



Natural Gas Fundamentals

November 2023



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U.S. Natural Gas Outlook

Current

Production Outlook

- Impact from rig declines and more exposure to high decline basins yet to materialize

Excess Storage Shrinking

- 370 Bcf excess above 5-year average declined to ~200 Bcf

Record Power Burns

- On average, U.S. power burn has increased 1.3 Bcf/d each year since 2013

Elevated Storage Levels

- 7% above 5-year average due to warm 2022 winter and downtime at largest LNG export facility

2024+

Meaningful Rig Reductions and Inventory Fatigue Will Limit Future Production Growth

- U.S. gas rig count has declined by 38 rigs, or 25% YTD

Lowest cost basin (Appalachia) is capacity constrained

- Produces ~1/3 of U.S. supply; high-cost basins are now the “marginal supplier”

Significant Export Growth

- 6 Bcf/d of LNG export capacity through 2025 and growing Mexican demand

Renewables underperformance

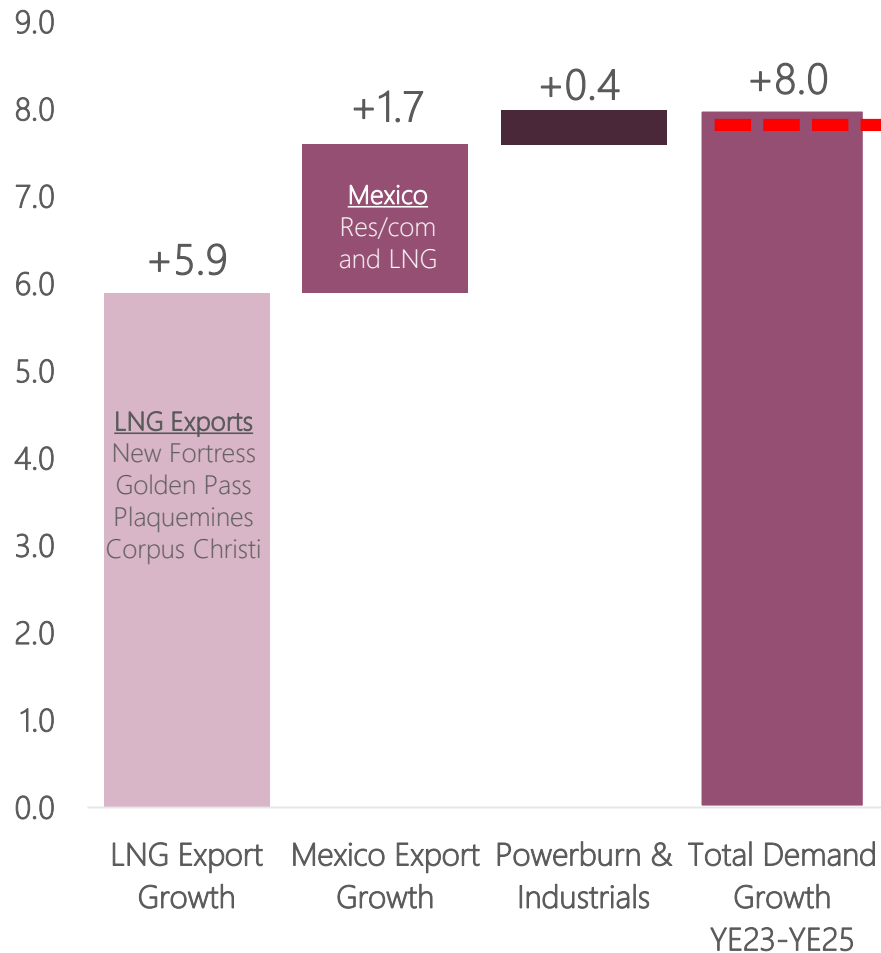
- Low capacity factors = projected to only displace coal retirements, not increase in the % of generation stack



U.S. Demand Outpaces Supply Through YE 2025

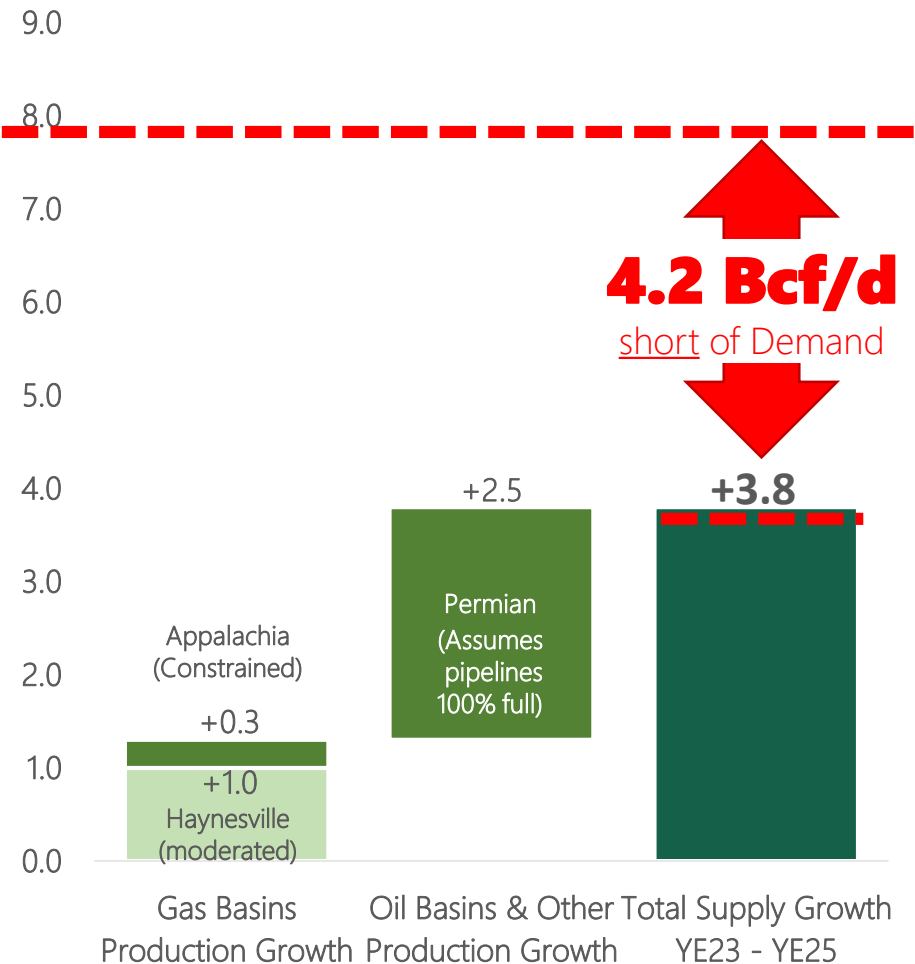
U.S. Natural Gas Demand Growth

(Bcf/d from YE23 to YE25)



