NATURAL GAS MARKETS IN AN EVOLVING ENERGY LANDSCAPE

American Gas Association

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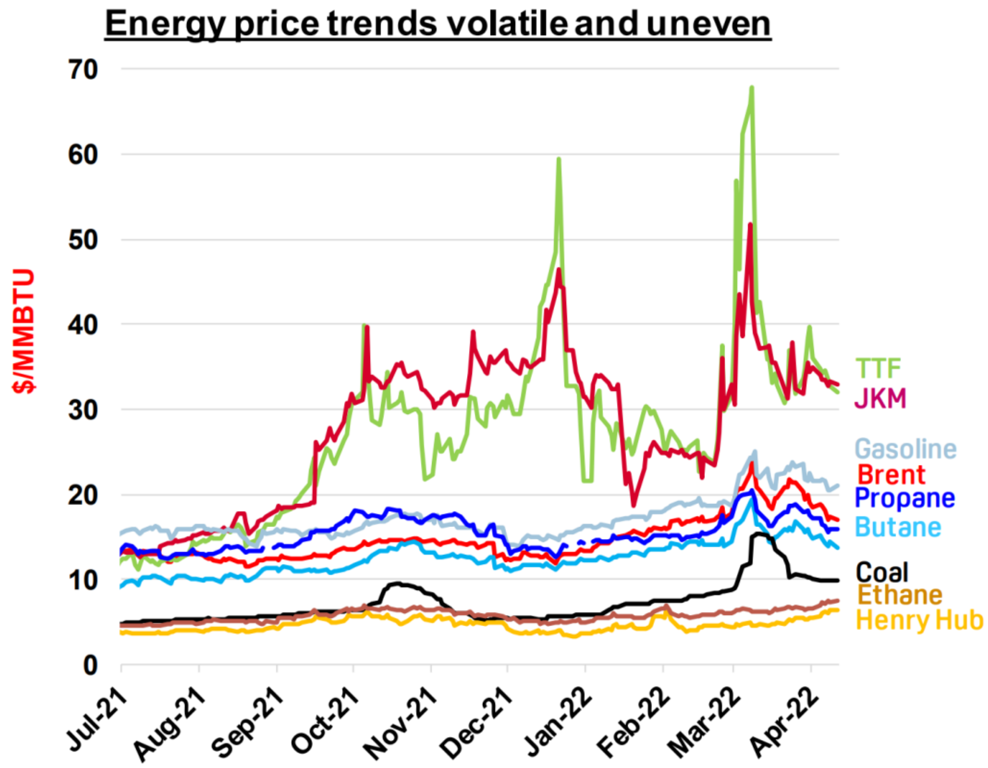
The American Gas Association (AGA) represents companies delivering natural gas safely, reliably, and in an environmentally responsible way to help improve the quality of life for their customers every day. AGA's mission is to provide clear value to its membership and serve as the indispensable, leading voice and facilitator on its behalf in promoting the safe, reliable, and efficient delivery of natural gas to homes and businesses across the nation.

Committed to utilizing America's abundant, domestic, affordable and clean natural gas to help meet the nation's energy and environmental needs.

Notice

US natural gas prices are relatively stable and present sharp contrast with Europe and Asia



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Declines in EU natural production has meant growing reliance on Russian imports

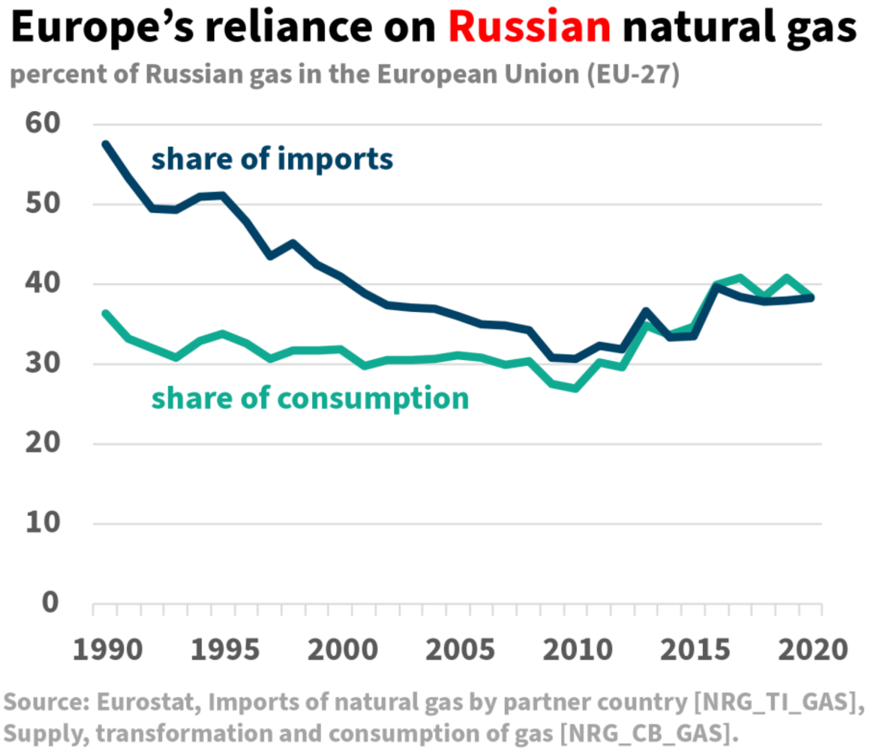

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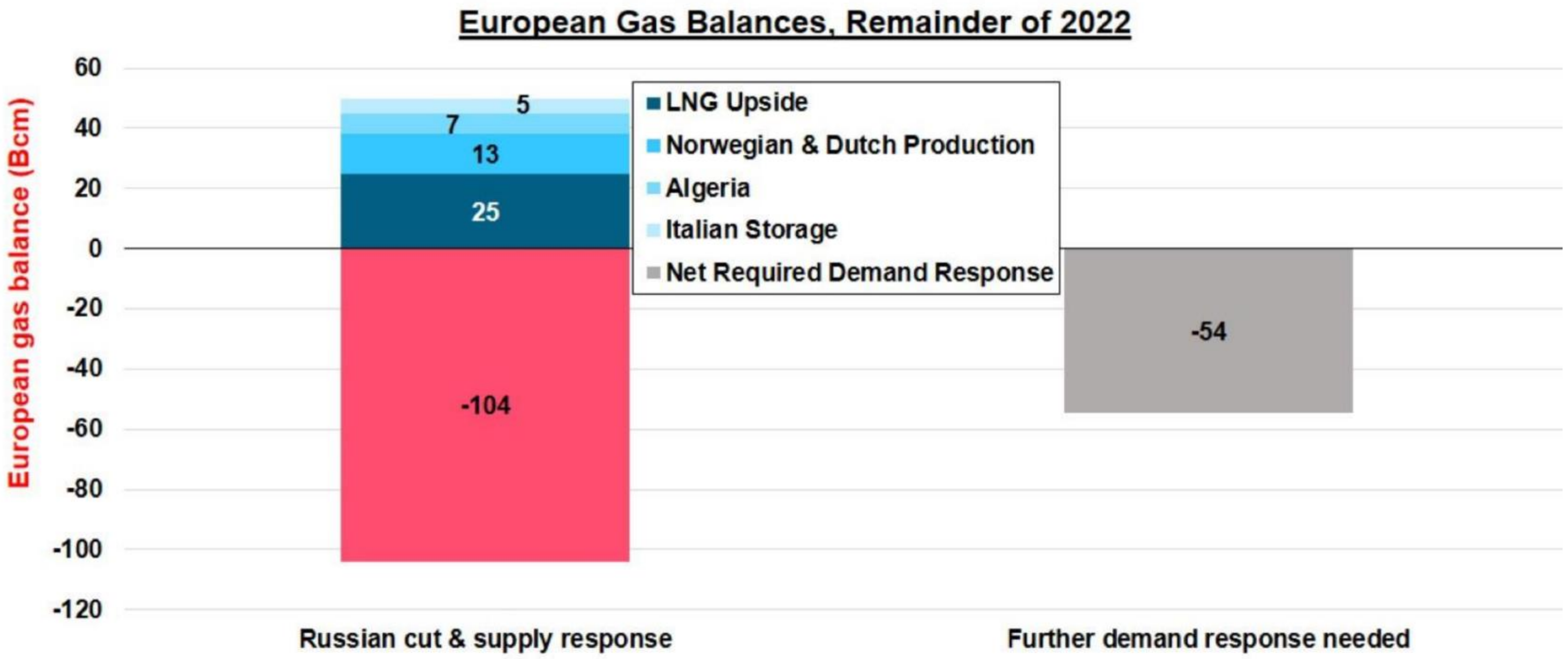
Chart: Nikos Tsafos CSIS

Russia is largest source of Europe’s natural gas. If flows were cut, despite significant response, Europe still left short



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US playing an outsized role in serving European gas demand

