



February 16, 2018

Market Trends



Spotlight: EIA's Annual Energy Outlook 2018

The U.S. Energy Information Administration (EIA) recently published its Annual Energy Outlook 2018. This provides projections out to 2050 for the energy industry including production, consumption, imports, and exports of all major energy sources.

The EIA's Annual Energy Outlook had some significant shifts including reduced gas price projections through 2050 by 14% in comparison to 2017, indicating natural gas to cost around \$5 in 2050. Many factors were evaluated, but the EIA highlighted the expansion and utilization of lower cost production in the Permian and Appalachian basins as one of the highest correlated factors impacting the reforecast.

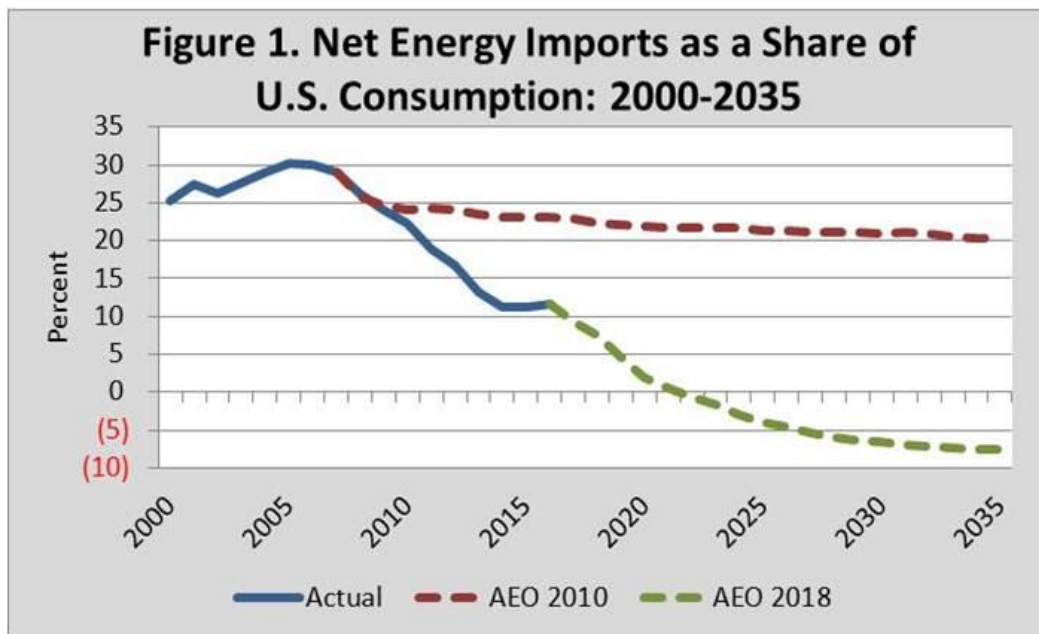
The short-term natural gas forecast for this year looks flat as the cold snap we experienced is expected to be balanced out by record production throughout the rest of this year. The other much more significant shift in concept is that EIA now foresees the US to be a net energy exporter in 2022, four years earlier than projected a year ago. The adjustment is primarily due to increased domestic production and the continued shale revolution.

Renewable development is also a factor in these projections, since they will replace old generation and fill some of the future generation growth. EIA is forecasting that renewables' portion of the fuel mix will surpass coal by 2020. While both wind and solar capacity additions are expected to dip in the early 2020s with the expiration of tax credits, after 2022 EIA projects growth in solar power capacity as solar PV costs continue to decline.

Becoming more involved in the world energy market means there will be a lot more factors influencing prices. Political leadership in Congress and the next presidential election in 2020 will also play a significant role in shaping energy policy.

Net Energy Imports

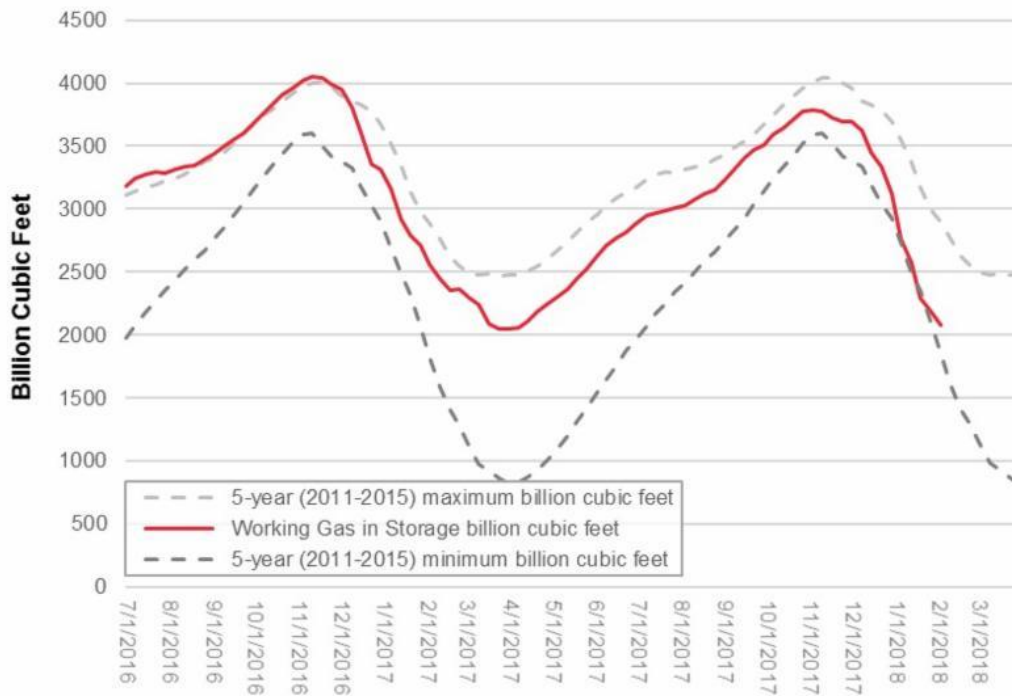
As Figure 1 shows, as recently as 2010, EIA was projecting that net imports would supply 20% to 25% of U.S. demand for the foreseeable future. Today, in its Annual Energy Outlook 2018 (AEO2018), EIA expects that by 2022, the U.S. will be a net exporter of energy.



