

# THE SCHORK REPORT



Friday, January 07, 2022

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

FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

EIA Weekly Natural Gas Status Report				
Storage $\Delta$ (Bcf)	EIA 24-Dec	Seasonally Adjusted Norm	EIA 31-Dec	Bias
L48	(136)	(148) $\pm$ 41	(31)	Bearish
South Central	(39)	(34) $\pm$ 7	27	Bearish
Salt	(8)	(7) $\pm$ 2	21	Bearish
Nonsalt	(30)	(28) $\pm$ 6	6	Bearish
Midwest	(45)	(52) $\pm$ 18	(25)	Bearish
East	(32)	(36) $\pm$ 13	(10)	Bearish
Mountain	(8)	(12) $\pm$ 4	(8)	Neutral
Pacific	(12)	(14) $\pm$ 3	(16)	Neutral



## Note Bene: Better late than never for gas bulls?

**Key Messages for January 6-7 Winter Storm** Updated January 6, 2022 5:00 AM EST

Winter Storm from the Mid-South through New England

- A winter storm will impact areas from the Mid-South through New England through Friday with travel disruptions and hazardous to potentially dangerous road conditions expected.
- Several inches of heavy snow and a zone of mixed precipitation, including freezing rain, is expected from Mid-South through the southern and central Appalachians through this evening.
- Accumulating snow, heavy in places, is expected as the system moves through the Mid-Atlantic and Northeast tonight, continuing into Friday in New England.

For more information go to: [www.noaa.gov/forecast](http://www.noaa.gov/forecast)

## The East Gets Its First Taste of Winter

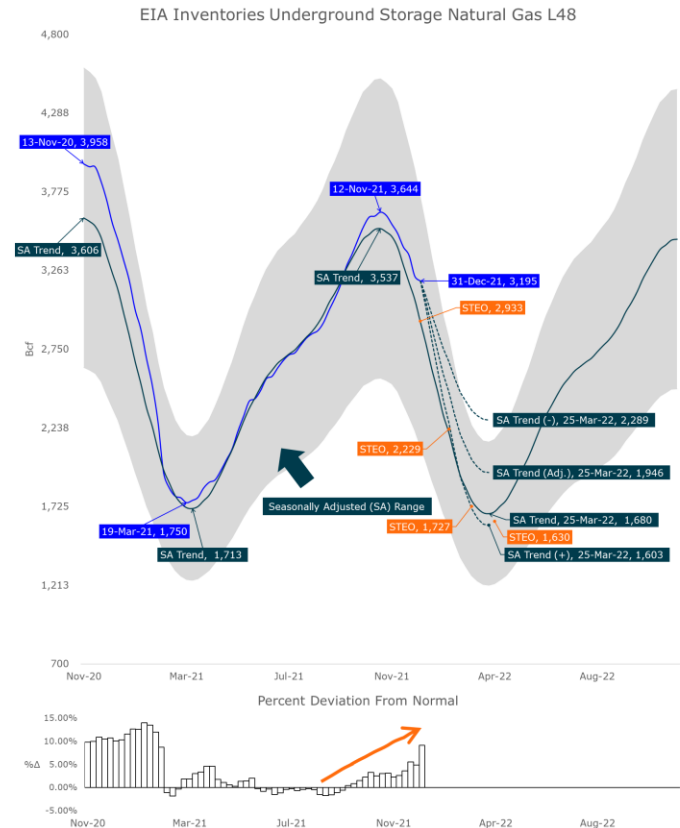
## Omnium Gatherum

ENERGY PRICES WERE MIXED YESTERDAY... NYMEX WTI rallied through \$80/b for the first since the White House announced its scheme to "lower" gasoline prices with a dubious release of crude oil from the SPR. How's that working out? NYMEX natty faded the EIA update on storage.

## Natural Gas Review

Yesterday the EIA reported the seventh delivery of the winter, a pitiful 31 Bcf of natural gas was withdrawn from L48 underground storage. For the week ended December 31<sup>st</sup>, storage ticked lower to 3.195 Tcf and the surplus to the seasonally adjusted trend nearly doubled to a 47-

week high of 9.1% (267 Bcf). Since the start of the heating season, a total of 449 Bcf has been delivered, which is 26% (160 Bcf) below the seasonally adjusted time series and 29% (179 Bcf) below last year's pace.