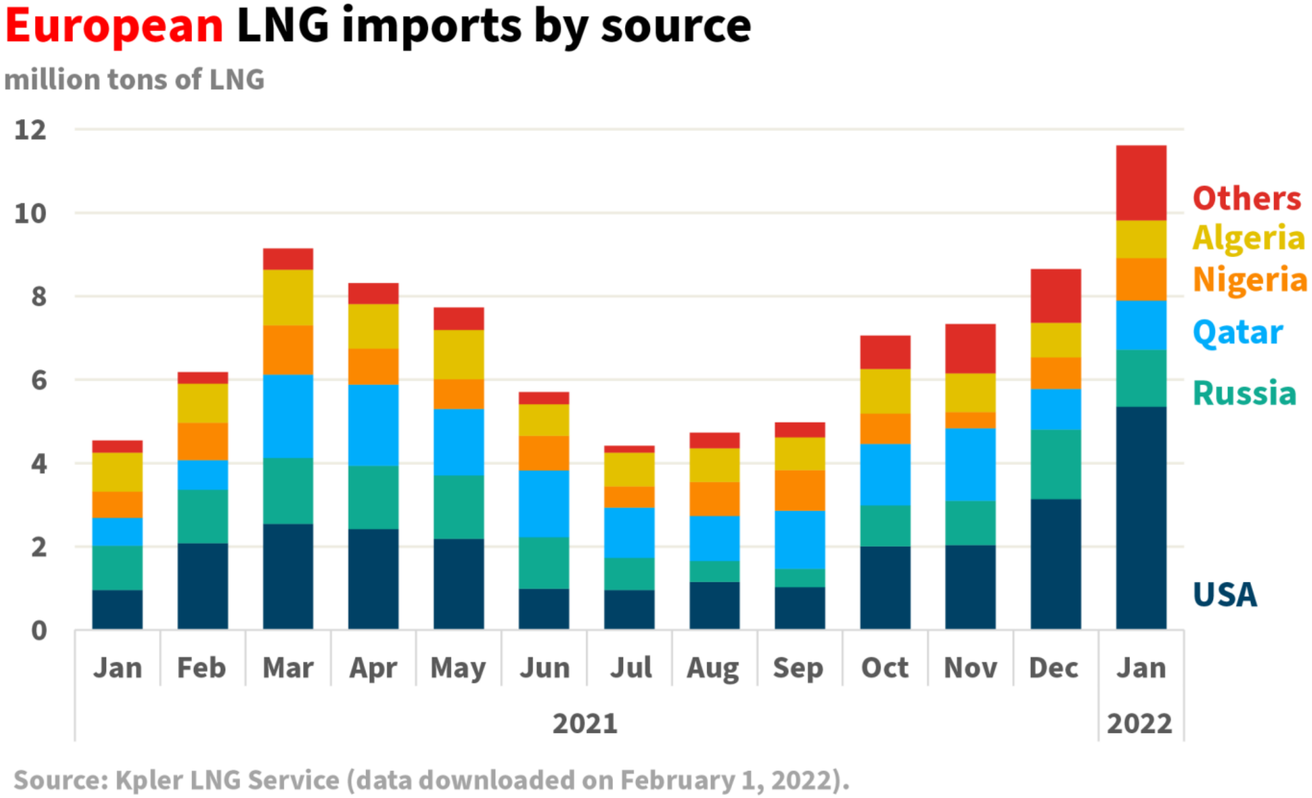

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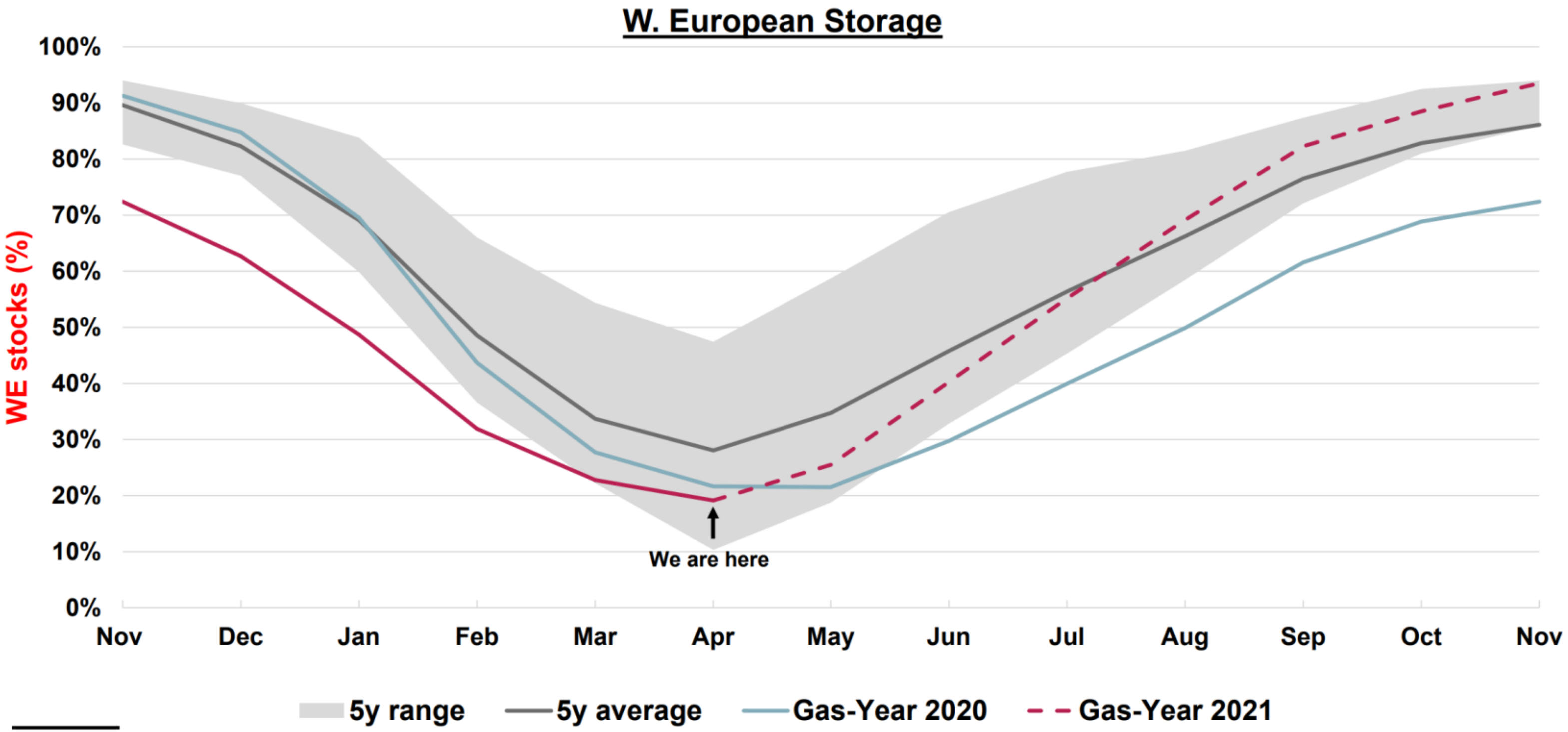
Chart: Nikos Tsafos CSIS