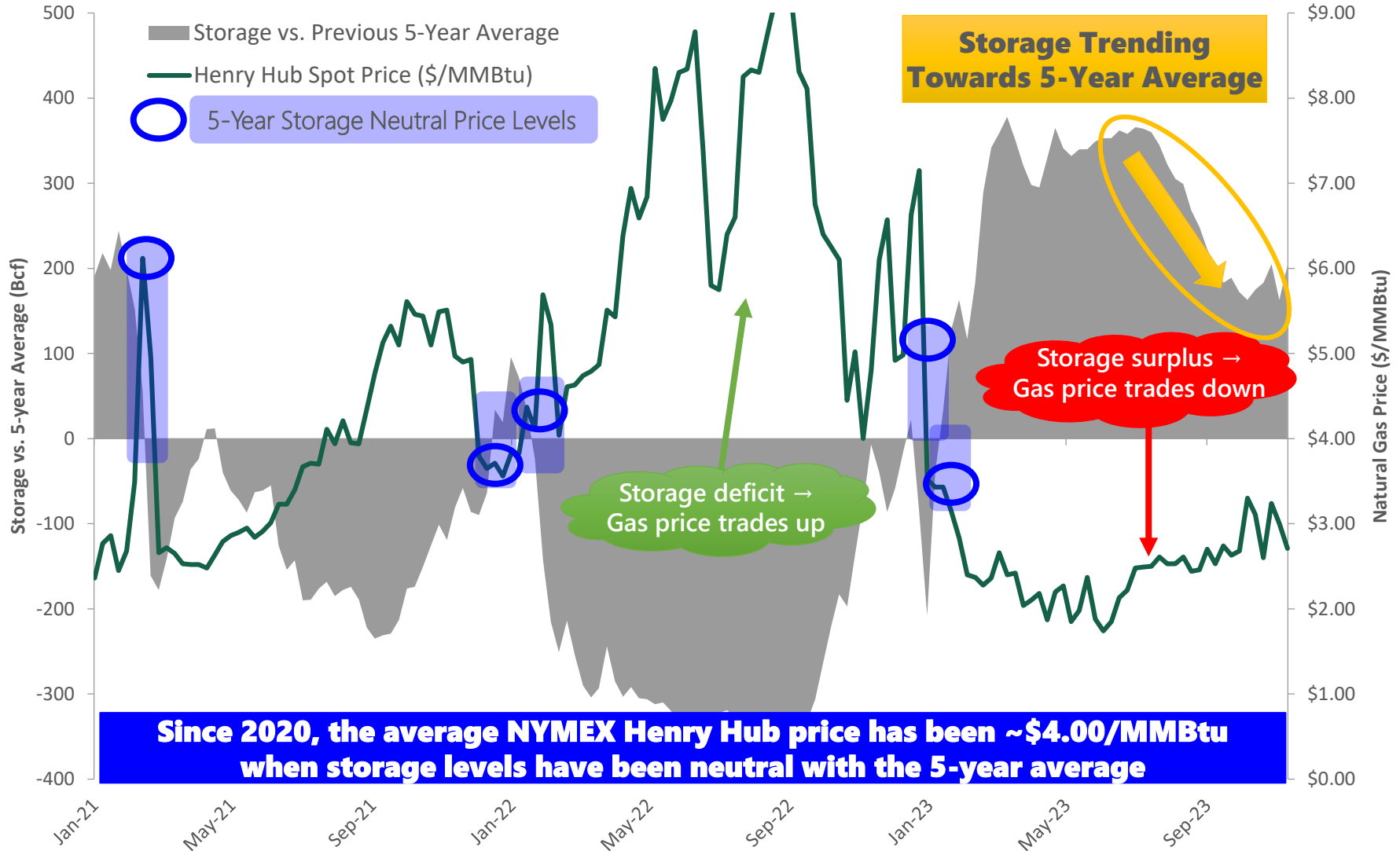
U.S. Natural Gas Supply Growth

(Bcf/d from YE23 to YE25)



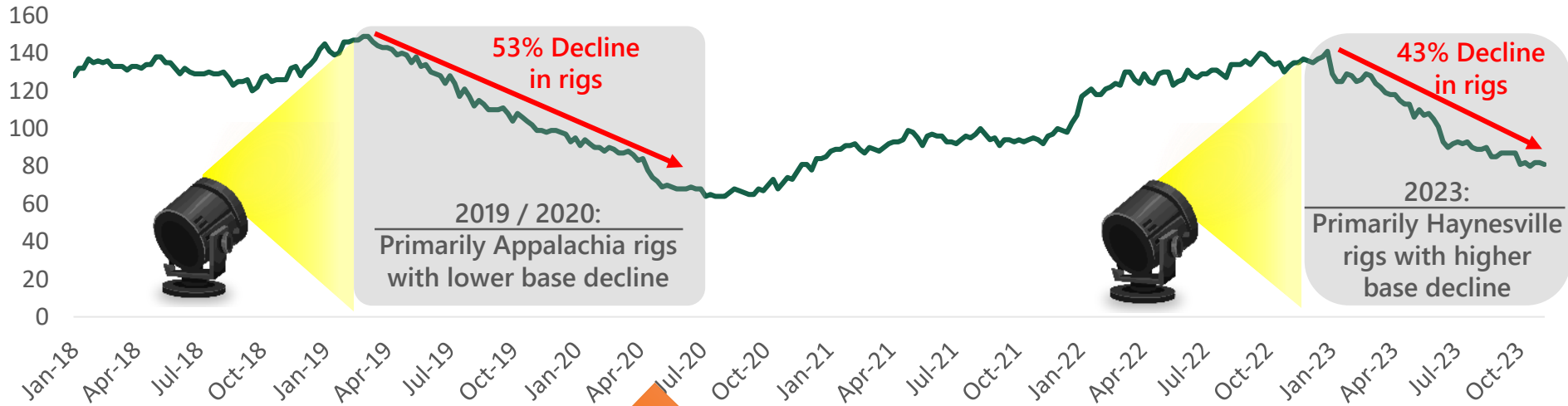
Storage Level Trend Points to Strong 2024 Gas Prices

NYMEX Natural Gas Price and Gas Storage Surplus/Deficit vs. 5-year Avg.

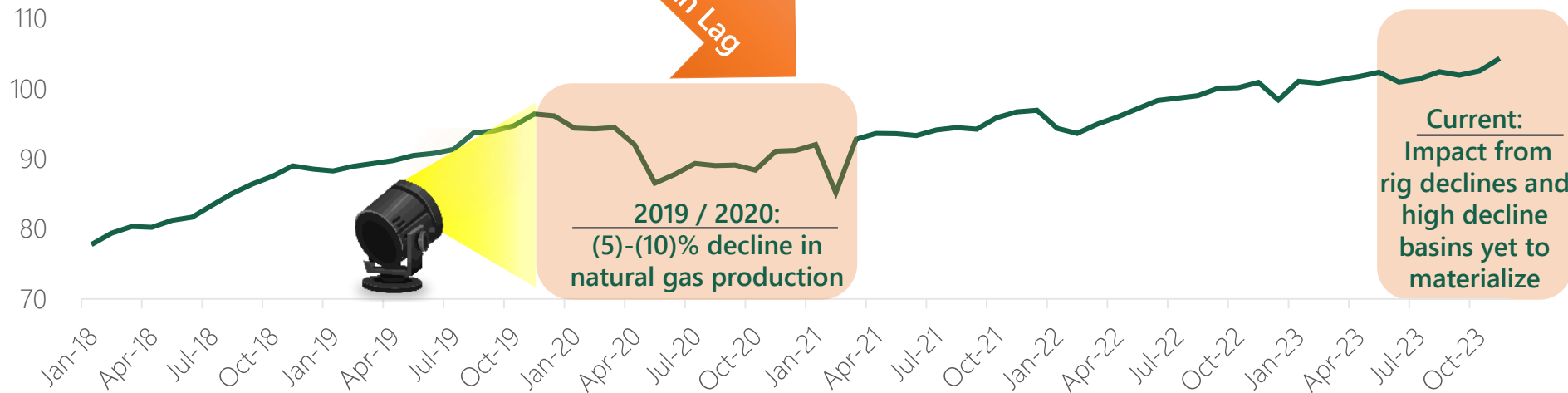


Dramatic Reduction in Activity Will Limit Production Growth

U.S. Natural Gas Basin Drilling Rigs (Appalachia + Haynesville)



