Constellation

Energy Market Intelligence Webinar

Two Weeks of Winter

22 February 2024

Today's Speaker

Brian Habacivch

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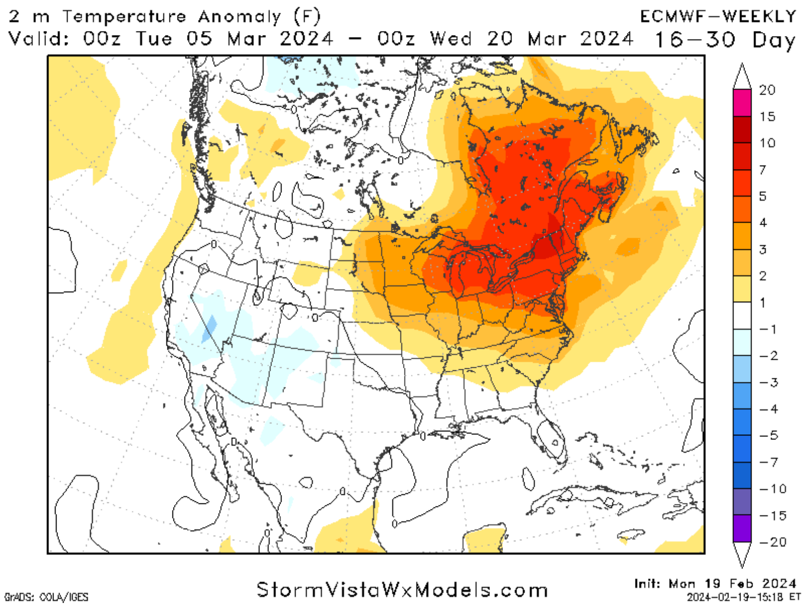
Constellation Energy Corp

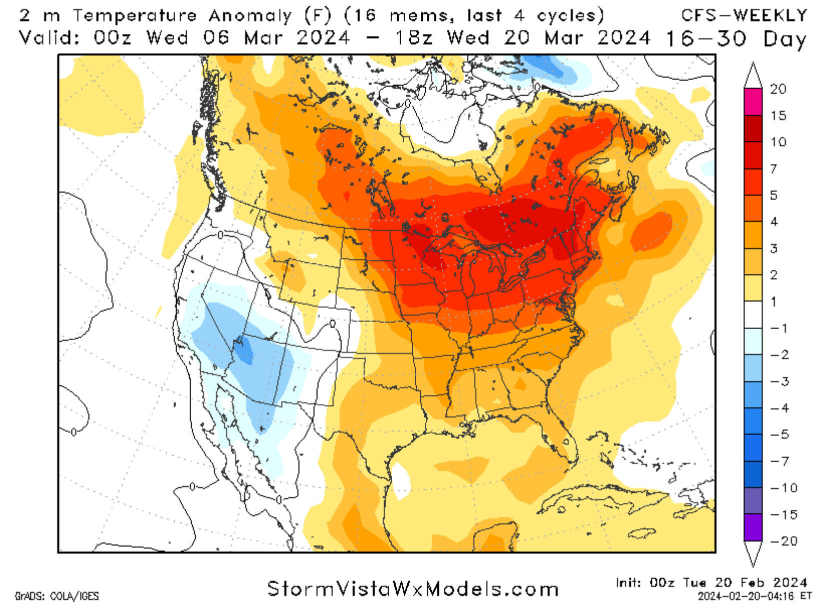
Weather

Winter: Not Made Like It Used to Be

European 16-30 Day Forecast



American 16-30 Day Forecast



- Despite Arctic air in the pattern at times over the last half of February, this winter is set to take the title as warmest on record with near 2180 PWHDDs. This smashes the old record of 2250, set in the winter of 2015-16.
- Both the European and American weekly models suggest variability in the 16-30 day forecast across the South and West due to storminess; a typical El Niño signature. Generally, a mild weather pattern is likely in the Midwest and the East for the next few weeks. Lower 48 demand should average below normal on most days during the first half of March.

