

# The Advisor

DATA-DRIVEN, HOLISTIC ENERGY CONSULTING

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A brief look at the current state of the energy industry.

**SOLUTIONS CENTER**

Timely updates on new advances in sustainable energy and technologies.

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**CLIENT CORNER**

Client spotlights, feedback, milestones, and more!

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**MARKET MOMENT**

Natural gas pricing continues to remain low even though we had a rare summer-withdrawal from storage. Despite a minimal withdrawal (only 6 bcf for the week ending 8/9/2024), inventories remain well above 5 year averages. Power pricing may be starting a downward trend, now that much of the summer weather concerns are starting to dissipate.

**Gas Outlook:**

- Recently experienced our first summer withdrawal since 2016
- Production rebounding after cuts made in 2024
- Good time to buy gas through at least 2026

**Power Outlook:**

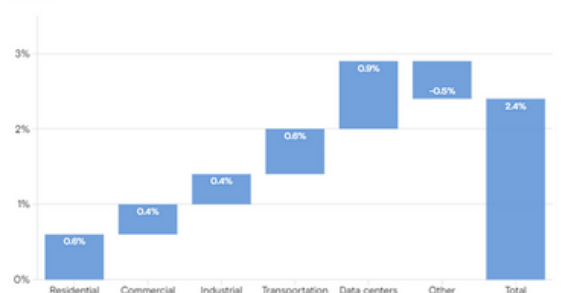
- Wind generation surpassed coal for the first time
- Hotter than average September being forecast across most of US
- Forward curves across many regions elevated, although near-term pricing is starting to soften a little

**DRIVING PRICES HIGHER**

Global LNG markets have remained elevated even though fundamentals remain favorable. China, and European storage levels are both in good places, while their demand has been declining. A combination of Ukraine’s invasion of the Kursk region & India’s LNG demand jumping 30% has kept pricing for 2025 elevated.

Although electric pricing is starting to come off, we’re still seeing pricing elevated mainly due to concerns over demand increases throughout the US. One of the biggest demand drivers is datacenters, which are being built across the US. Additionally, while many areas of the US are expecting load growth over the next few years, some generation is also retiring across the US, namely coal & nuclear. New energy generation – chiefly solar – is stuck behind interconnection queues, awaiting approval to join the grid. Pricing for the next few years may depend on whether that new generation can come online in time to support the new data center demand (figure 1).

*figure 1*  
**The sectoral growth in US power demand**  
The demand for electricity is forecast to rise at 2.4% CAGR between 2022-2030



Source: Goldman Sachs Research, EIA



## DRIVING PRICES LOWER

Natural Gas Storage has remained well above the 5-year high despite the first storage withdrawal during injection season since 2016. Although market fundamentals are leaning more bullish, natural gas speculators are net short with their positions. This means that traders believe the gas market will go down. If we do see them flip from short to long we could see pricing jump up very quickly.

On the power side, many of the premiums that were priced into the market at the beginning of this summer are starting to dissipate. As the US transitions towards more renewable generation, concerns over increased demand pushed up future power prices. Summer 2024 started off as the hottest on record; but as power grids across the US were able to meet demand without issue, forward prices have experienced some slight softening in recent weeks (figure 2).