European natural gas storage is rebuilding



S&P Global Commodity Insights

Western Europe = NW Europe + Italy

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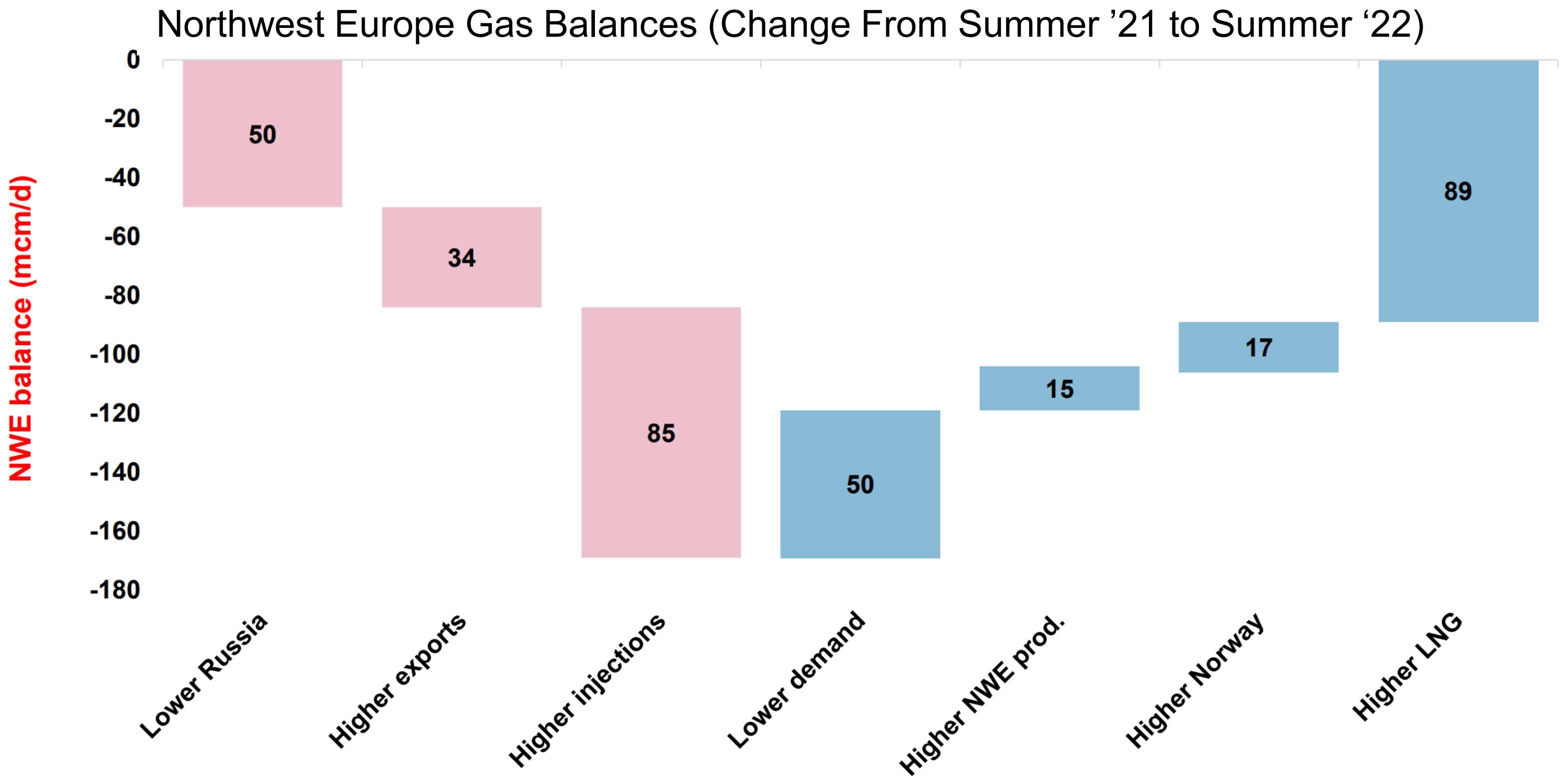
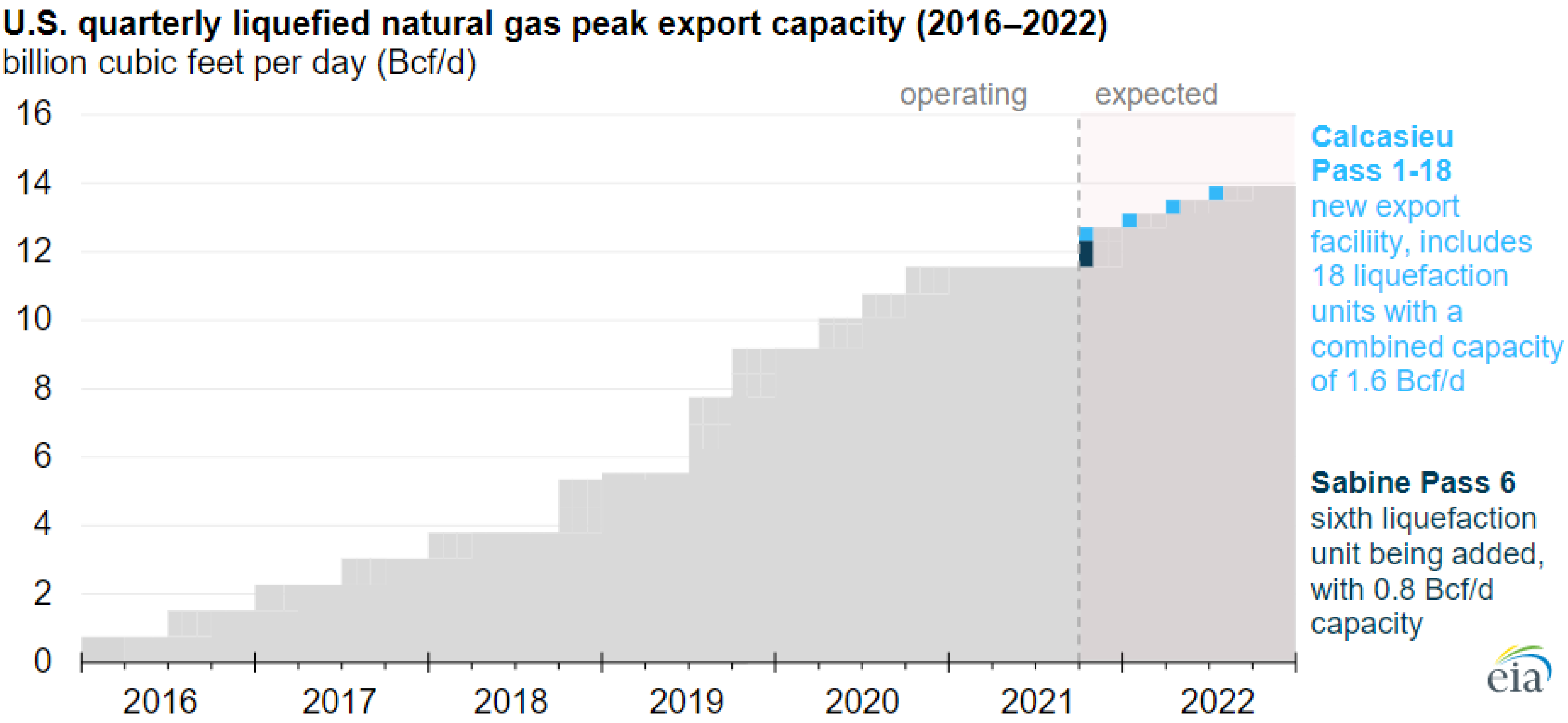
LNG imports will help balance the European gas market this summer

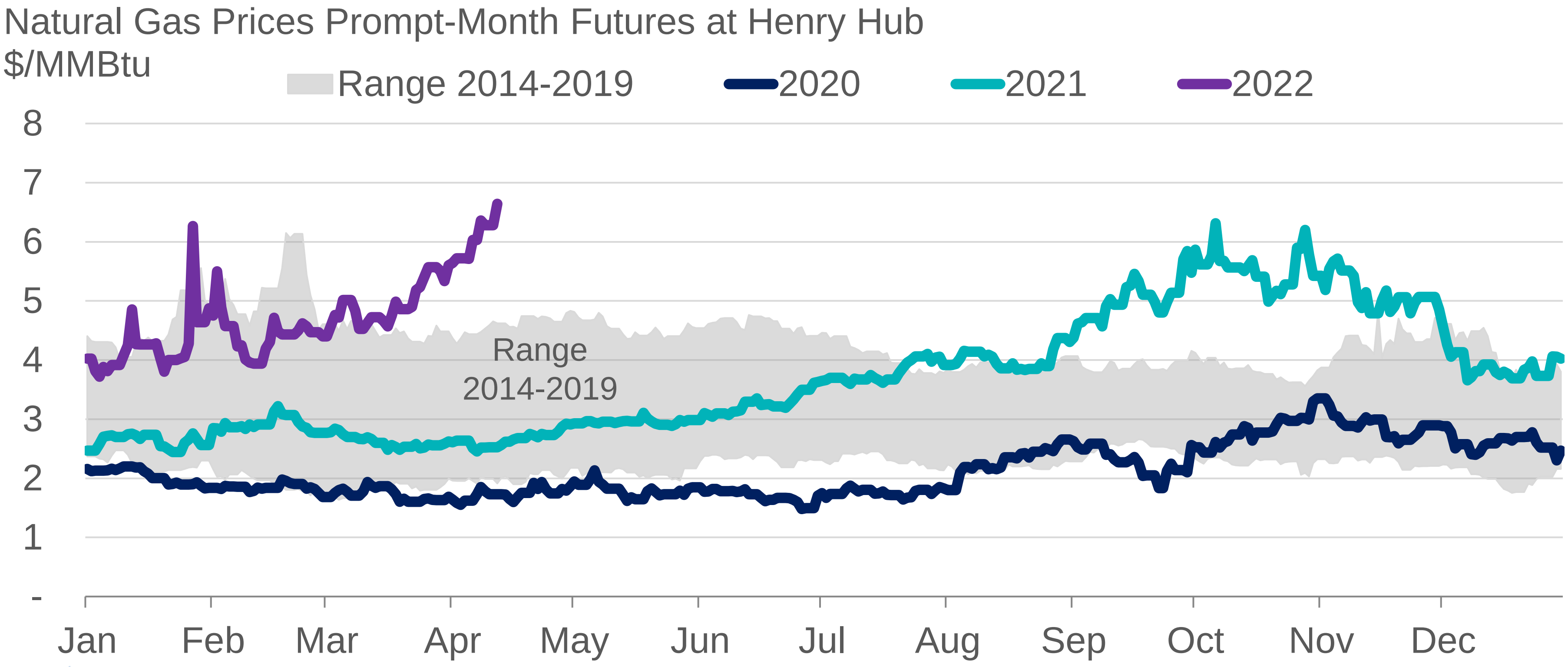


More LNG export capacity online in 2022. Next major project not due until 2024.



