THE SCHORK REPORT™

FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

Friday, March 17, 2023

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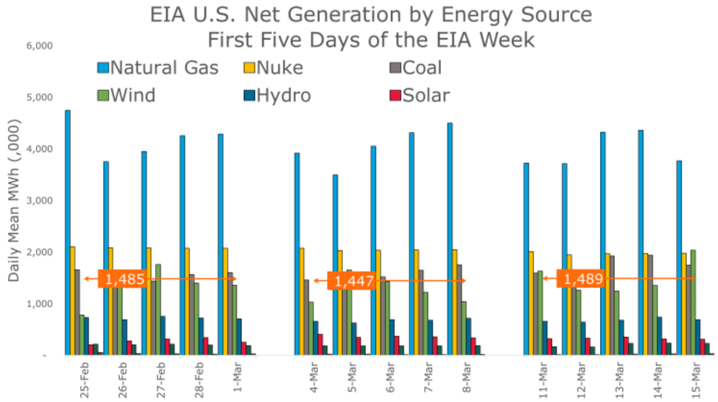
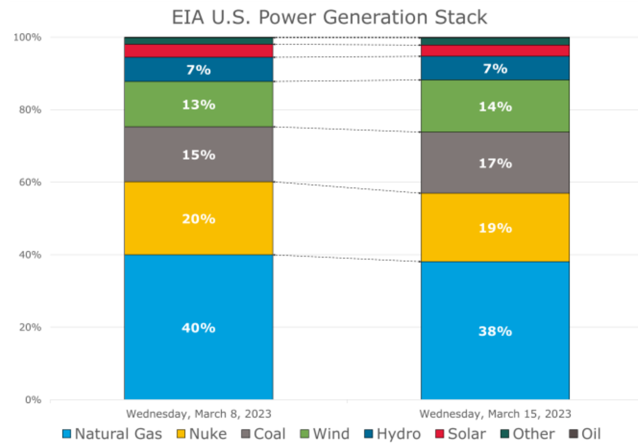
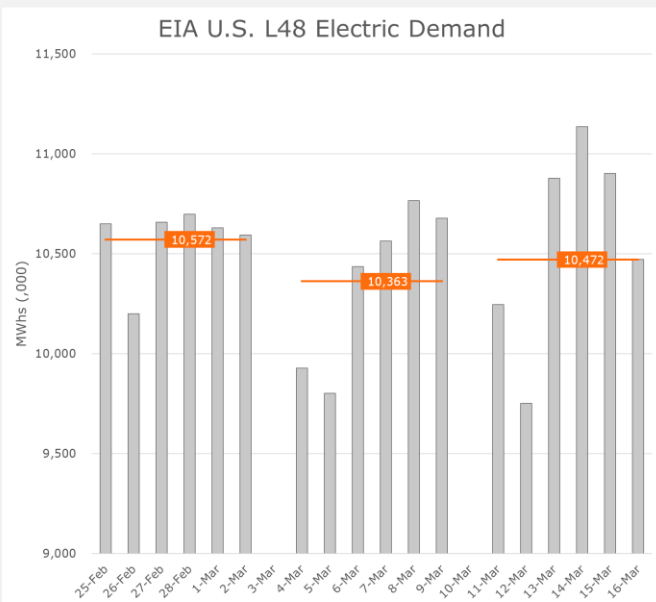




Nota Bene: Through the first six days of the current EIA week, electricity demand is running about 1.0% higher week-over-week at 10,572 GWhs.



Coal-fired generation is running 14% higher week-over-week and wind generation is 18% higher, both eating into natural gas demand. As is such, natty's share of the stack, see top of this page, is running at a three-week low of 38%.

Omnium Gatherum

ENERGY PRICES WERE FIRM YESTERDAY… bulls in the oil complex managed to stem the hemorrhage, at least for one day. NYMEX natty meandered as bulls wait for the official end to winter so they can start buying.

EIA Natural Gas Recap

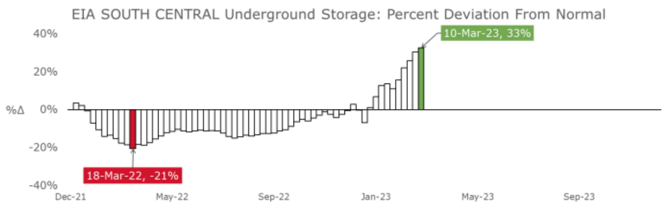
Yesterday the EIA reported a normal 58 Bcf delivery (withdrawal) of natural gas from L48 underground storage. The typical delivery for this report is 62 ±18 Bcf. As of last Friday, March 10th, storage fell to 1.972 Tcf.

For a second straight week, the South Central area reported a rare injection (addition), 8 Bcf delivery. Over the past two weeks a total of 11 Bcf has been injected, whereas for this part of the season, you are expecting a delivery on the order of 30 ±8 Bcf.

Inventories rose to 933 Bcf. The market's surplus to a year ago rose by 4½ percentage points to 63.4%, the largest cushion since the start of Covid in April 2020. More importantly, inventories are now 74 Bcf (8½%) above our model's seasonally adjusted range, i.e. **stocks are 8½% above normal**.