Sources: CWG, Storm Vista

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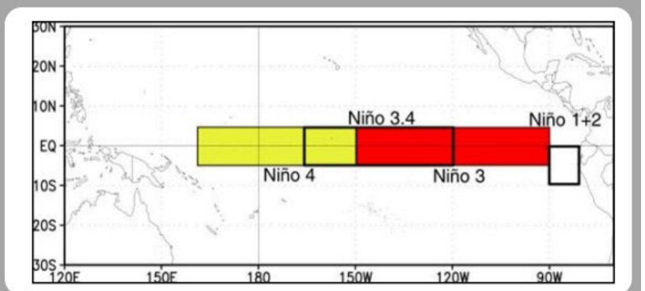
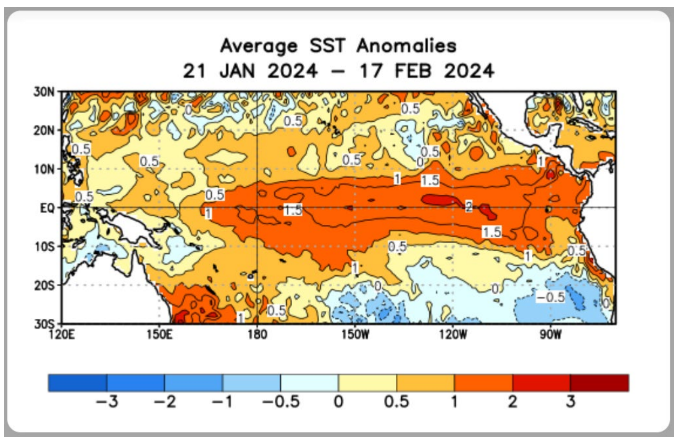
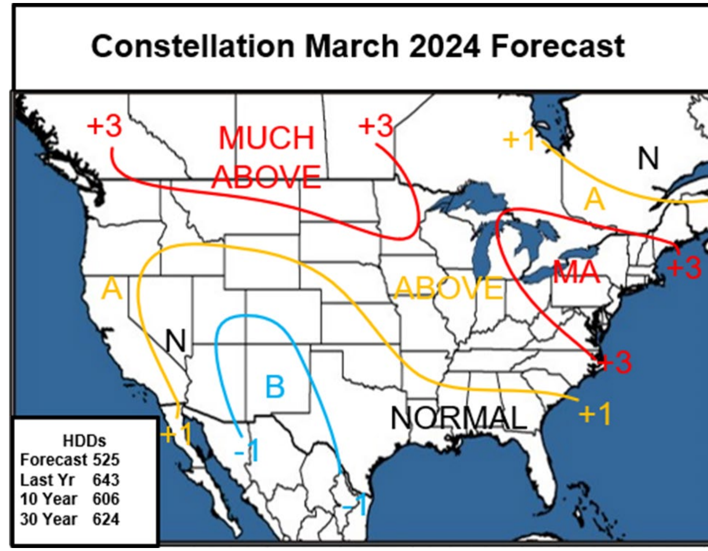
El Niño Begins to Fall Apart

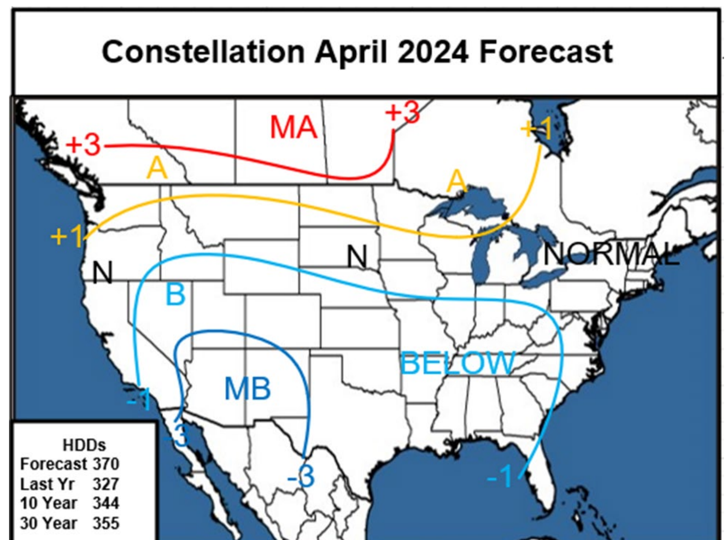
The latest weekly SST departures are:

Niño 4	1.1°C
Niño 3.4	1.5°C
Niño 3	1.5°C
Niño 1+2	1.1°C









Sources: Constellation, NCEP, NOAA, CPC

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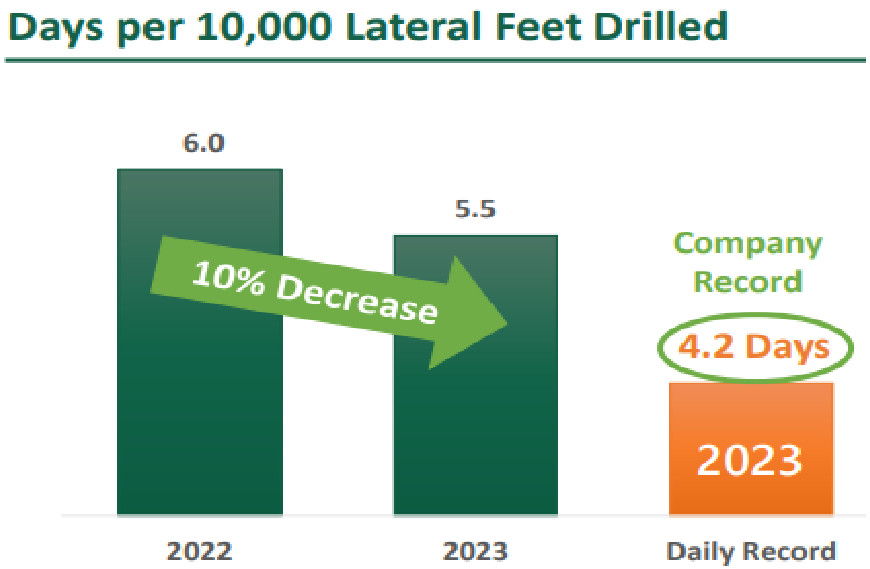
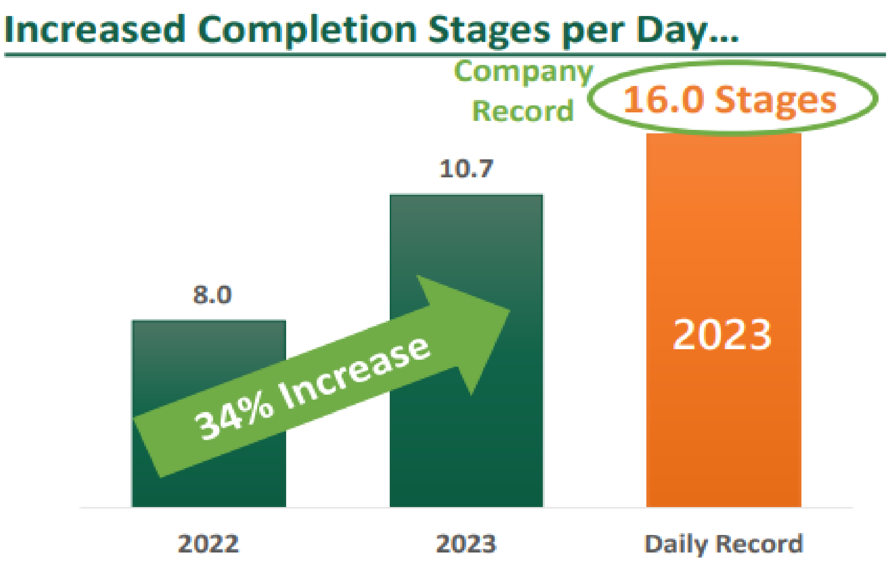
Supply & Demand Fundamentals