Source: U.S. Energy Information Administration, database of U.S. LNG export facilities

At home, natural gas futures are trading above recent history



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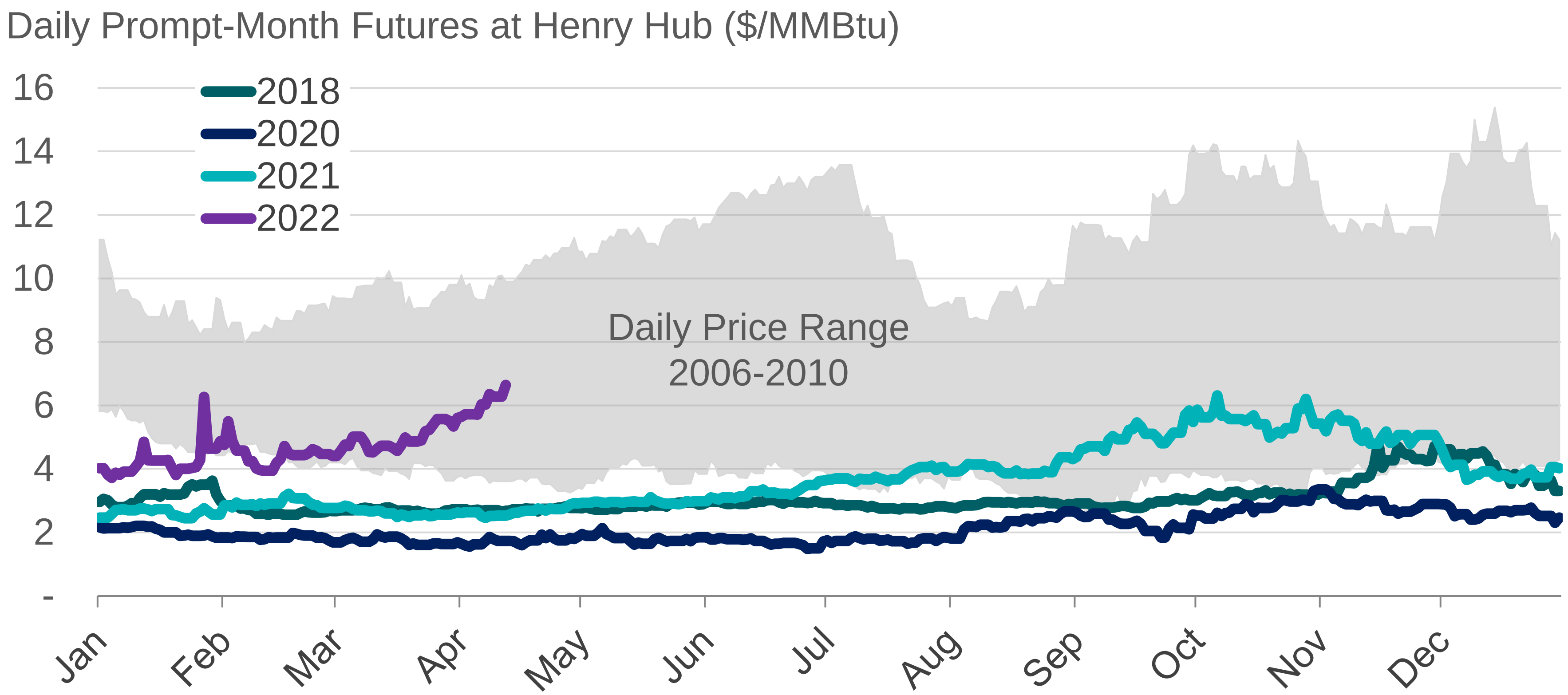
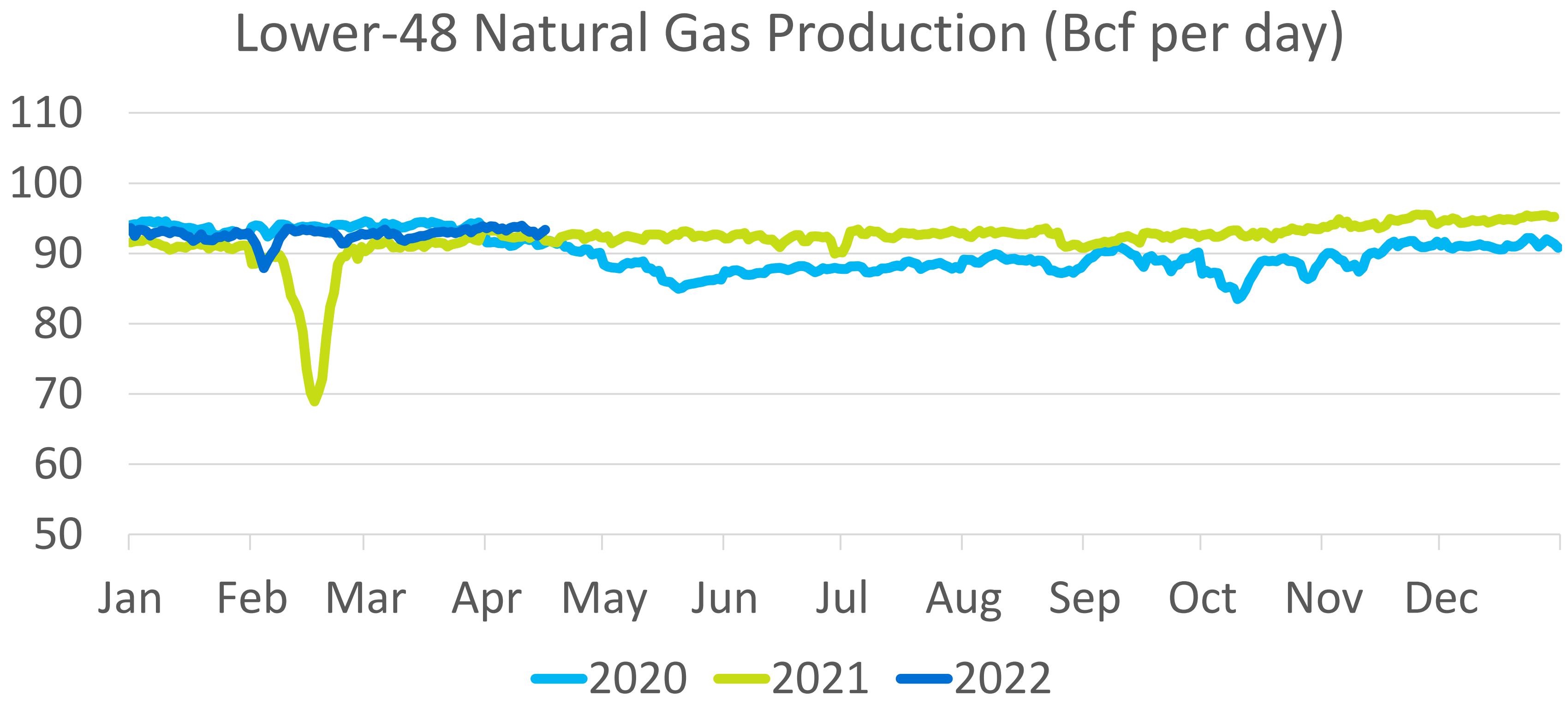
Source: Energy Information Administration

Within a larger span of history, prices remain low and stable



Source: Energy Information Administration

Natural gas production is elevated relative to 2021.



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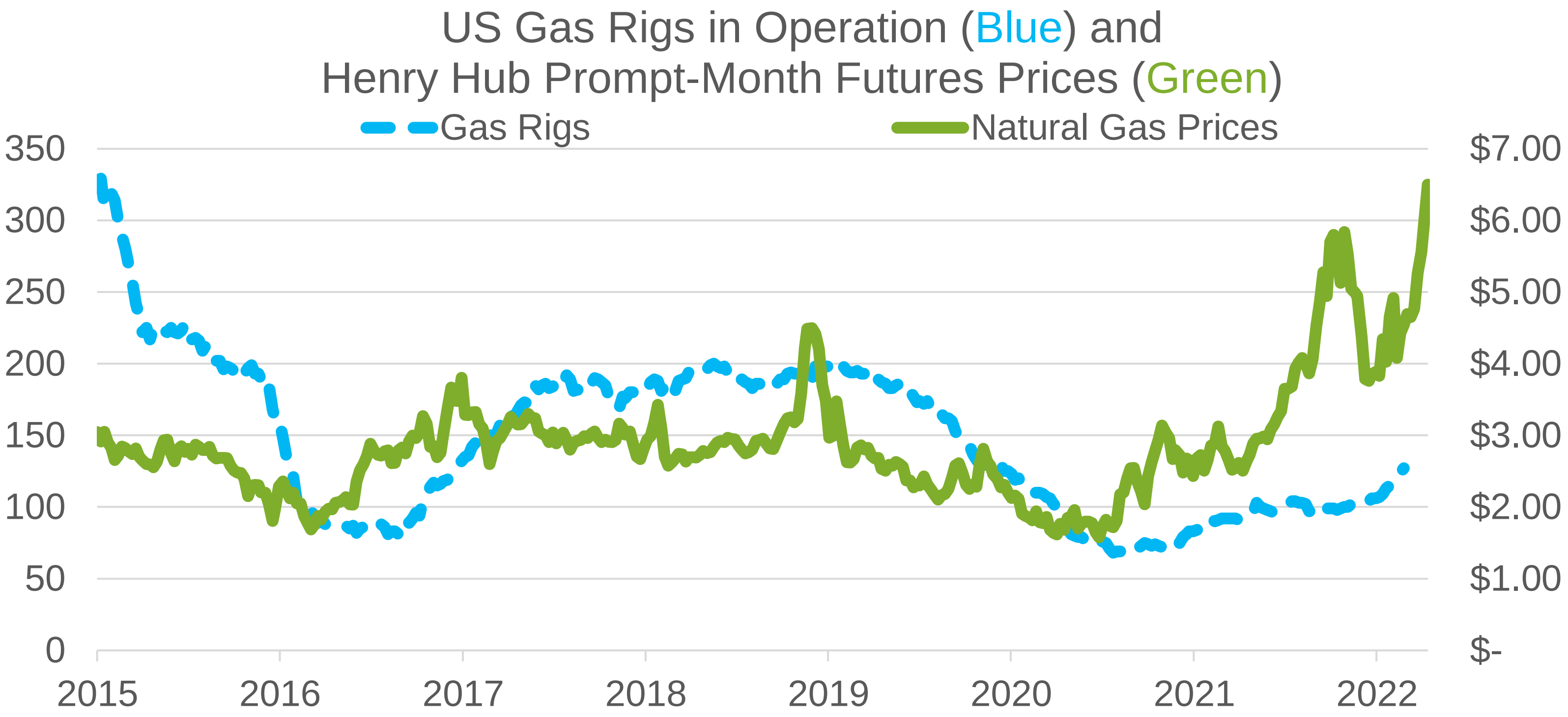
During the past year, as natural gas prices recovered, the resumption of gas drilling activity was muted, but has picked up