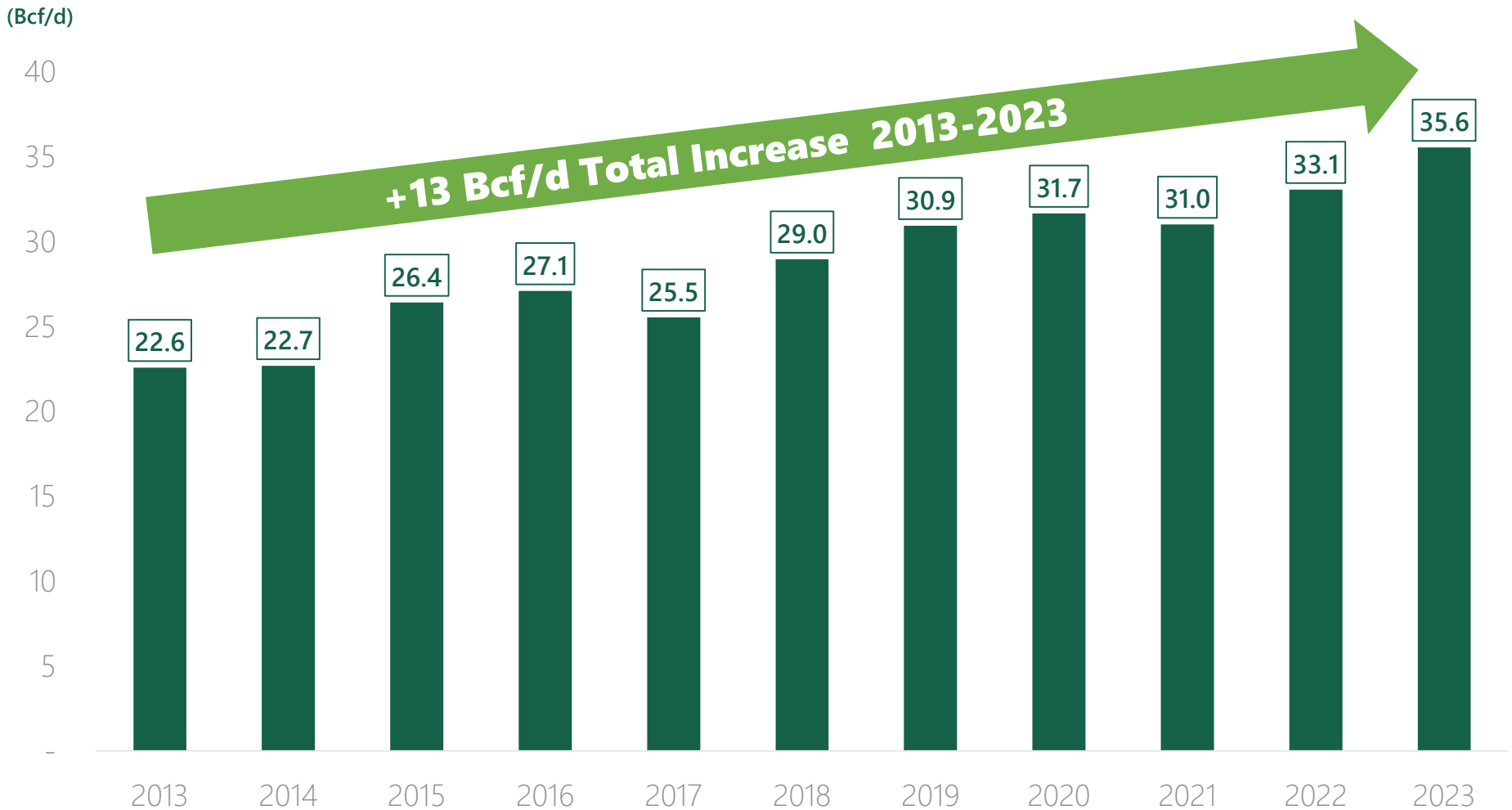
U.S. Natural Gas Production (Bcf/d)



U.S. Power Burn

On average, U.S. power burn has increased 1.3 Bcf/d each year since 2013

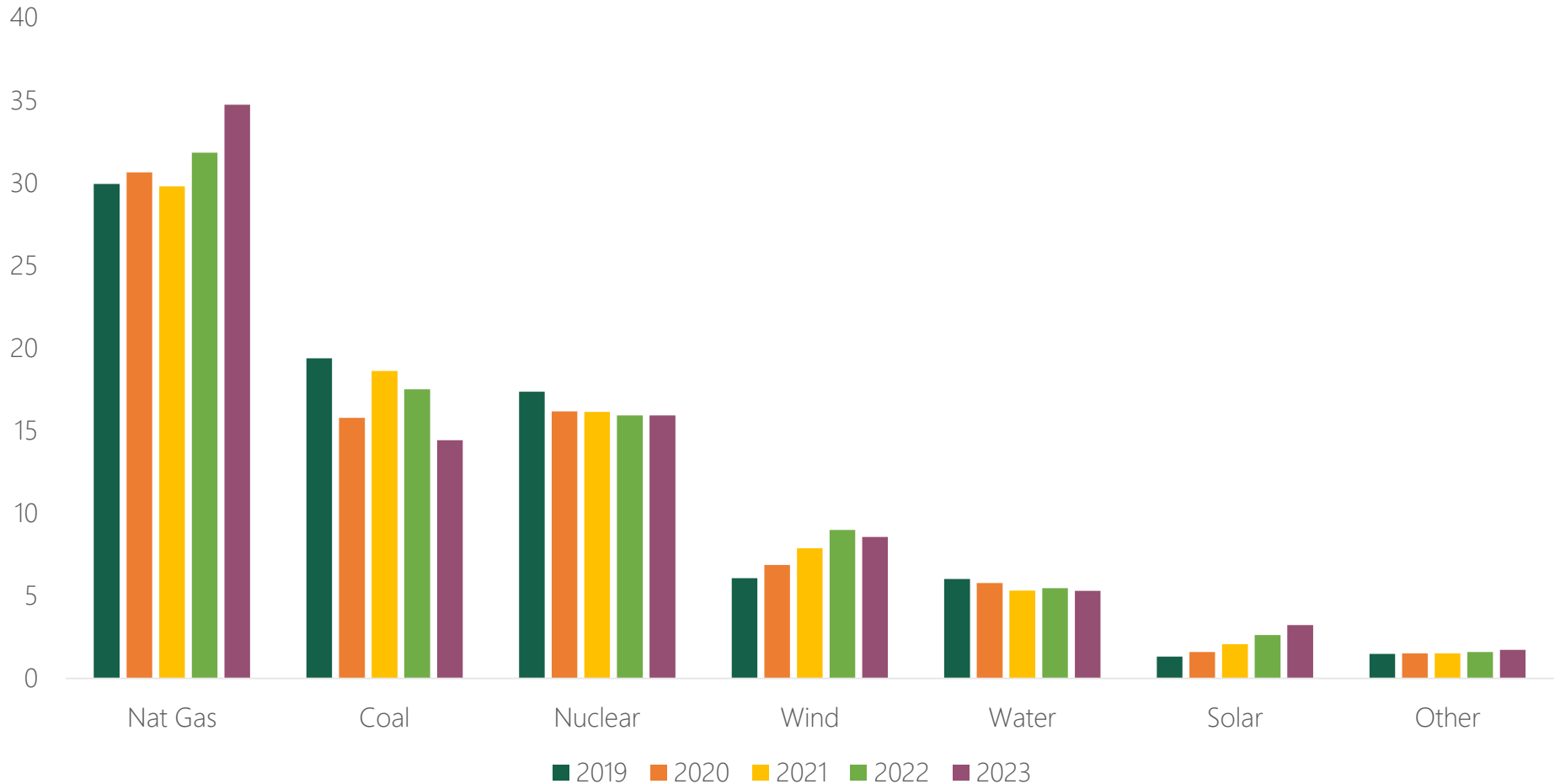
U.S. Natural Gas Demand From Power Burn (2013-2023)



Natural Gas Dominates Power Generation Mix

In 2023, natural Gas power generation grew by ~3.0 Bcfe/d, or 9% from the prior year while all other categories declined by ~3.0 Bcfe/d