Production Rebounds as Freeze Offs Thaw



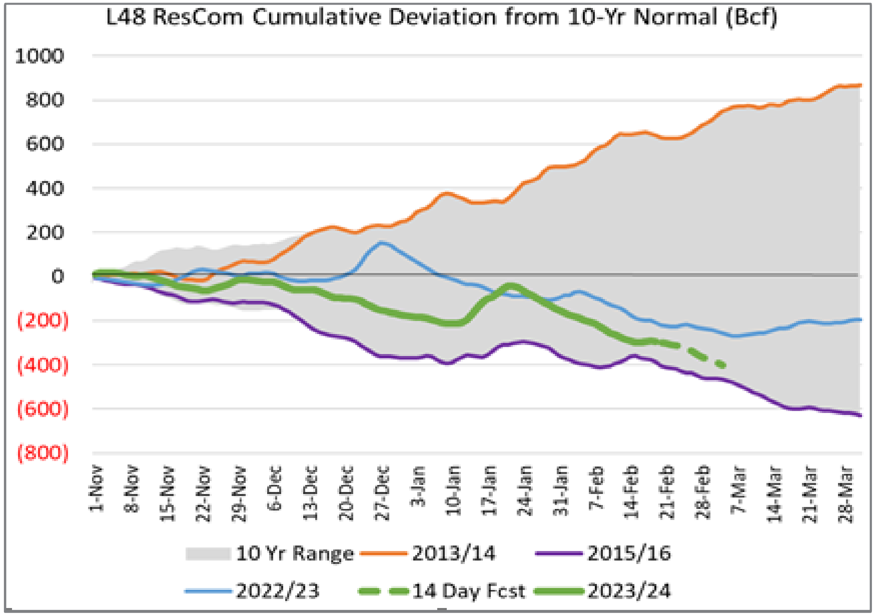


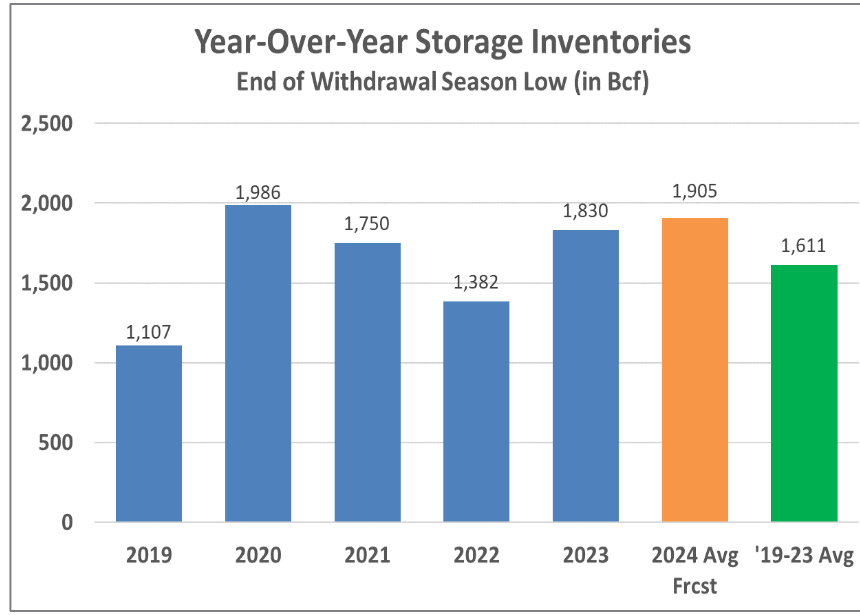
- Production is averaging ~105 Bcf per day in February.
- Freeze offs reached 62 Bcf cumulative level quickly in January but have plateaued since.
- 2024 Guidance: Several Appalachian producers have hedges in place but will curtail production if PA/OH prices drop below $1/MMBtu. Producers such as Antero Resources and others continue to drive efficiencies in drilling and completion operations that are reducing costs.

Customer Takeaway: Gas production rebounded from a weather driven January slowdown returning to ~105 Bcf/d. With NYMEX prices below $2.00 MMBtu, drilling budgets could are at risk of being trimmed as producers conserve capital despite recent efficiency gains resulting in lower break-even costs.

Sources: EIA, S&P Platts, Antero Resources

Nat Gas Storage





- U.S. gas storage is 2,535 Bcf for week ending Feb 9th after a withdrawal of 49 Bcf came in below the estimate of 71 Bcf. Heating demand has diminished since mid-January's storms.
- The surplus over 2023 expanded to 255 Bcf (11%) and 348 Bcf (16%) over the five-year average.
- EIA's February Short Term Energy Outlook includes their forecast for an end of season gas stocks value of 1,905 Bcf. This is about 200 Bcf below where we are today.

Customer Takeaway: With the peak of heating demand this winter likely in the rearview mirror, the market is looking for any sign that weather driven demand will assist in getting gas out of storage to create room for the injection season.