Source: Baker Hughes, Energy Information Administration
Chart: American Gas Association

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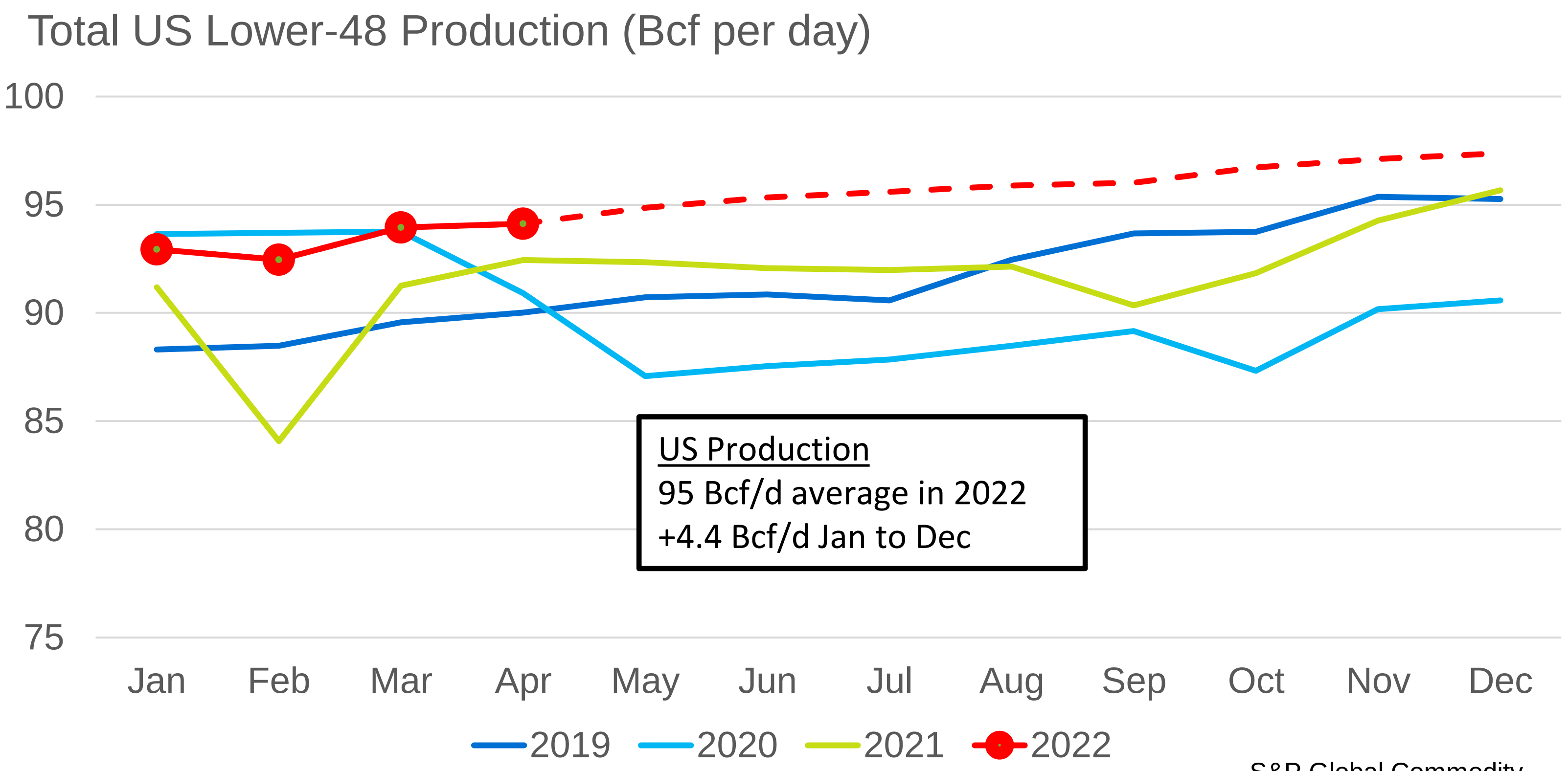
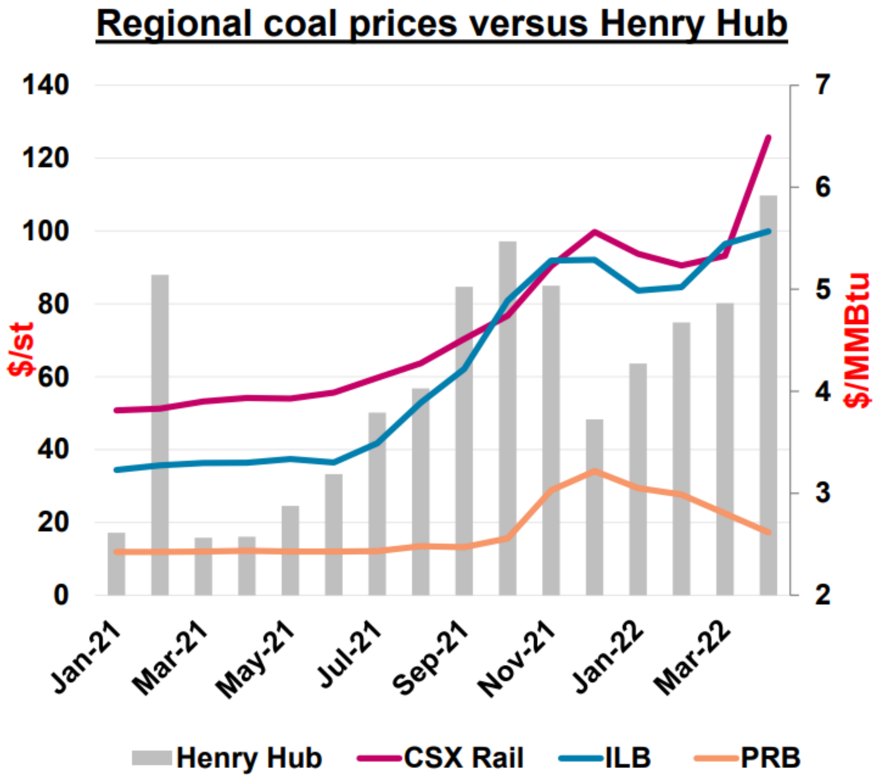
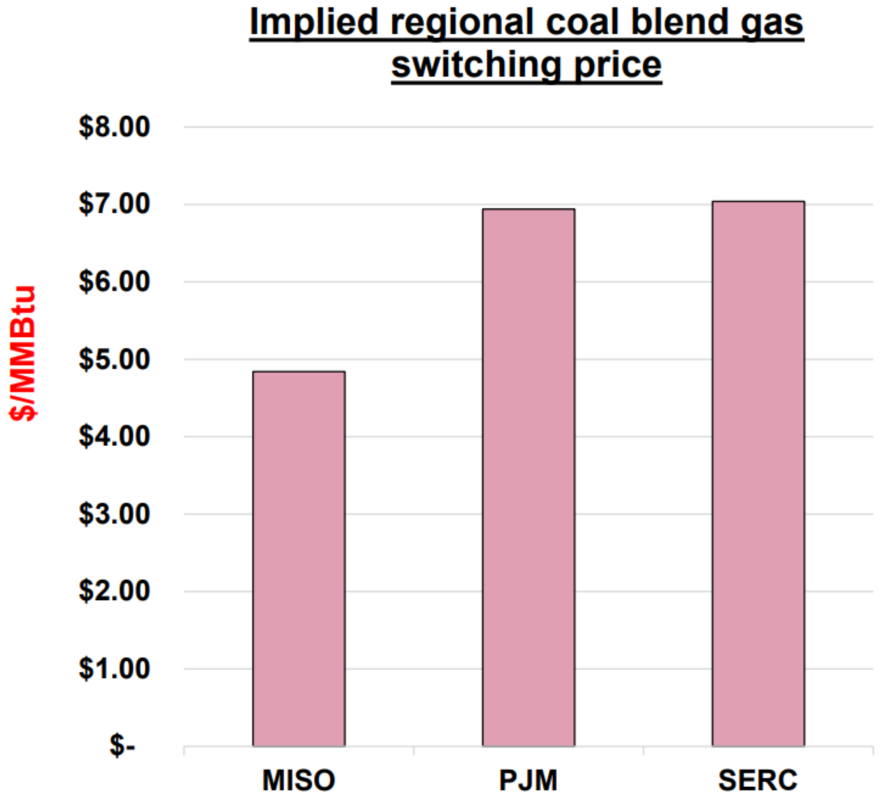
Production expected to grow



