THE SCHORK REPORT™

FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

Friday, March 04, 2022
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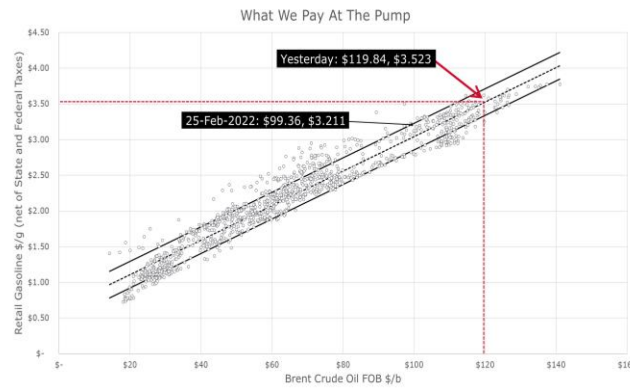
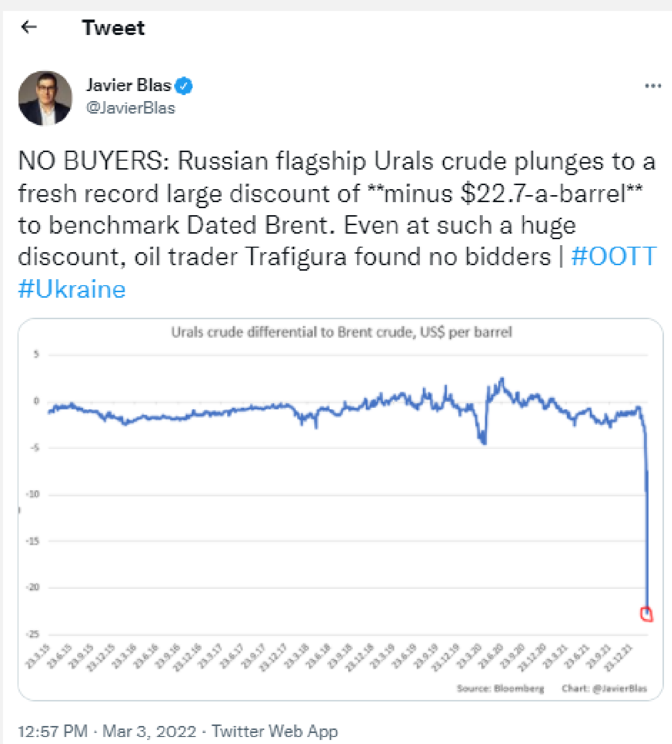
EIA Weekly Natural Gas Status Report				
Storage Δ (Bcf)	18-Feb	Seasonally Adjusted Norm	25-Feb	Bias
L48	(129)	(83) ± 23	(139)	Bullish
South Central	(34)	(14) ± 3	(35)	Bullish
Salt	(5)	(3) ± 1	(5)	Bullish
Nonsalt	(29)	(11) ± 3	(30)	Bullish
Midwest	(46)	(31) ± 11	(46)	Bullish
East	(39)	(28) ± 10	(38)	Neutral
Mountain	(9)	(5) ± 2	(9)	Bullish
Pacific	(1)	(5) ± 1	(12)	Bullish