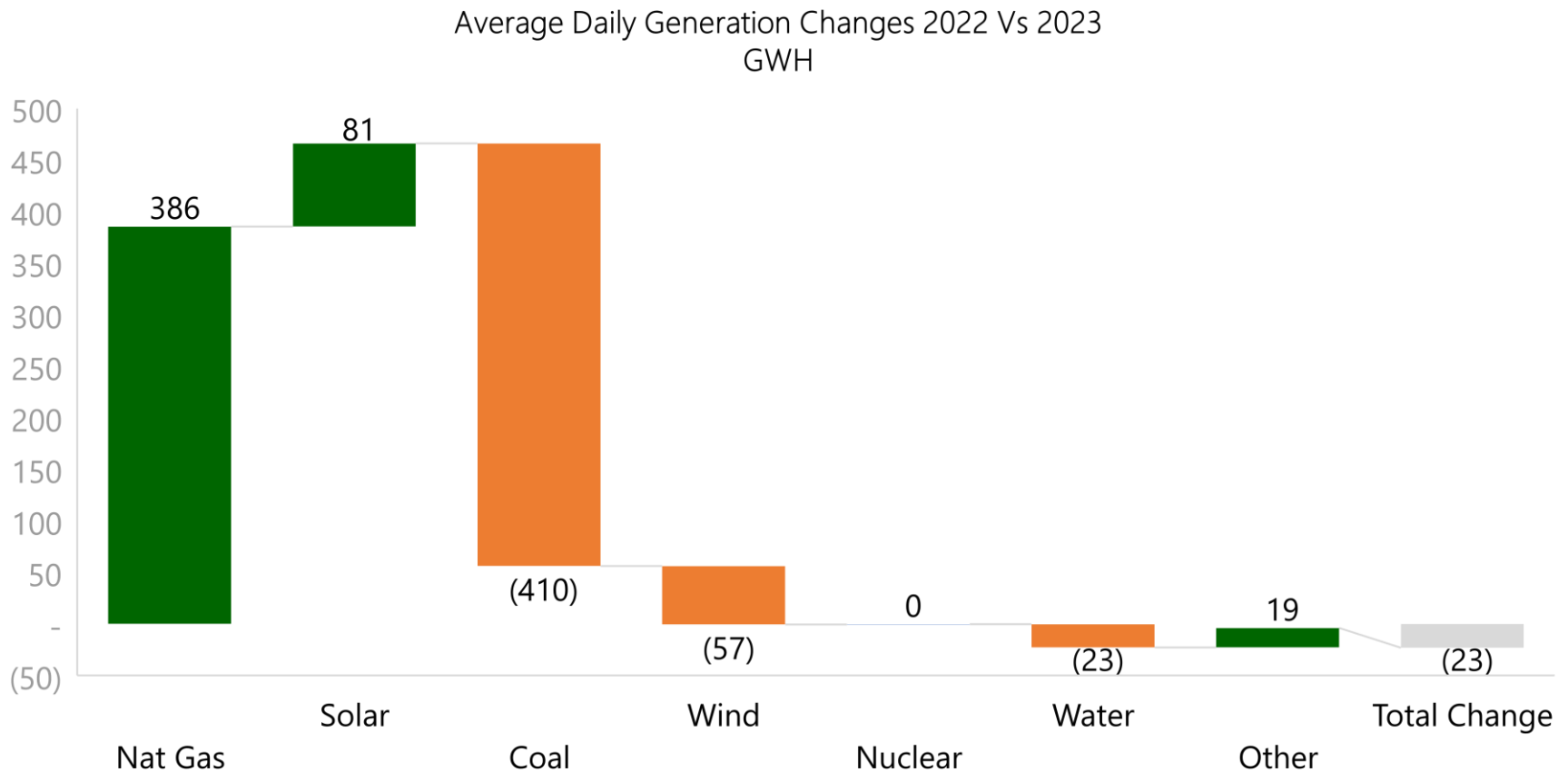
Power Generation Mix (Bcfe/d)



Natural Gas Power Generation Mix Trends Higher

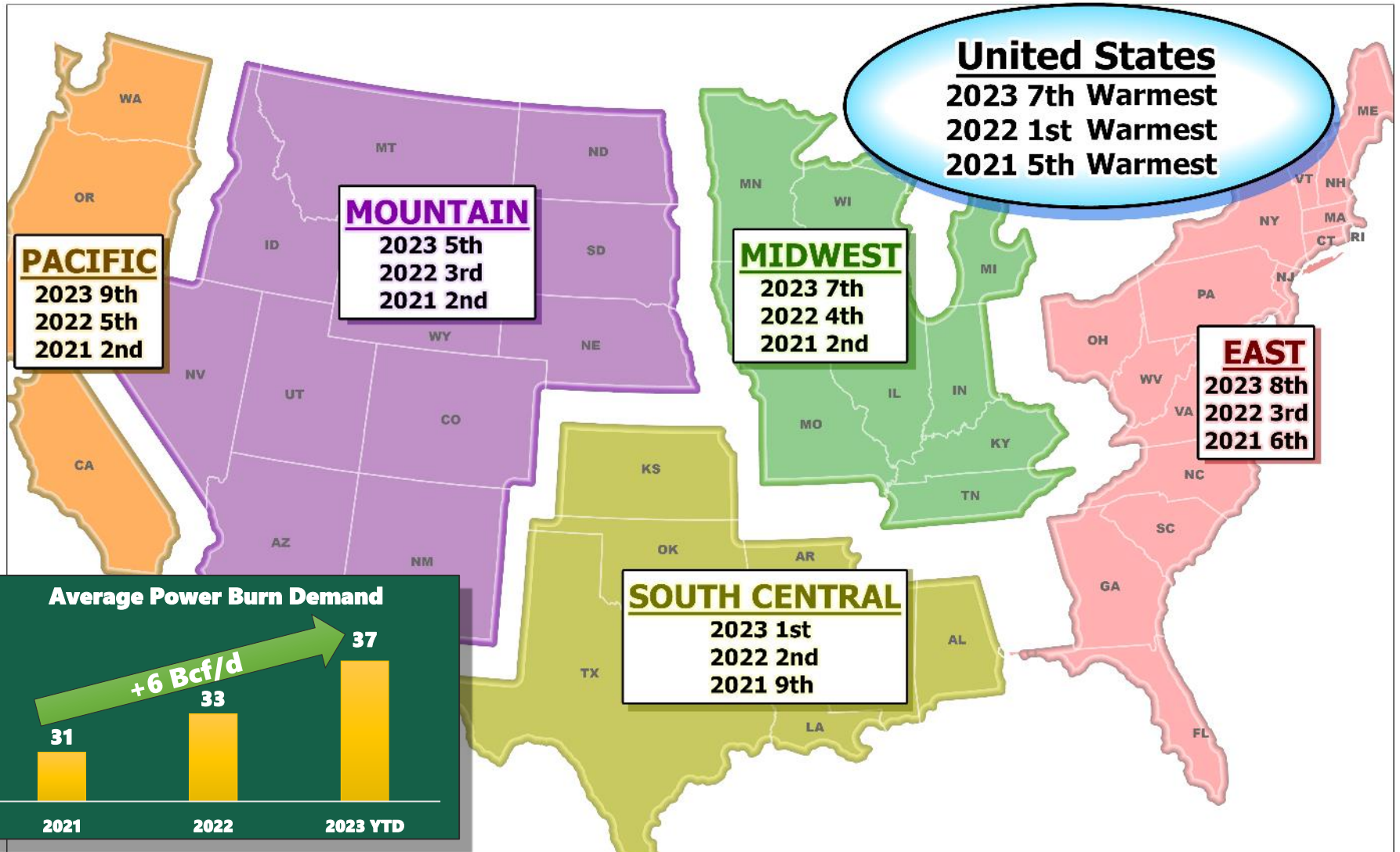
Natural gas remains the most reliable energy source for power generation, offsetting declines in coal, wind and water

Power Generation Mix Change Year-Over-Year



Population-Weighted Cooling Degree Days (PWCDD)