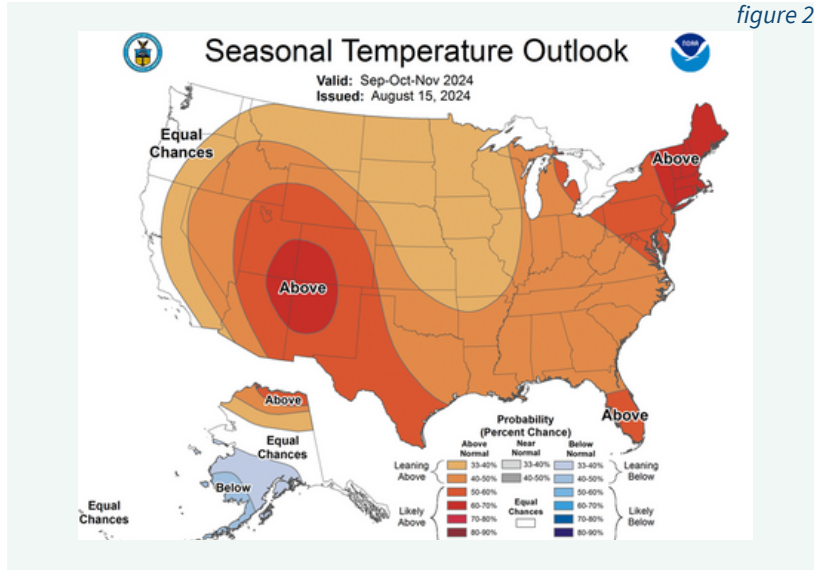


figure 2

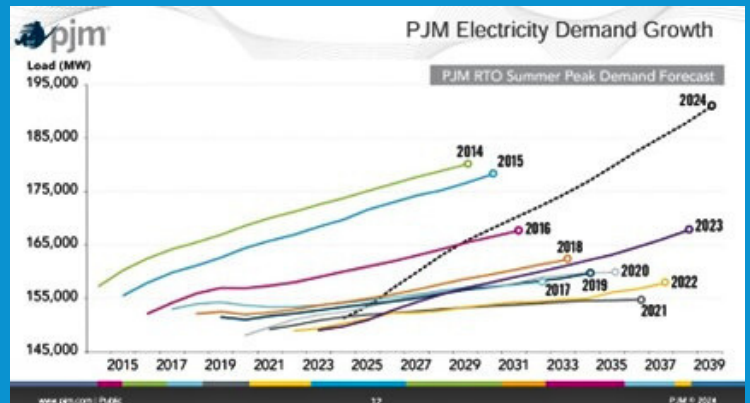
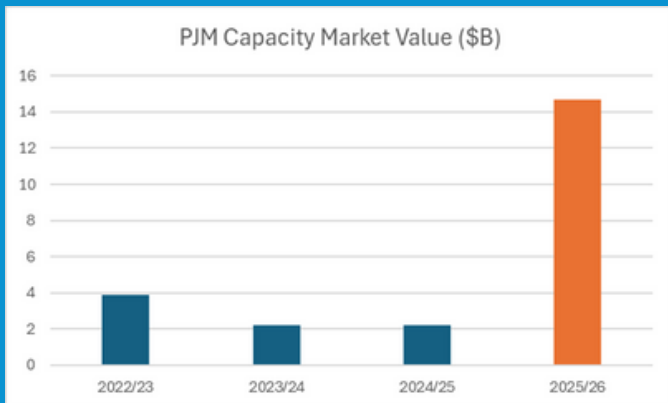
## DID YOU KNOW?

On July 30th, PJM announced the results of their base residual auction, setting capacity costs for June 2025 to May 2026. The 2025/26 auction yielded costs that will be significantly higher than the similar 2024/25 timeframe.

The capacity market had been \$2B in value, which yielded a capacity price of \$3/MWh for energy buyers. With this auction, the capacity market is almost \$15B, which means an average capacity price of about \$20/MWh (and some areas of Virginia and Maryland will see rates at double that).

The biggest reason for this increase was a stark difference in the projected need for energy in 2024 compared to the last decade, due in most part to anticipated data center growth. Although, it is worth acknowledging that this issue was exacerbated by recent generator retirements.

PJM's next capacity auction is scheduled for this December. It is likely prices will again be elevated, as there is not much time between now and then for supply and demand to balance out. However, over the next few years (as new generation comes online), it is possible for prices to fall back down again. With that in mind, it is prudent to consider carefully how you will treat that line item on upcoming procurement contracts.





## CASE STUDY: THE INNOVATION CENTER FOR US DAIRY

The Innovation Center for U.S. Dairy, representing over 75% of U.S. milk production, has partnered with Environ's ISOS Group to enhance sustainability practices across the dairy value chain. Through customized materiality assessments, strategic reporting, and certified training, this collaboration is driving the US Dairy community forward. Read the full case study to learn more and start your sustainability journey with our newest service, ESG Foundations Solution.

[Read More>>](#)

## WHAT'S NEW?

### HURRICANE SEASON 2024 AND THE ENERGY MARKET

The 2024 hurricane season has begun earlier than usual and is expected to remain active, significantly impacting energy demand and supply, particularly in the Gulf of Mexico. This heightened activity could lead to increased price volatility, disruptions in transportation, and challenges in maintaining consistent energy supply within the market.

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## CLIENT CORNER



“The Shorebirds and Arthur W. Perdue Stadium have worked with APPI Energy for the past several years on managing our energy costs. Working the APPI Energy team has always been a pleasure and an easy experience. Our relationship has enabled the Shorebirds to secure competitive bids for our electricity and lock those in for a period of time that best matched our goals. Annually, we have been able to reduce the cost of the electricity we use, lock in those prices to better stabilize our expenses, and work with our facility and staff to reduce usage. This combination has enabled the Shorebirds to annually reduce a major expense item. In addition to energy procurement, APPI Energy has provided consultation on energy efficiency projects, enabling us to both reduce energy usage and demand.”

### Chris Bitters

General Manager  
Delmarva Shorebirds

*\*All market data above is at the national level, but regional and local energy market conditions can vary widely. For an in-depth review of current energy market conditions impacting your organization, please contact our team of dedicated, expert Energy Consultants: 800-520-6685 or [info@appienergy.com](mailto:info@appienergy.com).*