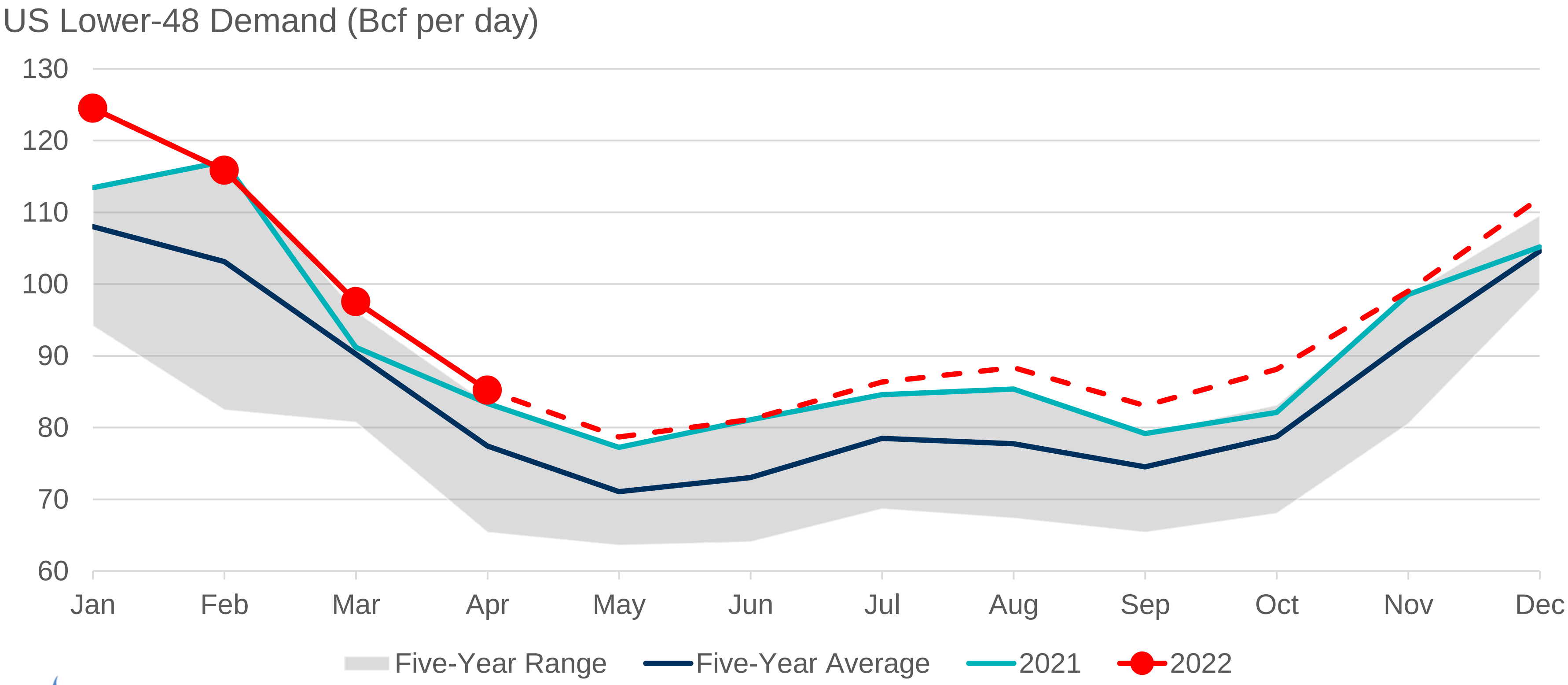
S&P Global Commodity Insights Forecast (4/15/2022)

Higher coal prices means natural gas prices need support to induce gas-to-coal switching



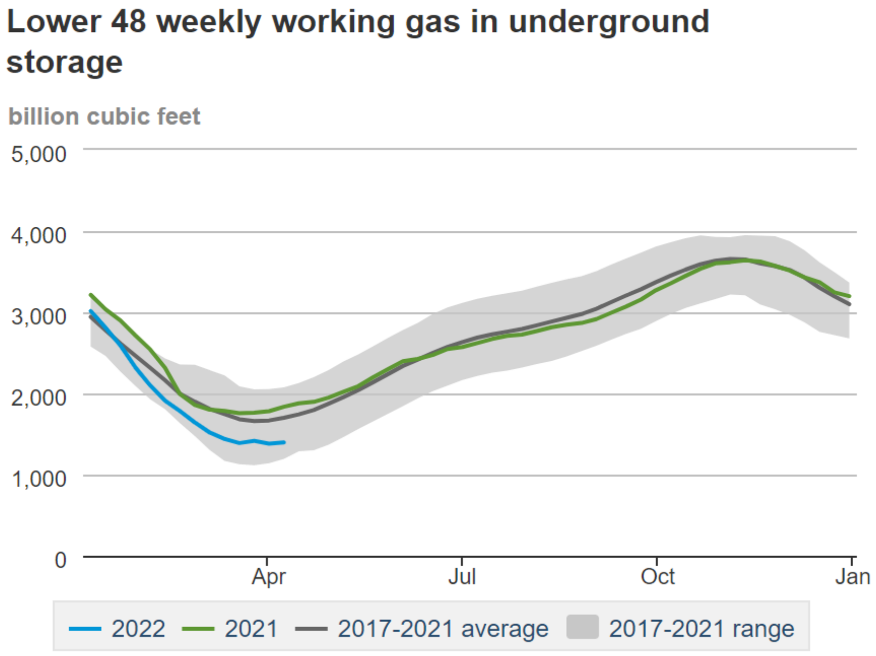


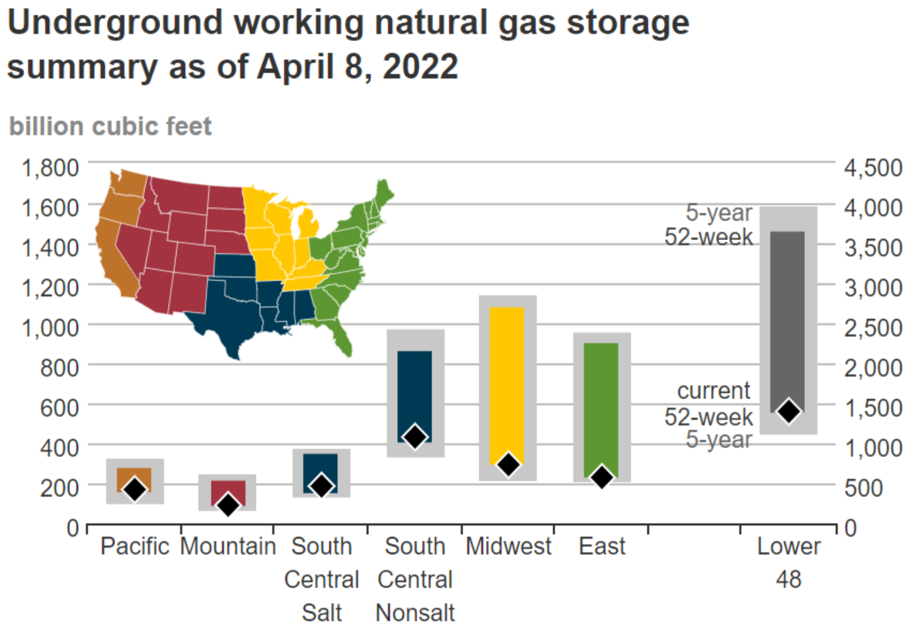
LNG Exports and domestic end uses contribute to higher demand



S&P Global Commodity Insights Forecast (4/15/2022)

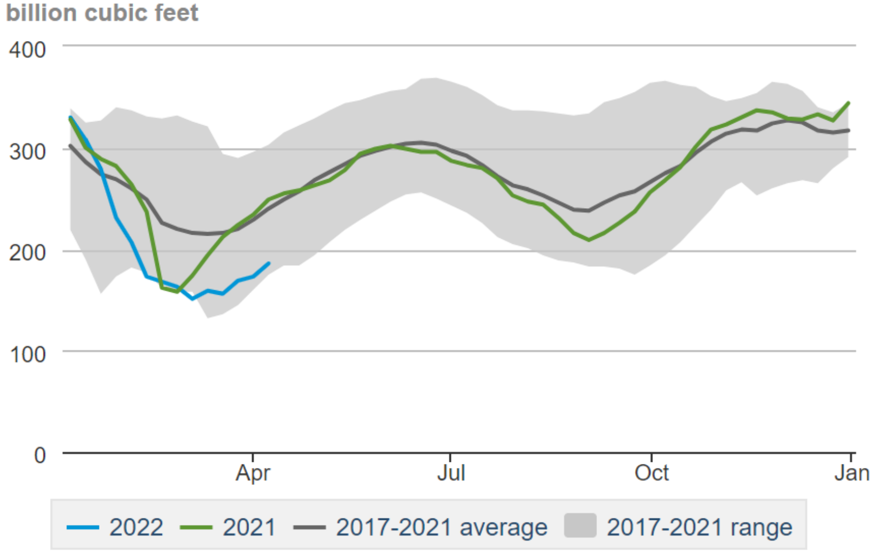
US storage inventories ended March at 1.4 Tcf. EIA forecasts storage at 3.5 Tcf by October, below 2021 levels.