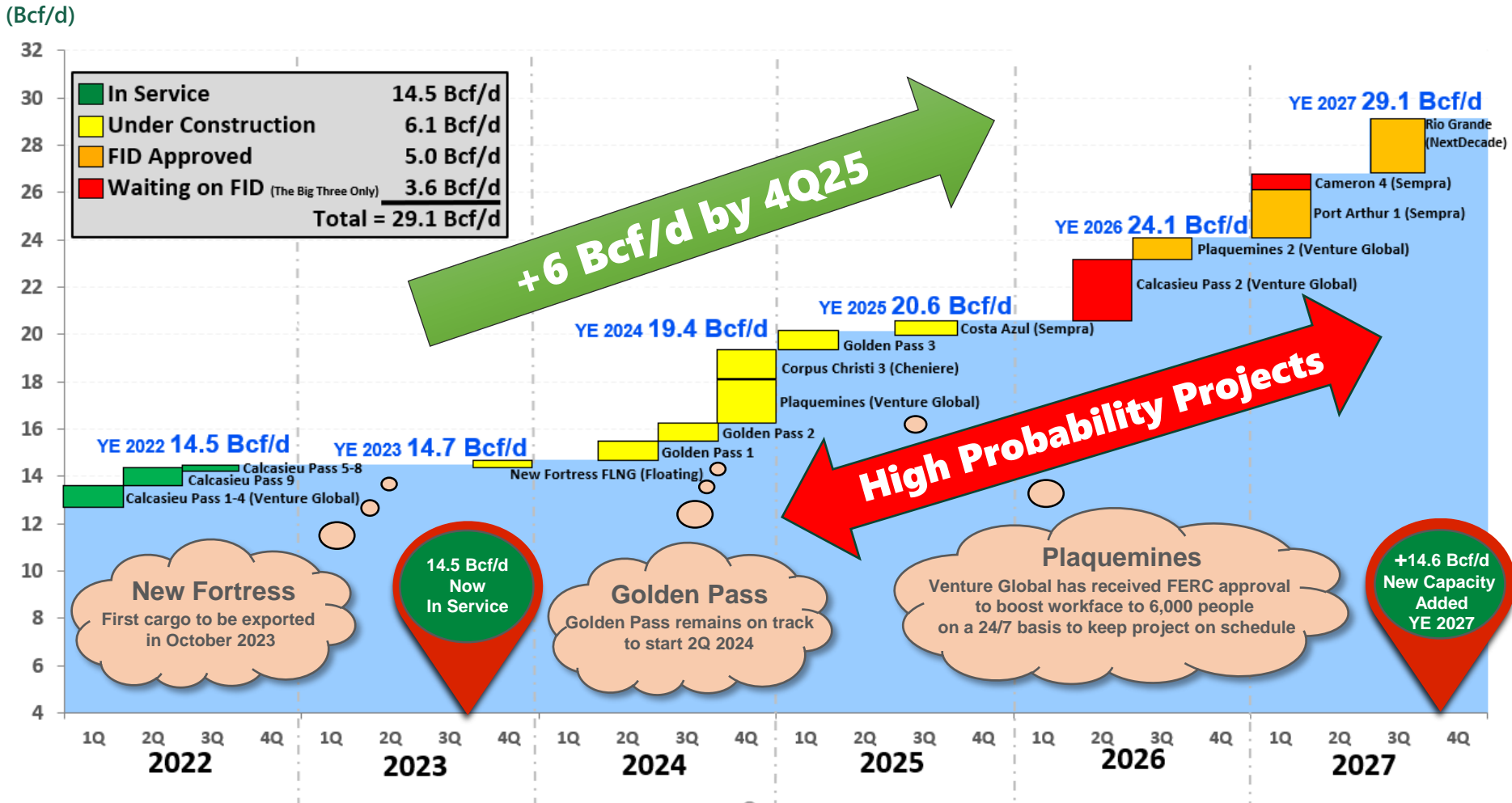
Despite Summer 2023 being cooler than 2021, power burn demand has continued to set records and has grown 6 Bcf/d from 2021



Demand: Growing Global LNG Market

AR is a top U.S. LNG supplier with the ability to deliver into the growing demand

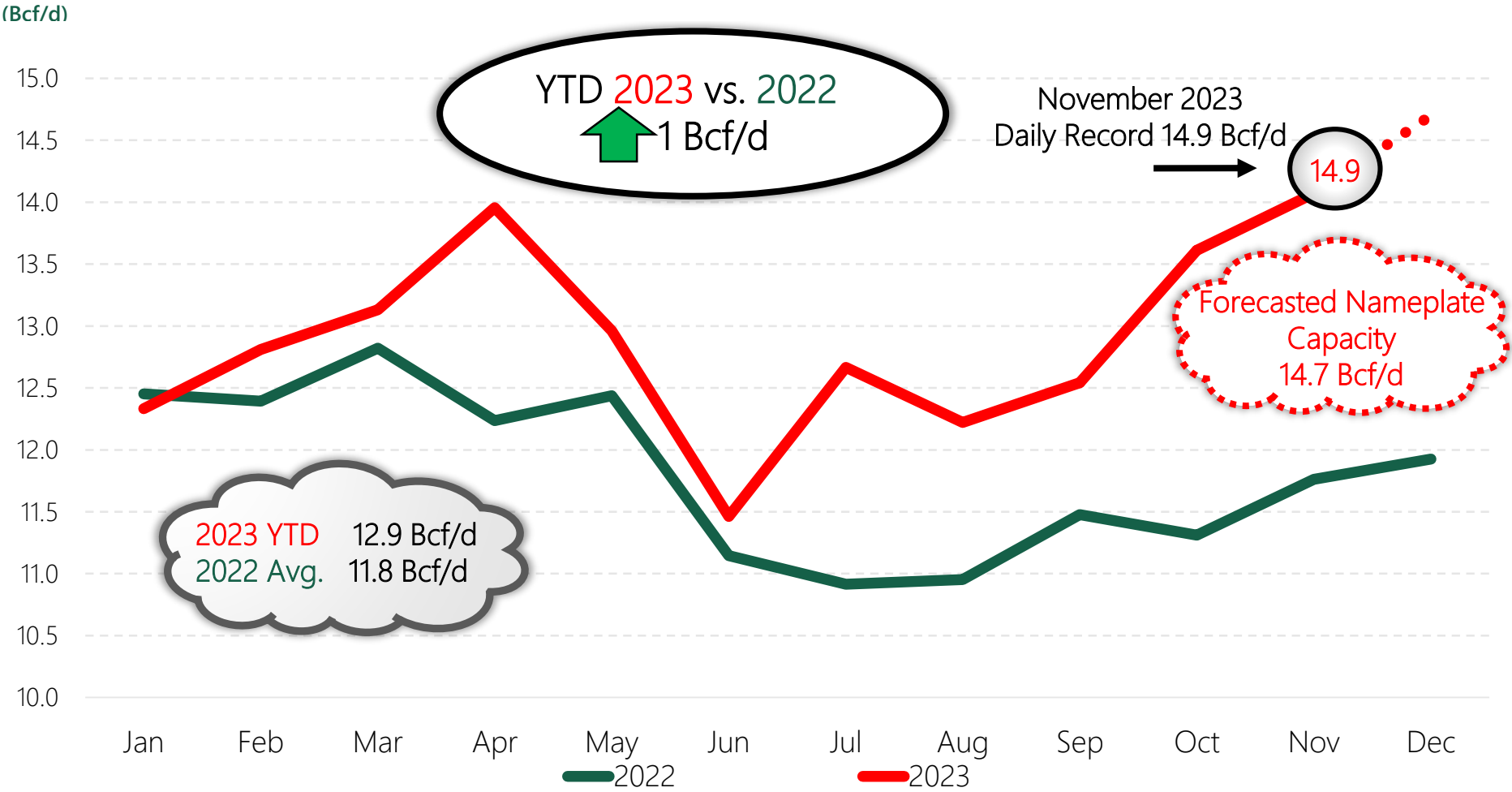
U.S. LNG Capacity Through 2027



Demand: LNG Feed Gas Continues to Climb

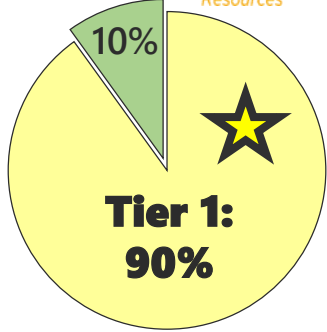
U.S. LNG feed gas hit record highs in November of 2023