Note Bene: The price of poker is going up…

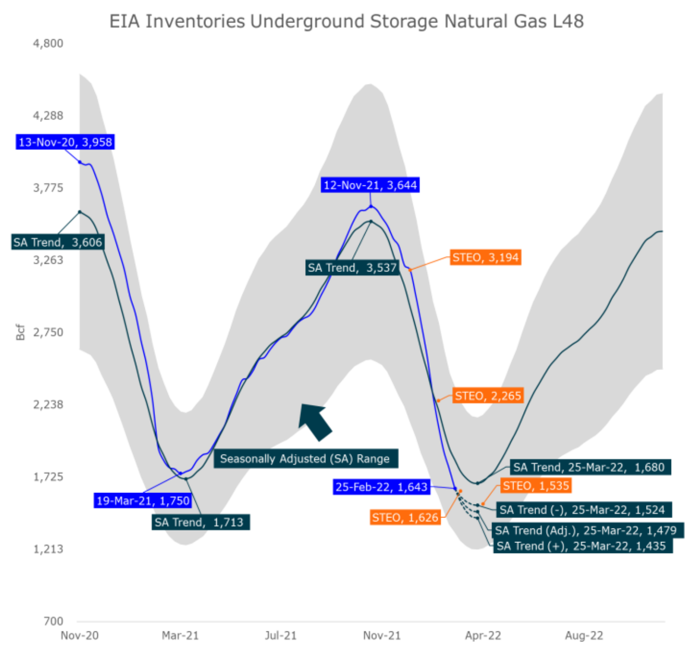


Omnium Gatherum

ENERGY PRICES WERE MIXED YESTERDAY… oil opened strong, finished soft. ICE Brent exploded to a $119.84/b high print (the equivalent of $4.013/gal for consumers at the pump) but *only* finished the day at $110.46/b.

Whereas governments have yet to sanction imports of Russian crude oil, traders have taken it upon themselves to ban Russian oil from the market. Our friend, Javier Blas at Bloomberg (see the NB) noted that Russian oil cannot find a home. Trafigura offered Russia's flagship Urals crude at a $22.7/b discount to benchmark Dated Brent and still could not find any takers.

Against this background, JP Morgan reportedly forecast $185/b crude oil by the end of the year if the lack of Russian oil persists. This is not an unreasonable price. As of last night's close in Brent, our model is assigning a 12.2% probability (odds of 7:1) we will see $185/b oil by years end, along with a 9.8% probability (odds of 10:1) we will see $200/b.



L48 storage is on the way to <1.35 Tcf

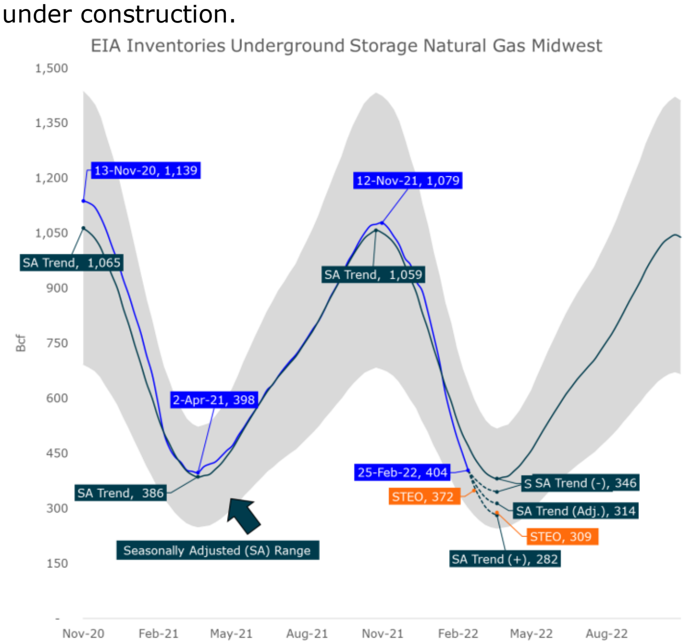
Natural Gas Review

Yesterday the EIA reported the eighth straight triple-digit delivery of the winter, a substantial 139 Bcf of natural gas was delivered from L48 underground storage. For the week ended February 25th, storage dropped to 1.643 Tcf. We are now four-fifths of the way through the heating season and the market has delivered 106% of last summer's refill.

The South Central area reported a heavy (2× normal) delivery of 35 Bcf. Since the start of the season, 577 Bcf of gas has been delivered out of the market area, 61 Bcf (11.8%) above normal. In return, the comparison to the seasonally adjusted trend has flipped from a 15.7% (155 Bcf) surplus to an 11.5% (81 Bcf) deficit, the largest deficit since July 2019.