On the breakdown, storage in the Salts rose by 5 Bcf to 266 Bcf. This winter's delivery to date is a wretched 66 Bcf which is slightly more than a third of last season's 189 Bcf injection. This season's injection is 67 Bcf (50%!) outside our model's seasonally adjusted normal range! Since last summer, the comparison to the outer limits on our models seasonally adjusted time series has morphed from a 33 Bcf (14%) below the range (below normal) to 3 Bcf (1.0%) above the range (above normal).

The Nonsalt portion of the South Central market area posted a second straight 3 Bcf injection. Over these two weeks you tend to see a 24 ±6 Bcf delivery. Inventories rose to 667 Bcf. The market's surplus to a year ago rose by around 8 percentage points to 61.9% (255 Bcf), the largest surplus since the start of Covid in April 2020. Furthermore, inventories are now 62 Bcf (10.2%) above our model's seasonally adjusted range (above normal).



As illustrated, over the course of the past two winters, the South Central market area's relationship to our model's seasonally adjusted model has morphed from a 21% deficit to a 33% surplus. <u>In other words, you cannot swing a cat throughout the Gulf Coast without hitting a molecule of gas</u>.

The Midwest posted a typical delivery of 25 Bcf. Our models show we normally see a delivery for this report of 25 ±9 Bcf.

Inventories dropped to 490 Bcf. This season's delivery is up to 594 Bcf which is 148 Bcf (20%) below last year's pace, 63 Bcf (10%) below the five-year interpolated mean and 90 Bcf (13%) below our model's (base case) seasonally adjusted norm.

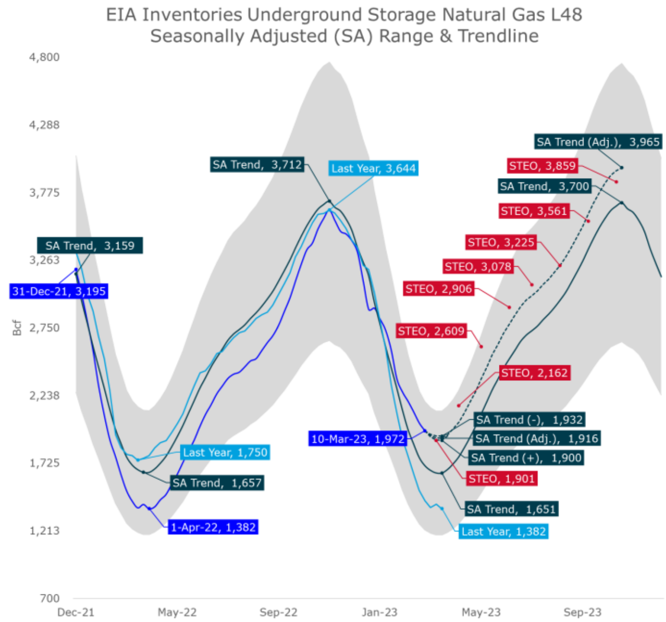
Storage in the Midwest is on track to finish winter somewhere in between 432 Bcf and 463 Bcf. The EIA's latest forecast is up to 446 Bcf. Last year, the Midwest ended winter a 293 Bcf.

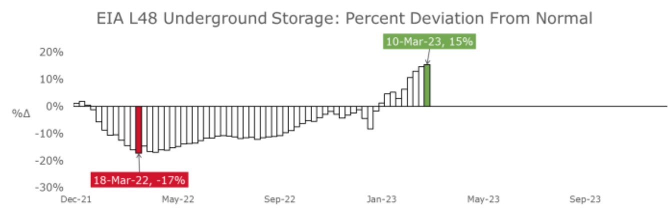
The East reported a normal delivery of 25 Bcf. Our models show we normally see a delivery for this report of 25 ±7 Bcf. Storage fell to 391 Bcf. At this point last year, storage was 290 Bcf. We are nearly 90% of the way through the season and the market has only had to deliver 75% (491 Bcf) of last year's 653 Bcf refill.

The market's surplus to our model's seasonally adjusted norm (base case) was unchanged at 67 Bcf. Storage is on track to finish winter somewhere in between 335 Bcf and 365 Bcf. The EIA's latest forecast of 350 Bcf. Last year, storage ended winter at 229 Bcf.

Bottom Line

Next Thursday's update (for the week ending today) will be somewhat stronger. Through the first five days of this week, utility demand for gas fell by 1.9% to a three-week low of 3,976 GWhs, while wind generation popped by 18.1% to 1,505 GWhs.





There is a 50/50 chance L48 underground storage ends winter with at least 1.870 Tcf in the ground, along with a 20% chance (odd of 4/1) the market ends above the EIA's forecast of 1.901 Tcf.

This season's hitherto refill is 1.672 Tcf which is 532 Bcf (-24%) below last year's pace, 240 Bcf (-13%) below the five-year interpolated mean and 332 Bcf (-17%) below our model's seasonally adjusted base case. In return, even though we are nearly 90% of the way through winter, the market has only delivered 74% of last summer's 2.262 Tcf refill.

The average delivery through the end of this month is 68 ±33 Bcf. Based on this metric there is a 20% probability we will finish this winter above the EIA's 1.901 Tcf end-of-season forecast, along with a 50% probability we will end above 1.870 Tcf. Last year winter ended with 1.382 Tcf in the ground.