U.S. LNG Feed Gas

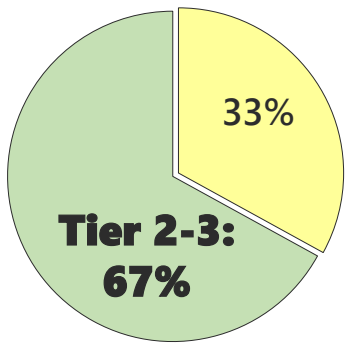


Not All Transport to the U.S. Gulf Coast is Equal

LNG Fairway Transport and Tiered Price Map



Peers⁽¹⁾



Tier 2

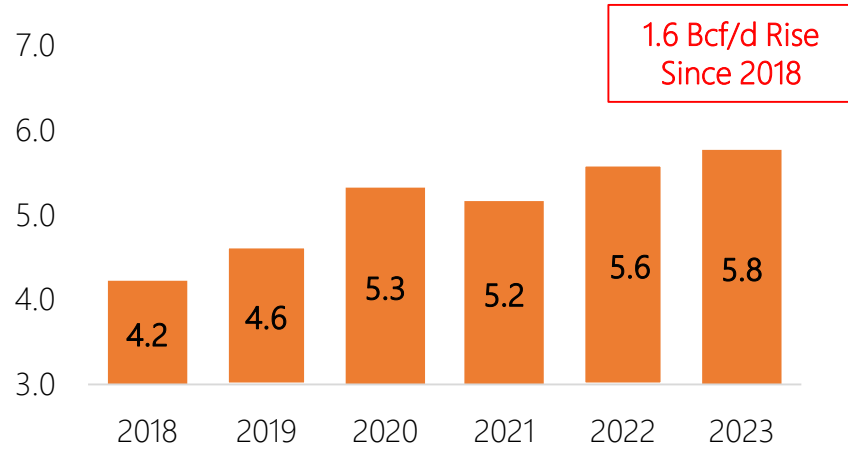
Cal '25: (\$0.19)
Cal '26: (\$0.18)

TX

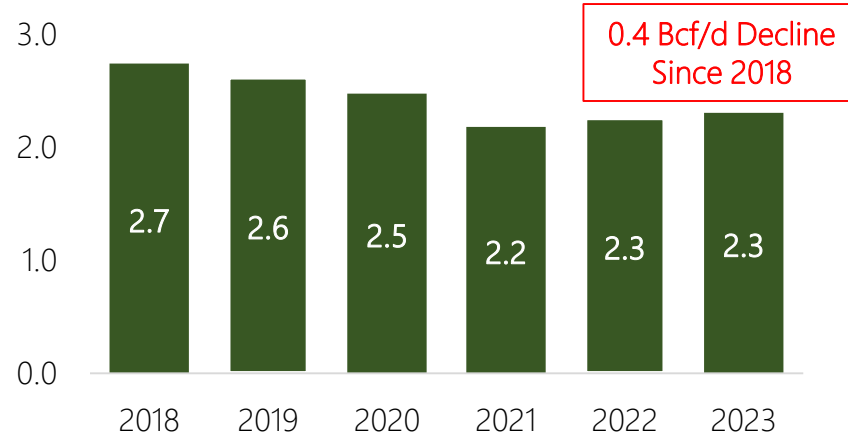


United States Exports to Mexico Rise

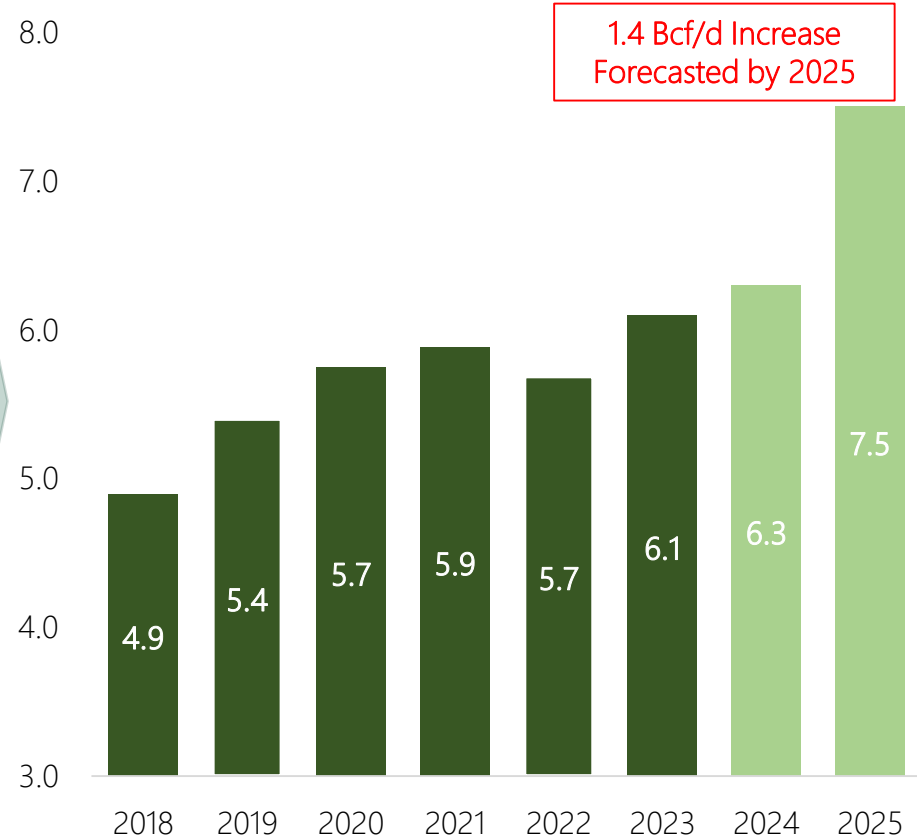
Rising Mexico Power Burn Demand...



Combined with Flat Production...