Counter to seasonal norms, a massive 21 Bcf of gas was injected in the Salts. At this point in the season, a net of 22 Bcf is typically delivered. This year, a net of 9 Bcf has been injected. The surplus to the seasonal norm nearly

doubled last week to a 16-month high of 22.8% (64 Bcf). The Nonsalts reported a countercyclical injection of 6 Bcf, as opposed to the seasonal norm of a  $28 \pm 7$  Bcf delivery. All told, storage in the South-Central market area ballooned by 27 Bcf. The surplus to the seasonally adjusted norm jumped by two-thirds to a 16-month high of 15.7% (155 Bcf).

Storage in the Midwest reported an abnormally small delivery of 25 Bcf. Storage fell to 893 Bcf and the surplus to the seasonally adjusted trend more than doubled to a 46-week high of 6.9% (57 Bcf). This season's delivery is up to 186 Bcf which is 17% (38 Bcf) below the seasonally adjusted trend and 14% (30 Bcf) below last year's pace.

Storage in the East fell by a barely perceptible 10 Bcf to 767 Bcf. The surplus to the seasonally adjusted time series doubled to a 48-week high of 7.6% (54 Bcf). This area's hitherto delivery is 26% (46 Bcf) below the seasonally adjusted time series and 29% (55 Bcf) below a year ago.

### Bottom Line

We are now more than a third of the way through the heating season and the market has consumed 449 Bcf of one-fourth of last summer's 1.894 Bcf injection.

As we noted before the holiday break, a shift in the polar jet stream indicated we could see our first blast of Arctic air as we headed into 2020.

This is scenario is currently playing out for markets in the East. Earlier this week, Reuters reported that next-day power prices in New England spiked 550% to a four-year high of \$228/MWh. With this week's surge in space heating demand through key gas furnace markets, next Thursday's report on underground storage will fall within seasonal norms.

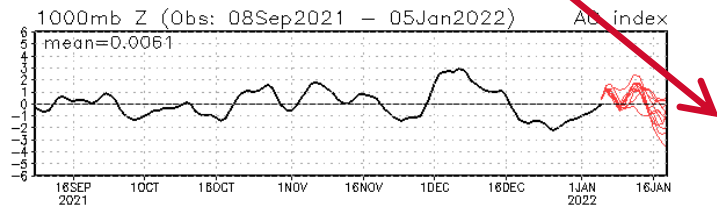
The early consensus is all over the map with some estimates coming in the 130s Bcf (midpoint of the seasonally adjusted time series), all the way up to the 170s Bcf (high point of the series). Stay tuned.

At this point, we calculate a 33% chance that storage ends the winter above the EIA's forecast of 1.630 Tcf and a 20% chance we finish above the 5-year average of 1.800 Tcf.

### The Winds Are Shifting in The Bulls Favor

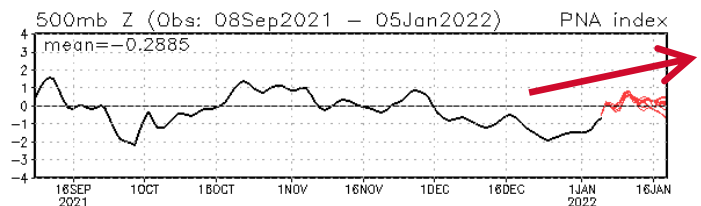
According to NOAA's Climate Prediction Center (CPC), the trend the Arctic Oscillation (AO) is currently positive but is forecast to move negative into the middle of this month. This is a potential bullish event for heating Btus. When winds circling the Arctic are very weak ("negative"), polar air can slip into the lower altitudes.

AO: Observed & ENSM forecasts

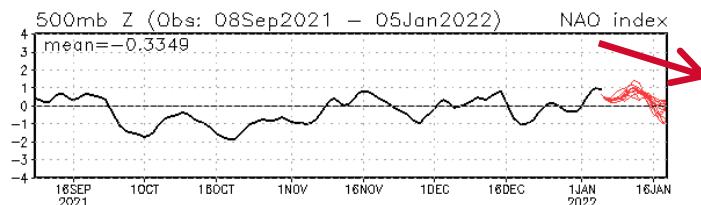


The Pacific North American pattern (PNA) has been negative since the start of winter but is now forecast to move to positive which sets the table to block warm marine air from the Gulf from rising into the central and eastern U.S. market areas. Finally, the North Atlantic Oscillation (NAO) is forecast to shift negative. When the NAO is weak (negative) prevailing winds, and the polar jet stream can unleash Arctic air into the L48.

PNA: Observed & ENSM forecasts



NAO: Observed & ENSM forecasts



As illustrated, when a negative AO is coupled with a positive PNA and/or a negative NAO, then you have all the ingredients for a spike in heating demand in the U.S. Midwest and Northeast. As such, with the way the winds are expected to blow, natural gas bulls still have hope.