Sources: EIA, Constellation

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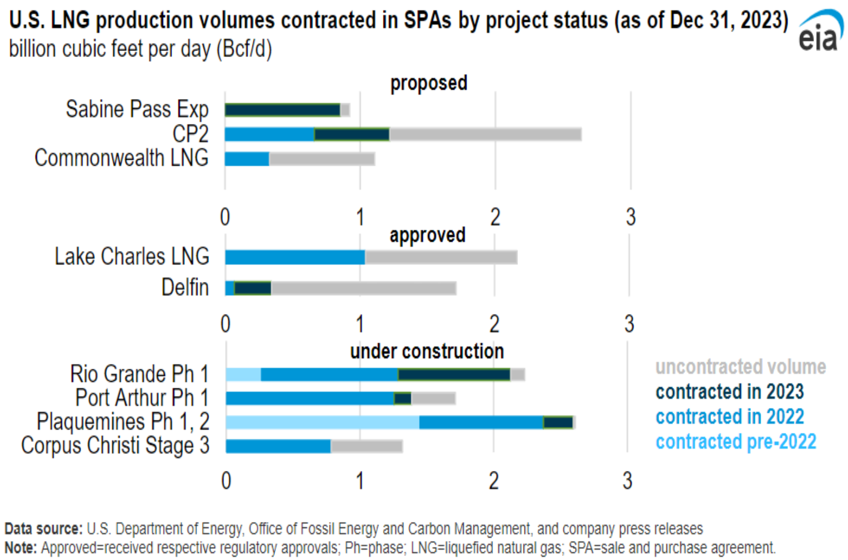
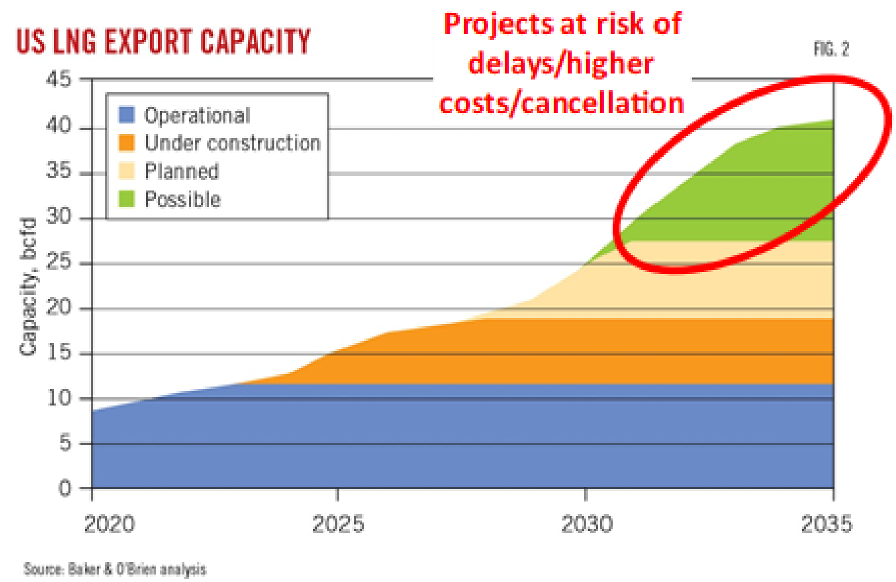
Overview: LNG Export Moratorium





- Existing and facilities currently under construction are not affected.
- To provide for assessment (economic/environmental) as to future exports being in “the public interest”.
- White House energy advisor Amos Hochstein stated the review “could last 10-14 months” and then DOE will decide to either continue, pause or approve all or some projects"

Customer Takeaway: Approximately 10.5 Bcf/d of new LNG export capacity is under construction and not affected. Canadian projects are not affected, and Mexican projects under construction are largely not affected. About 4 Bcf/d of new export capacity near FID is likely delayed at least one year, 3rd and 4th wave projects are at risk.

Sources: Bloomberg, Reuters, WSJ

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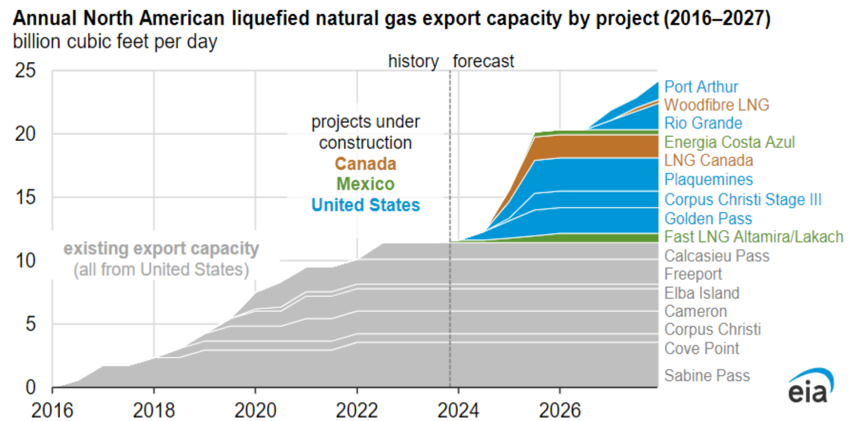
Does this change the trajectory from Q4 2023?

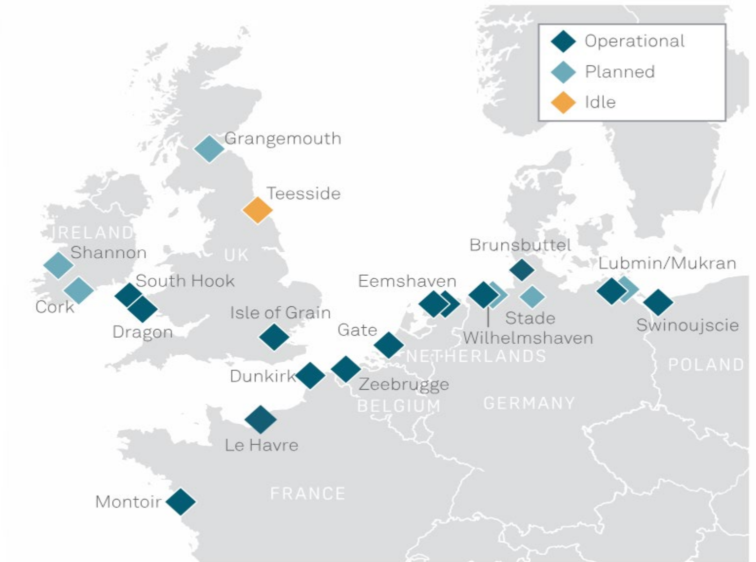
NOVEMBER 13, 2023

LNG export capacity from North America is likely to more than double through 2027