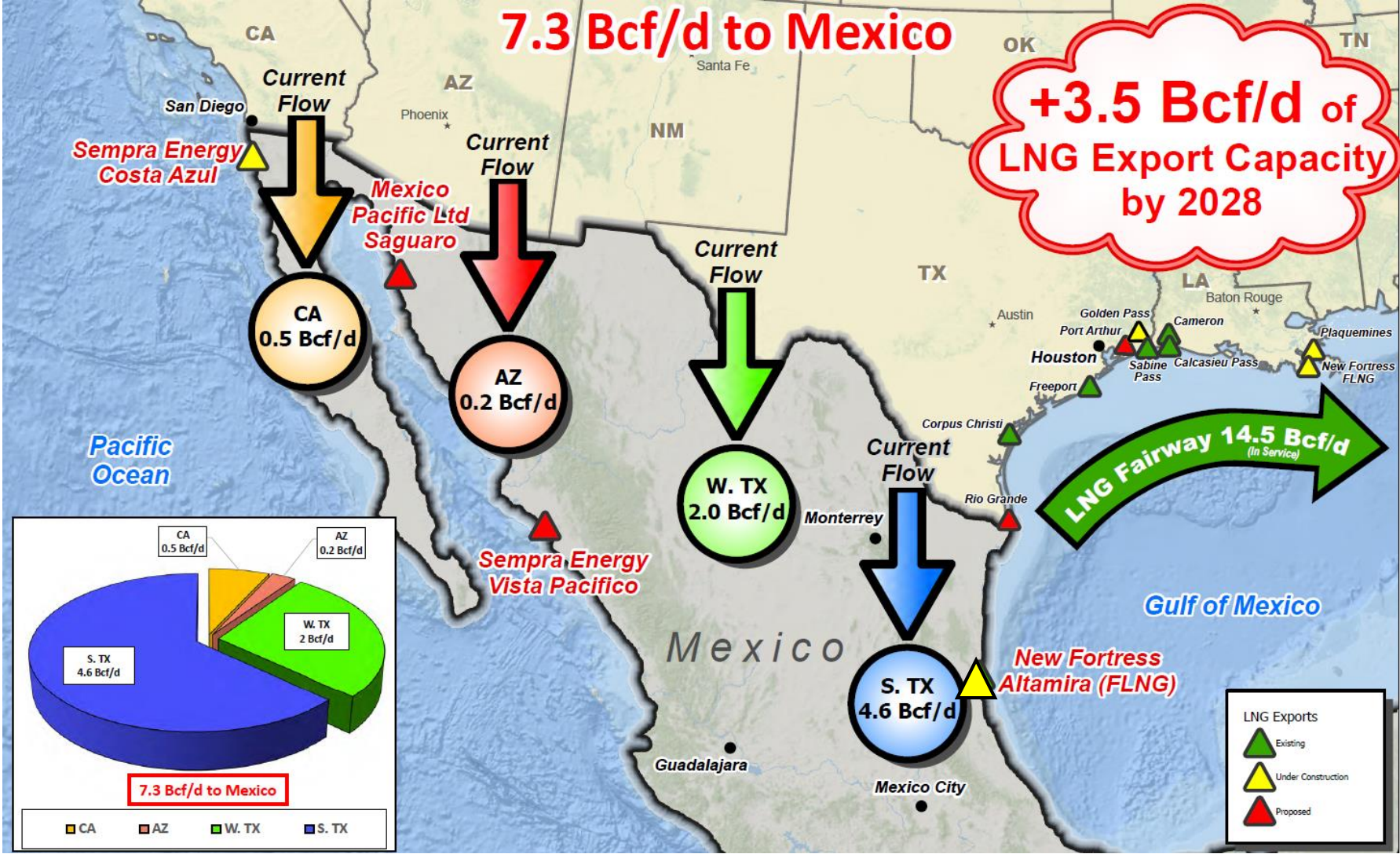


Drives Increase in U.S. Mexico Exports



Mexico LNG Export Capacity Growth

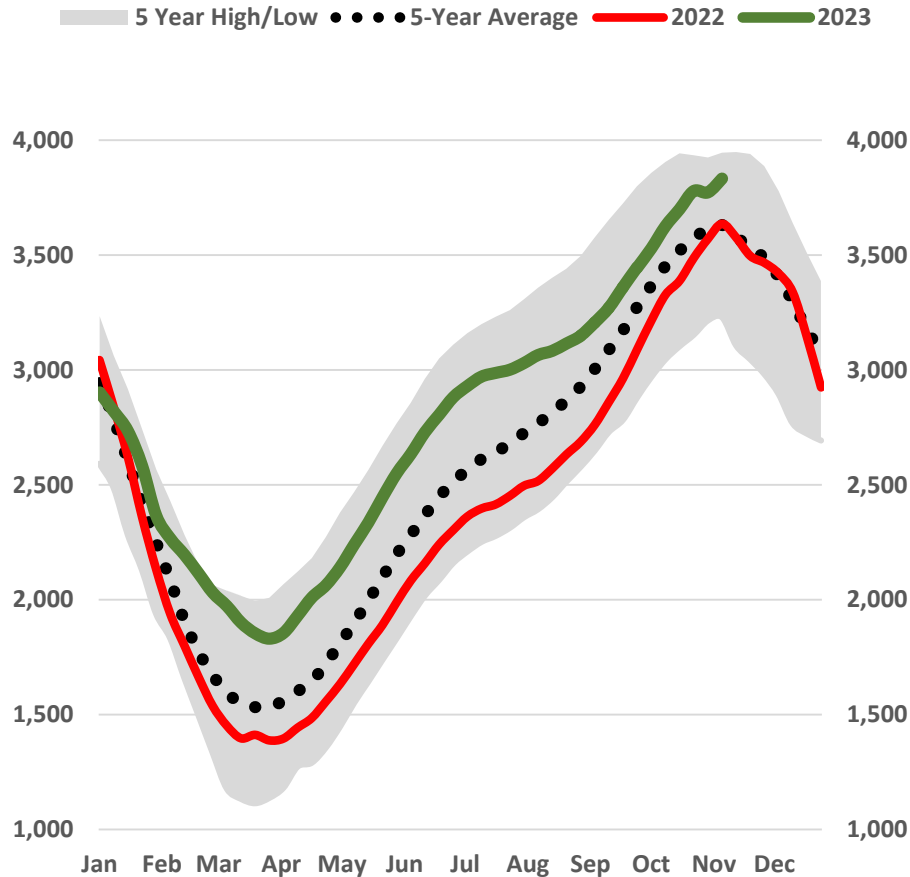
U.S. supply will support 3.5 Bcf/d of LNG export capacity growth expected by 2028



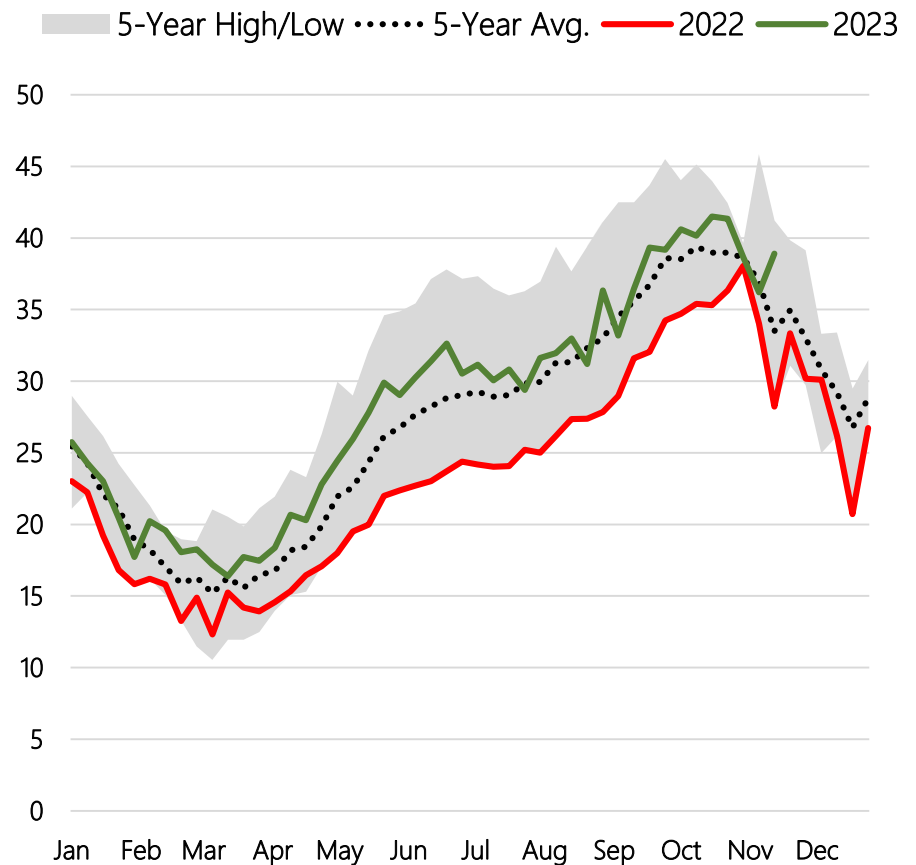
Natural Gas Storage vs. Days of Supply

While U.S. gas storage remains elevated relative to historical levels, days of supply are slightly above the 5-year average as U.S. demand has increased ~5% over the last 5 years