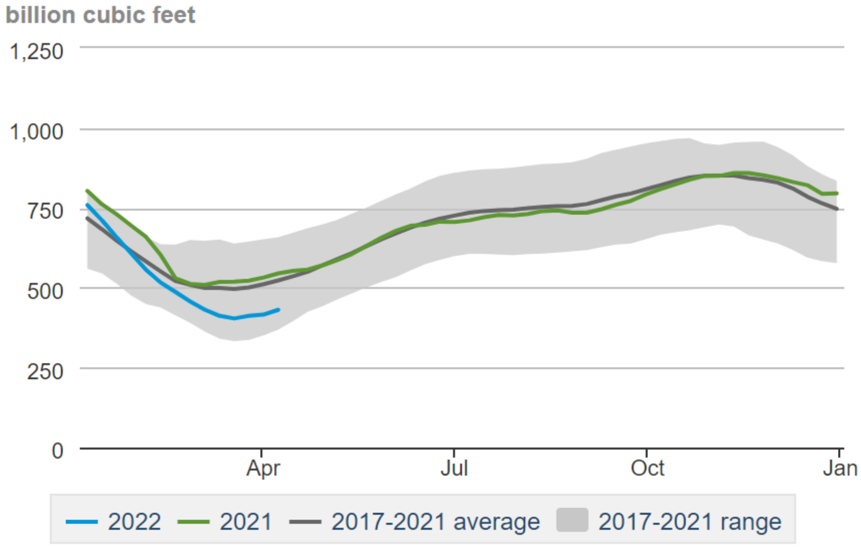


Storage inventories, which began the winter below average, remain at the bottom range of the five-year average.

South Central Salt region weekly working gas in underground storage

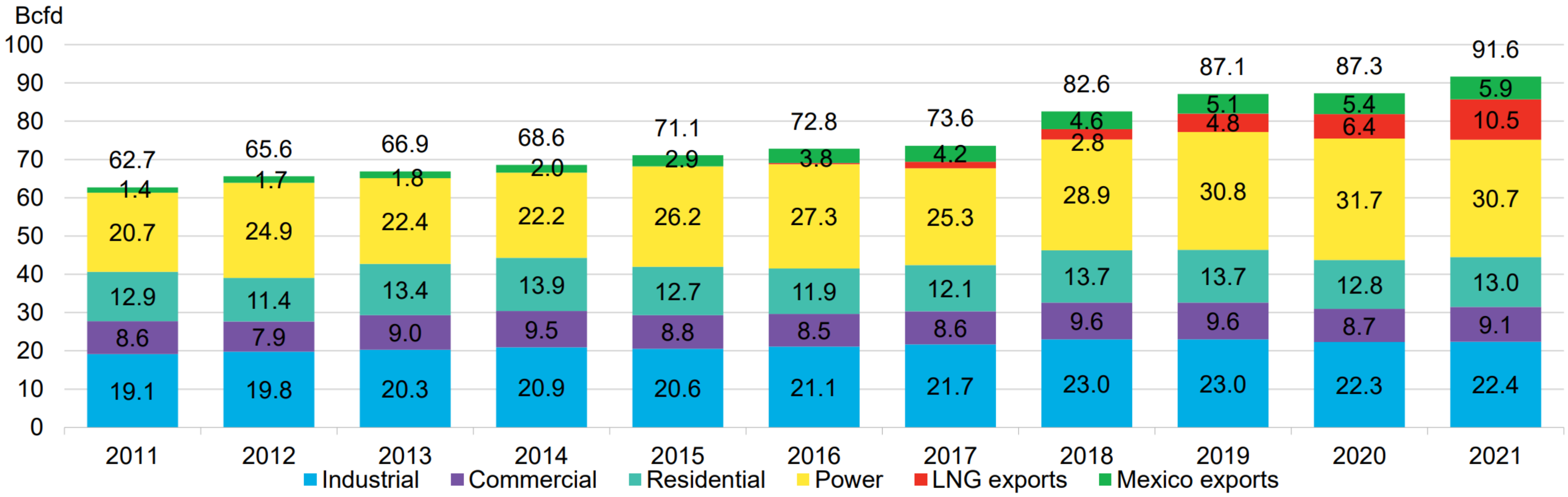


South Central Nonsalt region weekly working gas in underground storage



US natural gas demand continues to grow in 2021, driven by exports

U.S. natural gas demand by end use



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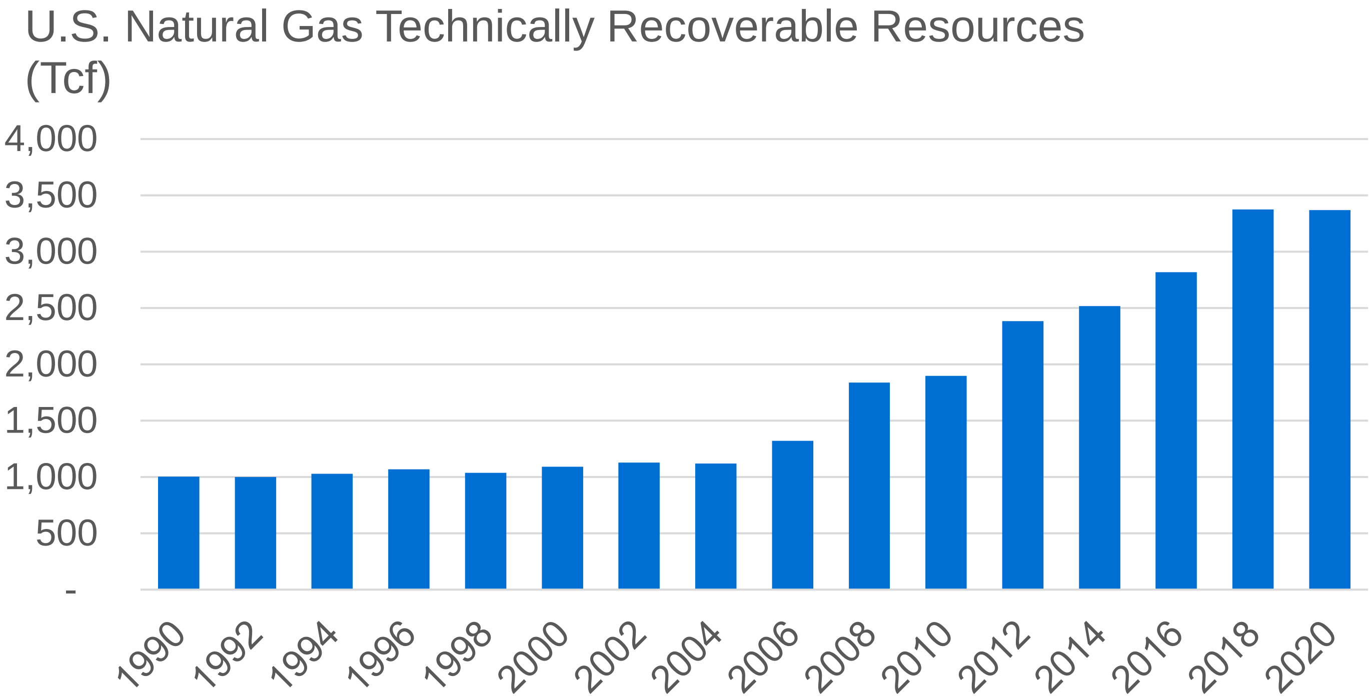
Source: BCSE Factbook, EIA, DOE

Futures supply growth is unlikely to be limited by geology. *Potential future* supply of natural gas is at a record high.