Data source: U.S. Energy Information Administration, *Liquefaction Capacity File*, and trade press
Note: LNG=liquefied natural gas. Export capacity shown is project's baseload capacity. Online dates of LNG export projects under construction are estimates based on trade press.

Northwest European LNG terminals



Source: S&P Global Commodity Insights

- Near and mid-term outlook for exports is unchanged from Q4 2023.
- Since 2021, US LNG exports to Europe have tripled – in 2023, US LNG was 50% of EU imports.
- Europe built six new LNG import terminals since 2022 – six additional terminals are planned.

Customer Takeaway: Currently operating projects are unaffected and the narrative "US LNG exports to double by 2028-29" remains intact. Gas and power prices have not reacted to the moratorium. There are many long-term implications domestically and geopolitically, as well as from this November's election.

Sources: EIA, S&P Platts

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NYMEX Natural Gas

Customer Takeaway: NYMEX prices are close to 2020 lows of $1.48/MMBtu in what is now the warmest winter since 1950 and continued strong production. LNG exports and power burns continue to support demand but end of season storage expectations at ~1.9 Tcf are providing plenty of security.

Source: Nymex

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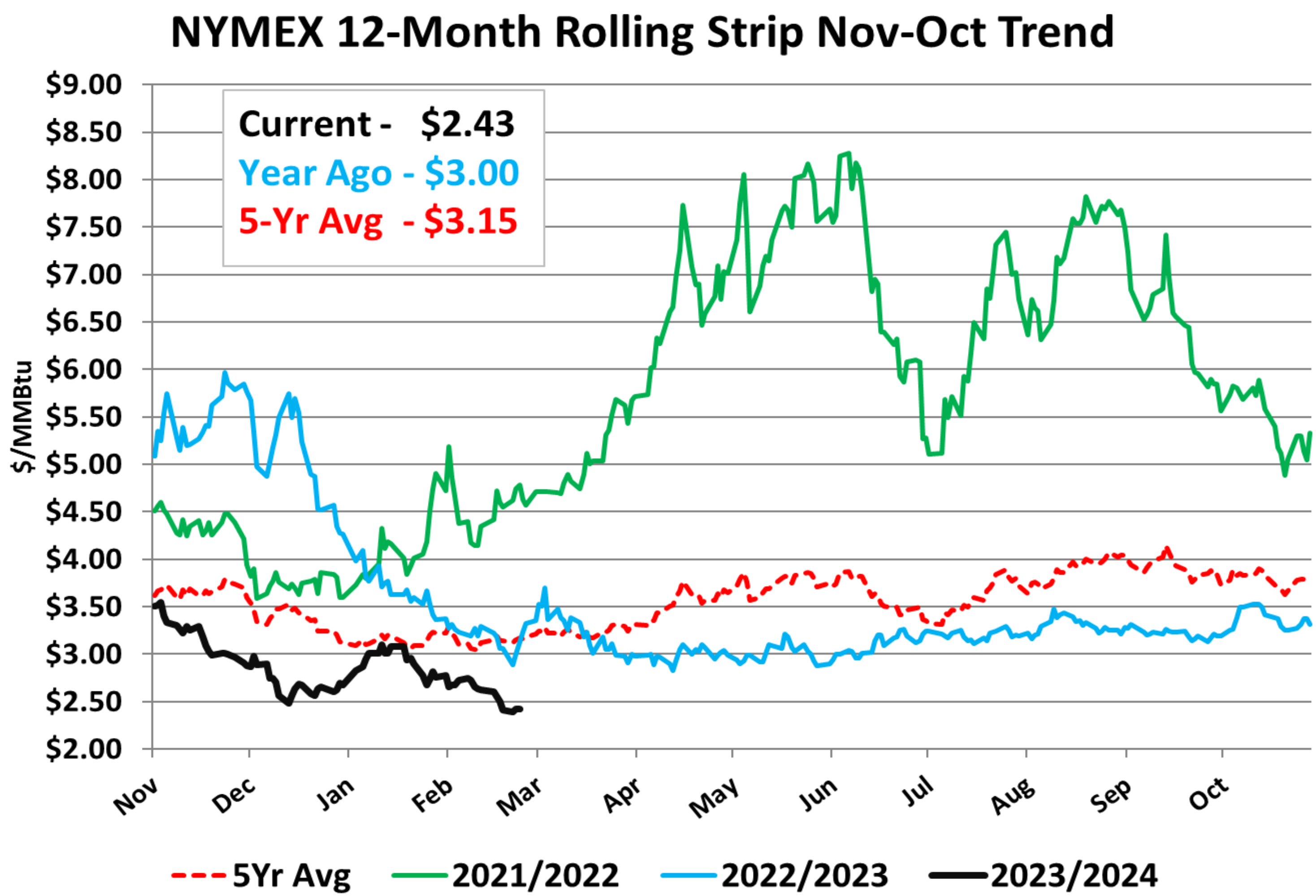
NYMEX 12 Month Strip