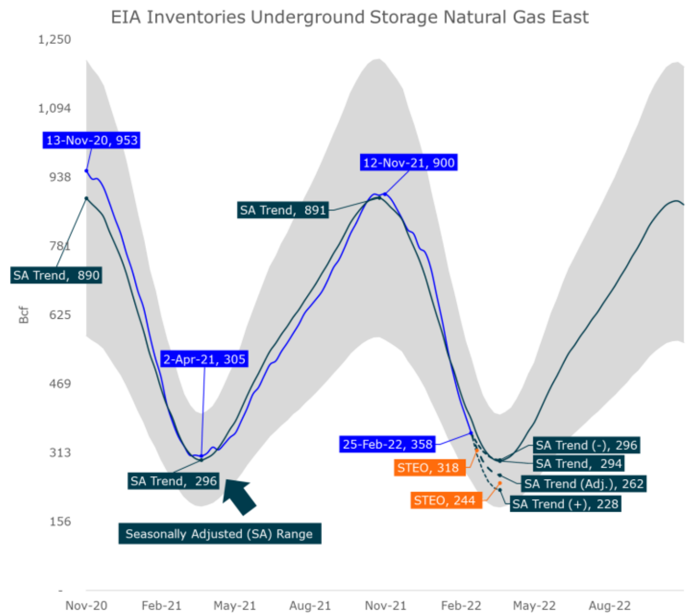
In this time, baseload nameplate LNG capacity per train on the Gulf Coast has increased 259% to 8.51 Bcf/d. Another 1.25 Bcf/d (Sabine Pass Train 6 and Calcasieu Pass Trains 1-9) were commissioned last December. Calcasieu Pass Trains 10-18 of 0.66 Bcf/d is under construction and expected to come into service in September. Golden Pass Trains 1-3 of 2.03 Bcf/d is under construction and is expected to come on line in 2024 and 2025.

Amazing how times have changed. In 2019, with Henry Hub holding below $2.50/MMBtu, there was speculation that perhaps all planned LNG sendout would not be built. Given the situation in Ukraine, the question now is, have we built enough capacity? There is another 8.30 Bcf/d of liquefaction capacity that has FERC approval but is not under construction.



The Midwest has burned through 675 Bcf of last summer's 681 Bcf refill.

The Midwest reported a large delivery of 46 Bcf. Storage fell to 404 Bcf and the deficit to the seasonally adjusted norm rose by 383 basis points to a **3-year high** of 14.4% (68 Bcf). This season's delivery is up to 675 Bcf which is 15% (88 Bcf) above the seasonally adjusted trend and on par to last year's pace. The area has now burned through virtually all of last summer's 681 Bcf refill.



Storage in the East fell by a reasonable 38 Bcf to 358 Bcf. The deficit to the seasonally adjusted time series rose by 284 basis points to a **three-year high** of 8.1% (31 Bcf). This season's hitherto delivery is 542 Bcf, 8% (40 Bcf) above the seasonally adjusted time series and 5% (28 Bcf) below a year ago. The market has burned through ten out of eleven cubic feet of last summer's refill.

Bottom Line

We are now four-fifths of the way through the heating season and the market has delivered 106% of last summer's refill.

In last week's note our quants made book at 5:1 odds (17% probability) end-of-season storage will top the EIA's 1.535 Tcf forecast, meaning there is an 83% probability (1:5 odds) we will end the season below 1.535 Tcf.

It is an obvious smart bet to lay the odds here, i.e. bet against end-of-season storage coming in at/above 1.535 Tcf. After all, the early consensus for next Thursday's report is a significant delivery of around 120 Bcf. Therefore, as of the week ended March 04th, L48 storage will be around 1.523 Tcf. At the current rate, storage is now on pace to finish winter below 1.350 Tcf, 23% below last year's ending balance!