Outlook

February 13, 2017

Natural Gas

- Eastern US production of natural gas remains strong with Marcellus/Utica production averaging 22.1 bcf/d this past week, this is unchanged from last month but is 0.4 bcf/d increase from the same time last year
- Calendar 2018 was flat last week 2019 to 2021 were lower. Forward prices are still under pressure. Balance of 2017 is premium to 2018 through 2021. Further out has dropped about 30 cents since Jan 1.
- We believe there is price upside that will be driven by liquid natural gas exports and exports to Mexico; they should represent ~70% of total demand increase. Transportation, power generation and industrial are the other contributors.

New York Mercantile Exchange (NYMEX) Natural Gas Prices

Balance of 2017 \$3.22

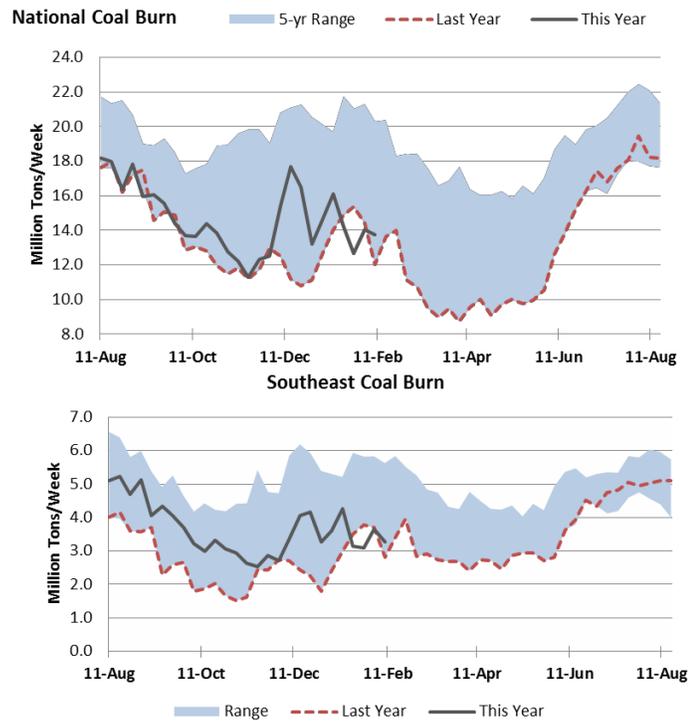
Calendar 2018 \$3.07

Calendar 2019 \$2.87

Calendar 2020 \$2.85

Coal Burns & Production

- According to Genscape, coal burns totaled 13.7 MM tons for the week ending February 9th – a decrease of 0.3 MM Tons (-11%) from the prior week. Year to date, national burns now total 85.3 MM tons, down 1.0 MM or 1.2% from the same time last year.
- According to EIA, coal production totaled 17.0 M tons for the week ending February 4th, representing an increase of 1.0 Mm tons (5.76%) from the prior week, Year to date, national production is 12 MM tons ahead of this time last year (18%).



Electricity

- The on peak forward curve is backwardated as is the PJM curve. For PJM on-peak prices are \$38.21 for 2018 to \$36.05 in 2022. On peak prices were \$33.86 in 2108 and \$32.65 in 2022. On-peak prices were essentially flat last week.
- On-peak prices for winter are \$30.92 in Jan and \$25.98 in Feb this was down from \$42.50 on Jan 3, while PJM W prices for Jan are \$34.58 while Feb is \$27.18, down from \$47.25 on Jan 3.

Economic Events & Outlook

- Feb 14: Federal Reserve Chair Janet Yellon gives her semiannual monetary policy report to the Senate Banking Committee.
- Feb 15: Consumer Price Index and Retail sales for January.
- Feb 15: Industrial Production for January.
- Feb 16: Housing Starts for January released.