Source: Constellation

Data as of COB 2.20.24

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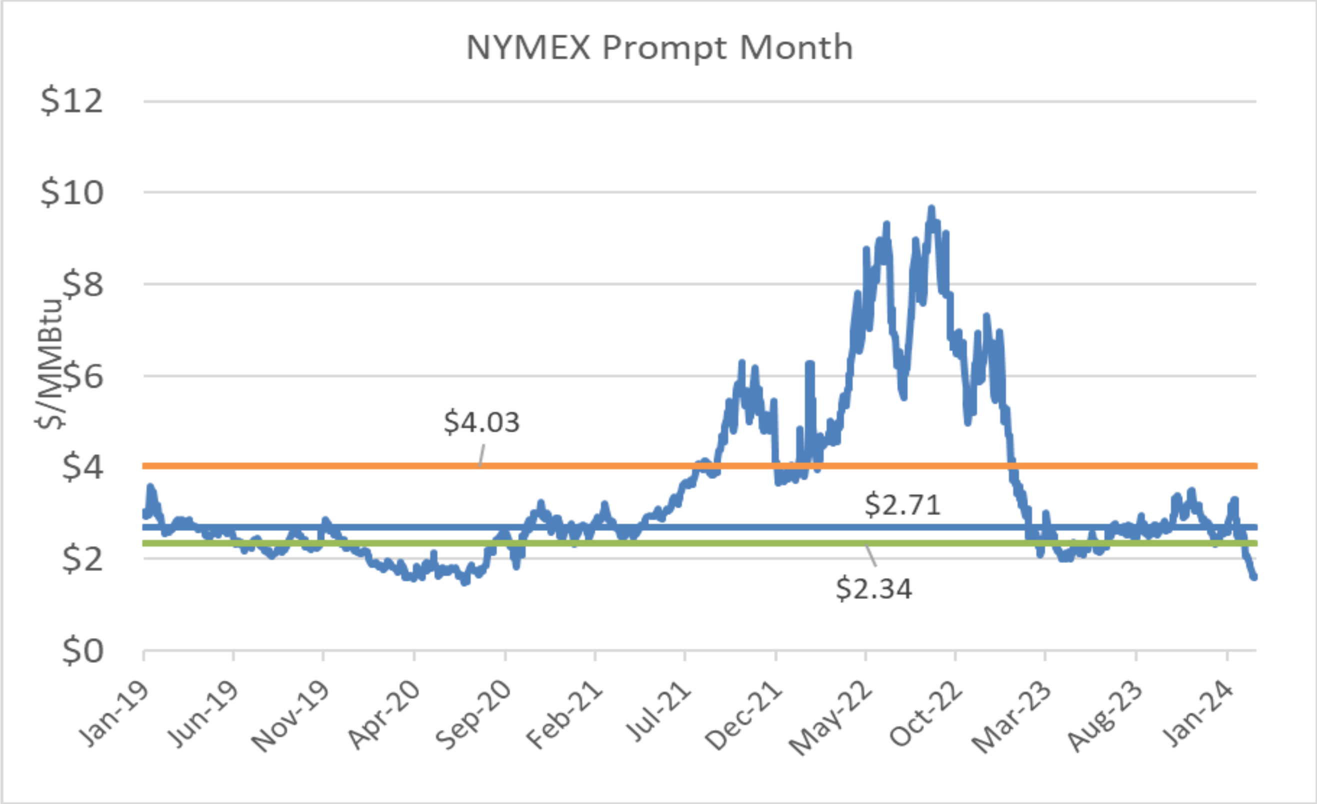
NYMEX by Quartile: 2019 to Current



		Percentiles			
Min	25th	50th	75th	Max	NYMEX -1d
$1.48	$2.34	$2.71	$4.03	$9.68	$1.58

Customer Takeaway: NYMEX prompt month is $1.58/MMBtu as of Feb 20th and is ~$1.10 below the median 5-year average price ($2.71). Using quartiles to view current prices helps us understand the distribution of data and provides valuable insights as to how current prices can be bucketized relative to history.