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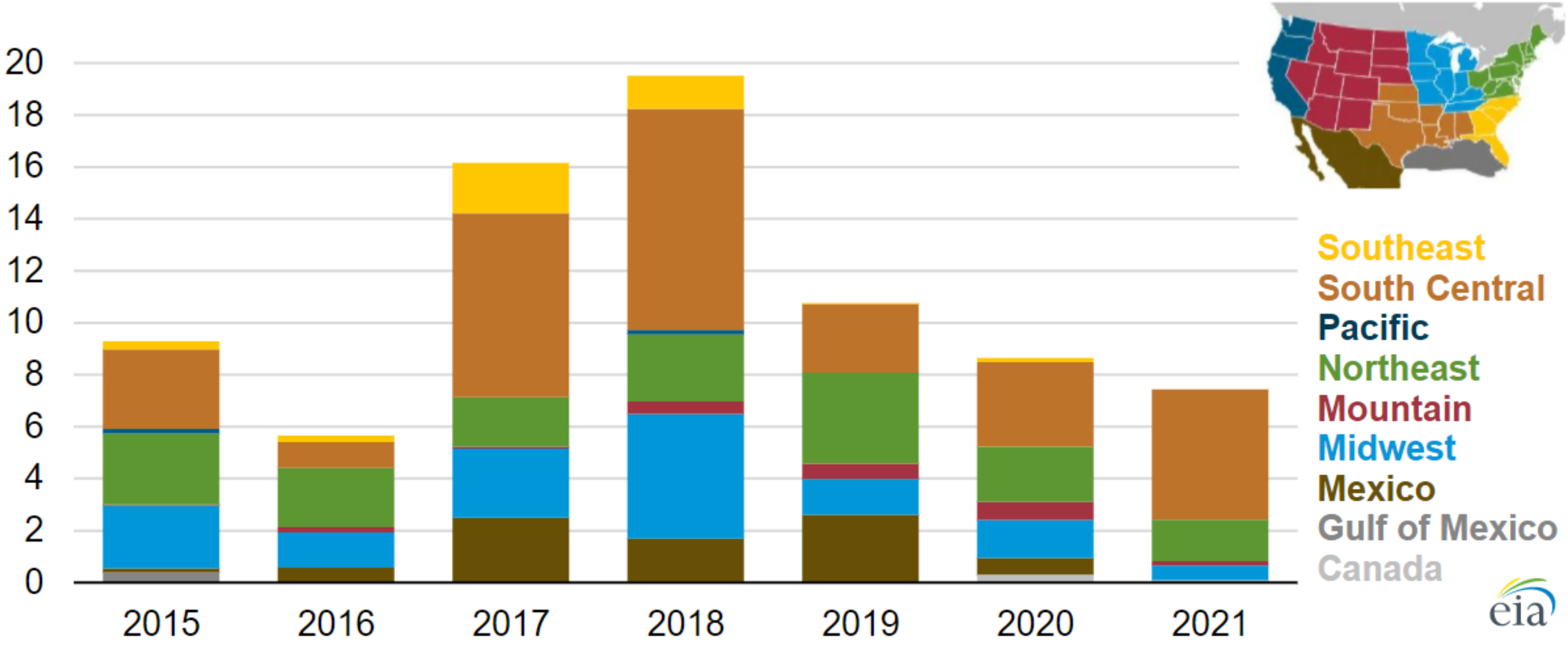
Source: Potential Gas Agency (2021)

Natural gas interstate pipeline capacity additions decrease in 2021

Interstate and international interconnection pipeline capacity additions by region (2015–2021)
billion cubic feet per day



Source: U.S. Energy Information Administration, Natural Gas Pipeline Projects Tracker
Note: We consider only pipeline projects under Federal Energy Regulatory Commission jurisdiction as interstate capacity.

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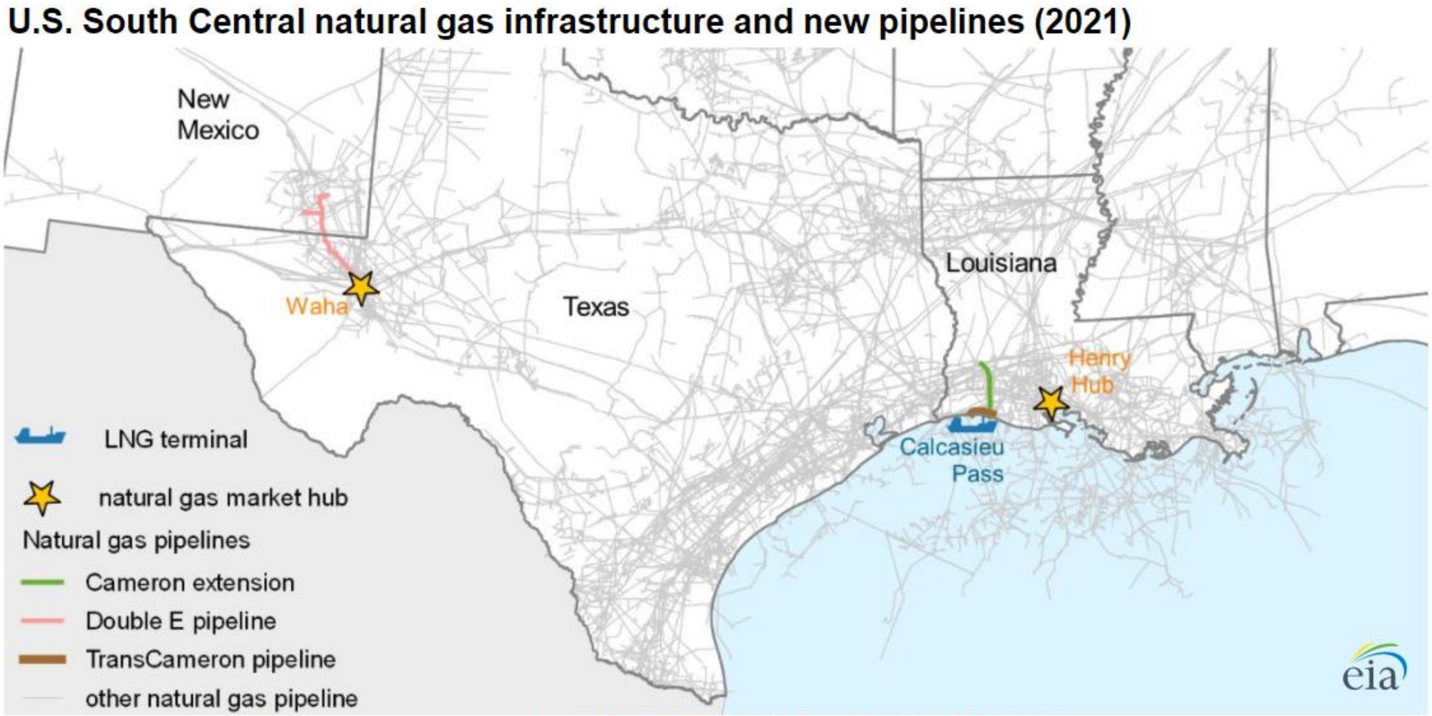
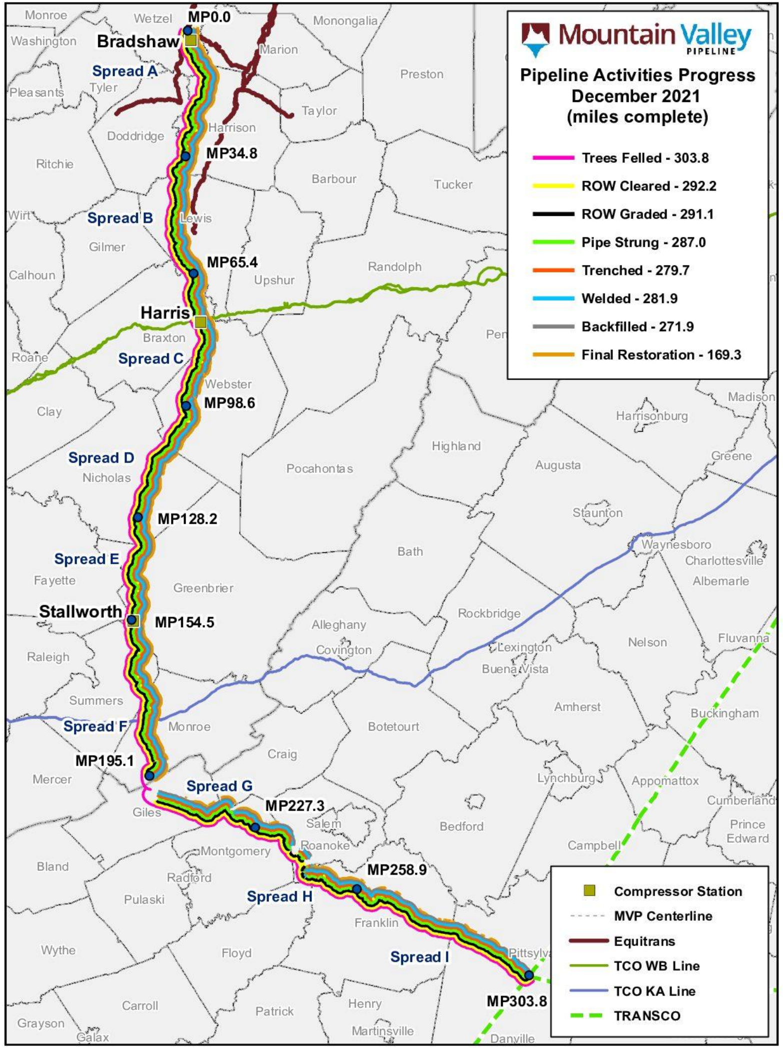
More than two-thirds of new interstate pipeline capacity was within Texas or Gulf Coast markets during 2021



Source: U.S. Energy Information Administration, Natural Gas Pipeline Projects Tracker



Continued challenges to build new major projects

Mountain Valley Pipeline

- 94% complete but remains stalled
- Permits vacated by 4th Circuit
- No longer has in-service date
- Production increases may be limited due to downstream constrains

Image: Mountain Valley Pipeline Project

FERC issues new policy statements – now “DRAFT”

- **Certification of New Interstate Natural Gas Facilities**
  - Updated factors in assessing the public convenience and necessity

- **Interim Policy Statement to Consider GHG Emissions Related to Natural Gas Infrastructure Projects**
  - Quantifying GHG Emissions and Determining Significance
  - Specifies 100,000 metric tons per year CO2 as having a “significant impact on the environment”

  - Result: It will be more difficult to receive FERC approval for pipeline projects

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Questions?