Source: Global Energy Institute: U.S. Chamber of Commerce

Natural Gas Update

Given that natural gas is a primary fuel source of electricity production in ISO-NE and PJM, the supply available or lack thereof is a significant factor as to whether power prices fall or rise.

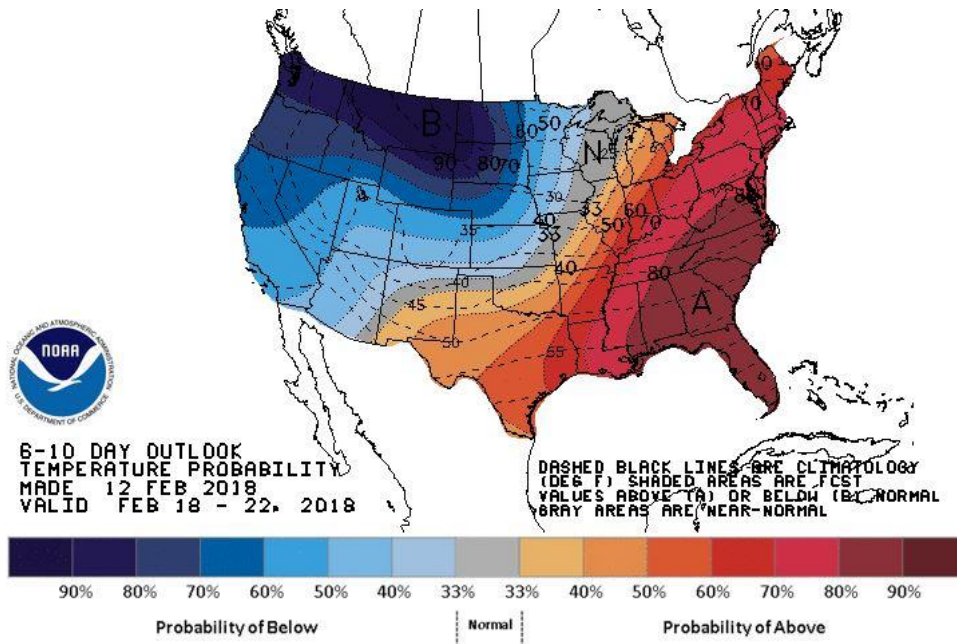


Net withdrawals from storage totaled 119 billion cubic feet (Bcf) for the week ending February 2, compared with the five-year (2013-17) average net withdrawal of 151 Bcf and last year's net withdrawal of 142 Bcf during the same report week.

Source: The U.S. Energy Information Administration

Weather

6 to 10 Day Temperature Outlook



Source: NOAA/ National Weather Service

Trending Now

- ISO-NE Capacity Prices Hit 5-Year Low
- PJM meets to discuss capacity re-pricing proposal
- Massachusetts senators introduce a broad clean energy bill that sets an overall goal of making the state 100 percent reliant on renewable energy by 2050
- Natural gas spot prices fell at most locations this report week (Wednesday, January 31 to Wednesday, February 7)
- PJM oil generation increased 683% year on year in January
- Nymex, the March 2018 contract price fell 29¢ from \$2.995/MMBtu last Wednesday to \$2.702/MMBtu

Additional Information

ISO-NE forward capacity auction closes with adequate power system resources for 2021-2022

From ISO-NewsWire

New England's annual Forward Capacity Market auction for power system resources concluded Tuesday, February 6 with sufficient resources to meet peak demand in 2021-2022, and preliminary results indicate the clearing price was the lowest in five years due to a surplus of capacity in the region.

[Full article](#)

Powelson: Input from PJM, ISO-NE states critical to FERC resilience docket

From Utility Dive

Input from states in the PJM and ISO-New England markets will be critical to winning approval at the Federal Energy Regulatory Commission for any plan to enhance the resilience of the nation's power sector, Commissioner Robert Powelson said Monday.

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800.343.4410 | info@patriotenergygroup.com | www.patriotenergygroup.com



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