Sources: Nymex, Constellation

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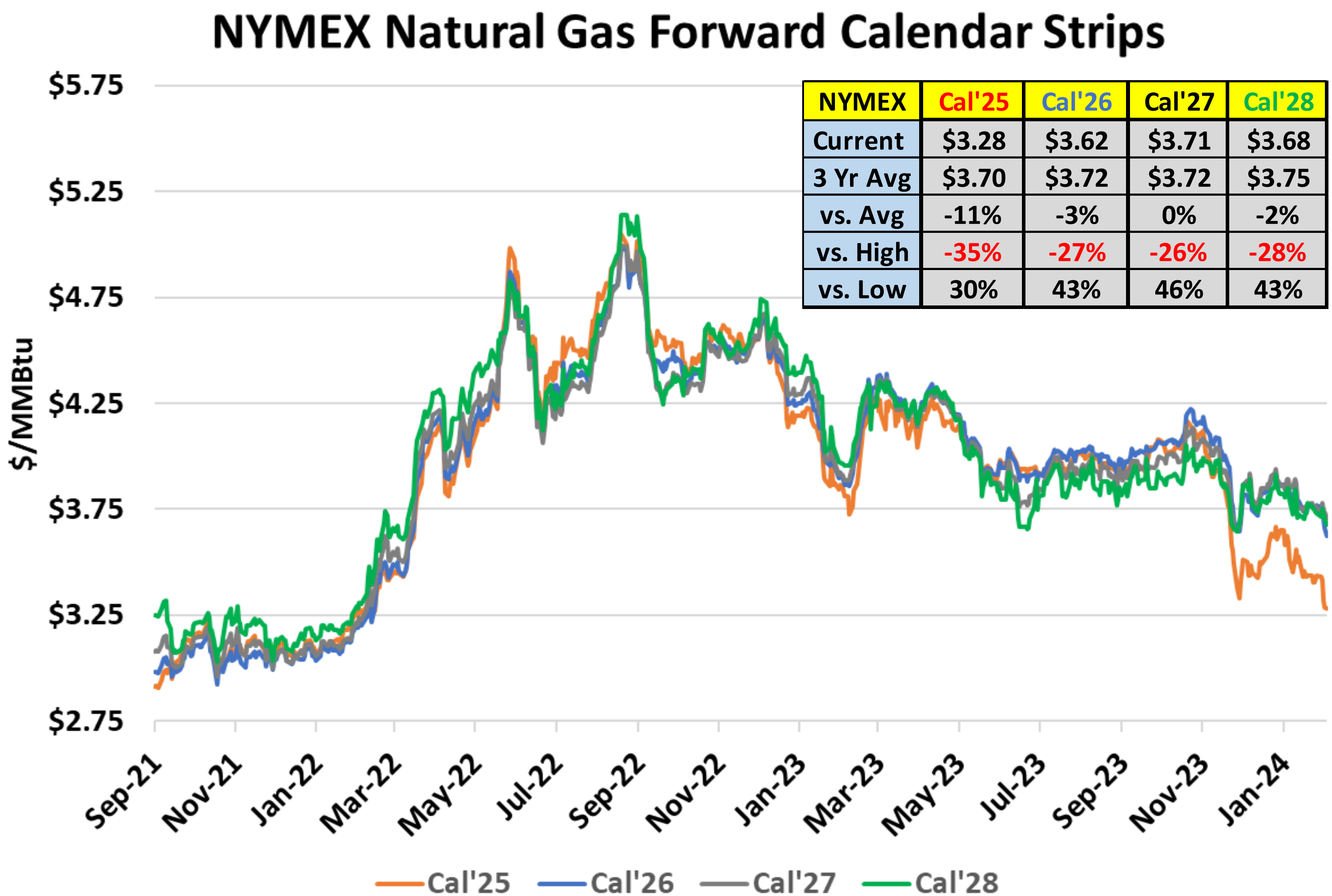
NYMEX Natural Gas Forward Strips



NYMEX	Cal'25	Cal'26	Cal'27	Cal'28
Current	$3.28	$3.62	$3.71	$3.68
3 Yr Avg	$3.70	$3.72	$3.72	$3.75
vs. Avg	-11%	-3%	0%	-2%
vs. High	-35%	-27%	-26%	-28%
vs. Low	30%	43%	46%	43%

Source: Constellation

Data as of COB 2.20.24

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