U.S. Natural Gas Storage



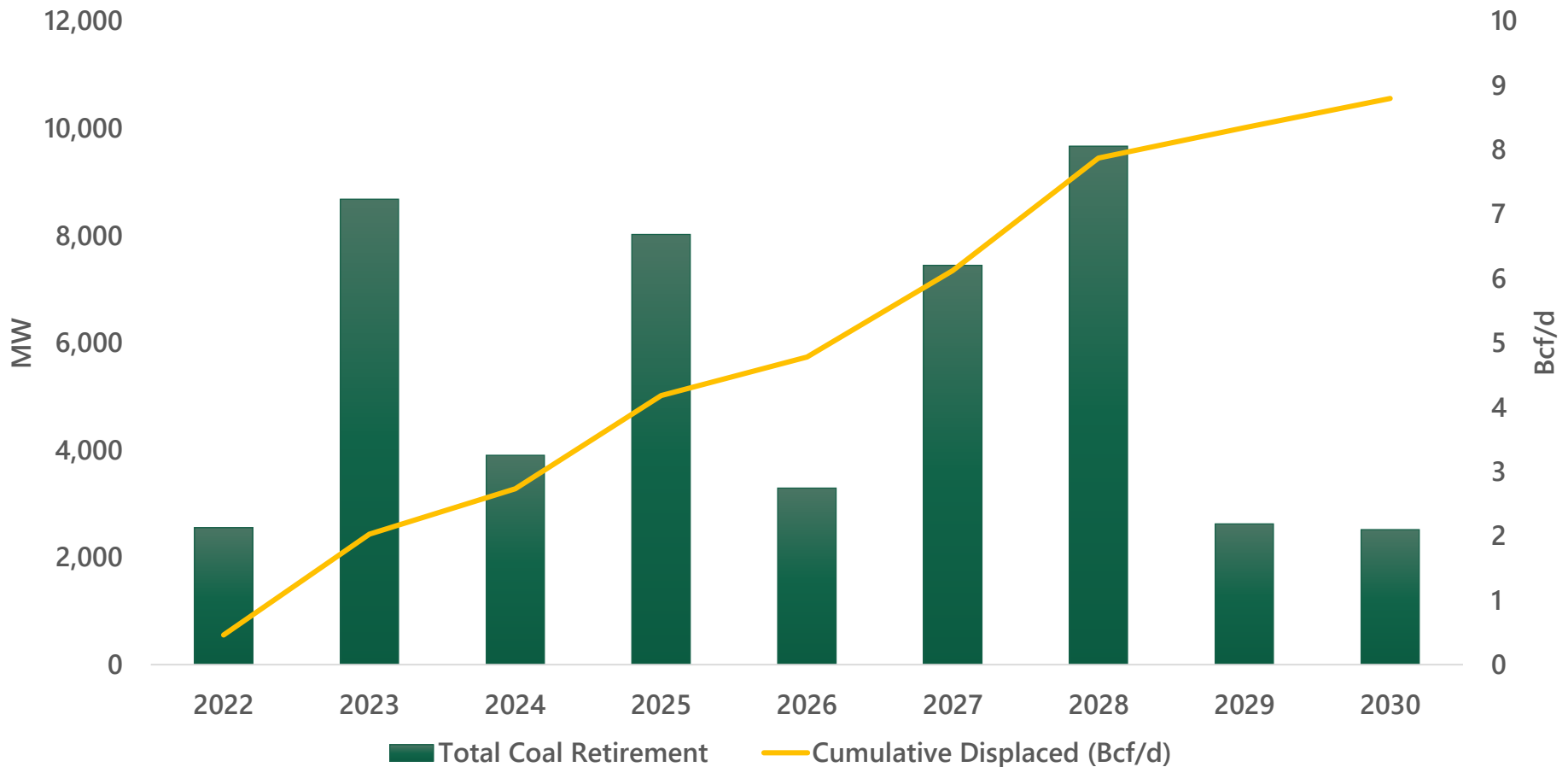
U.S. Natural Gas Days of Supply



Coal Plant Retirements

Large amounts of coal plant retirements provide upside to natural gas power generation through 2030

Coal Plant Capacity Retirements (2022-2030)

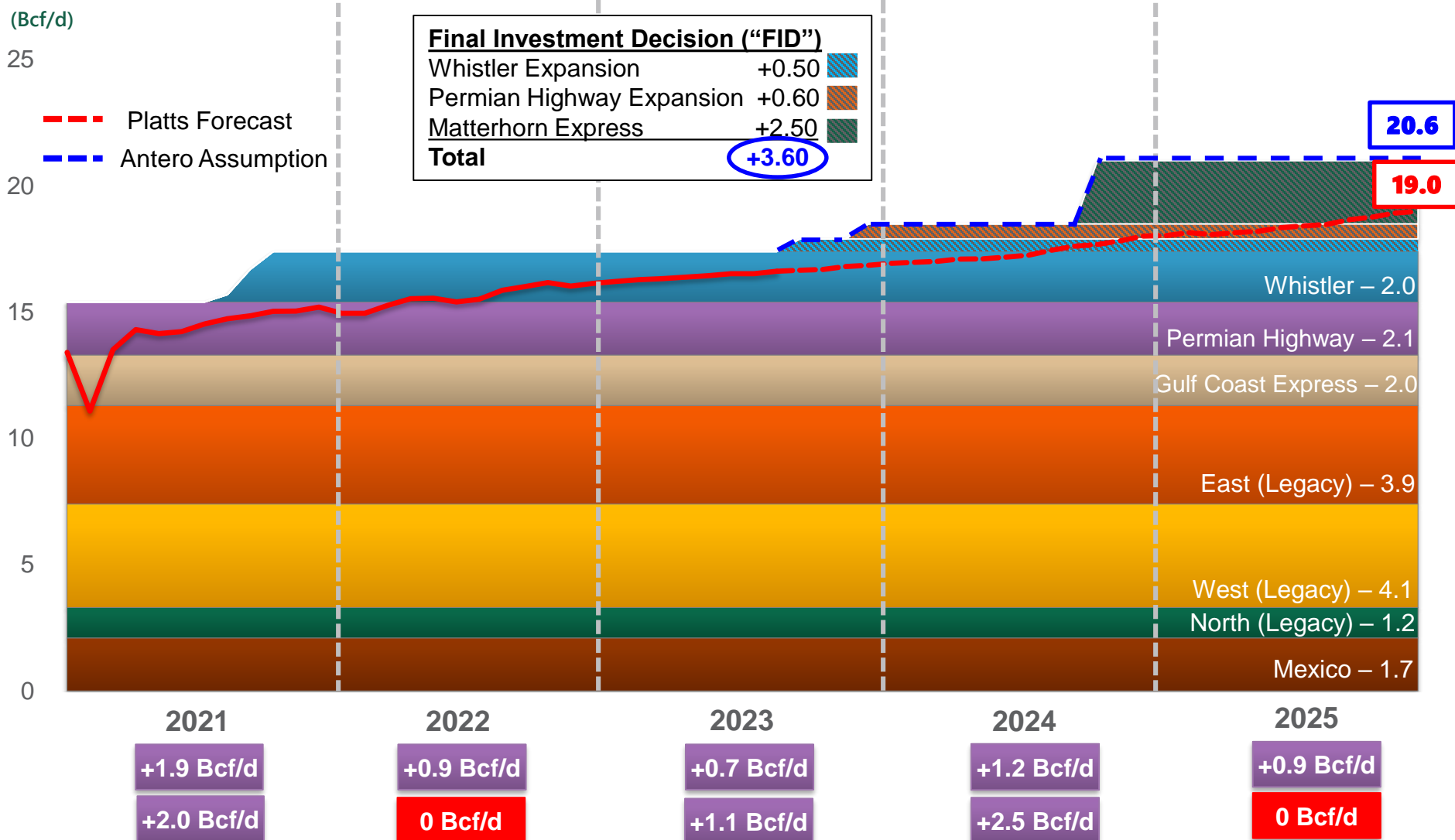




Appendix

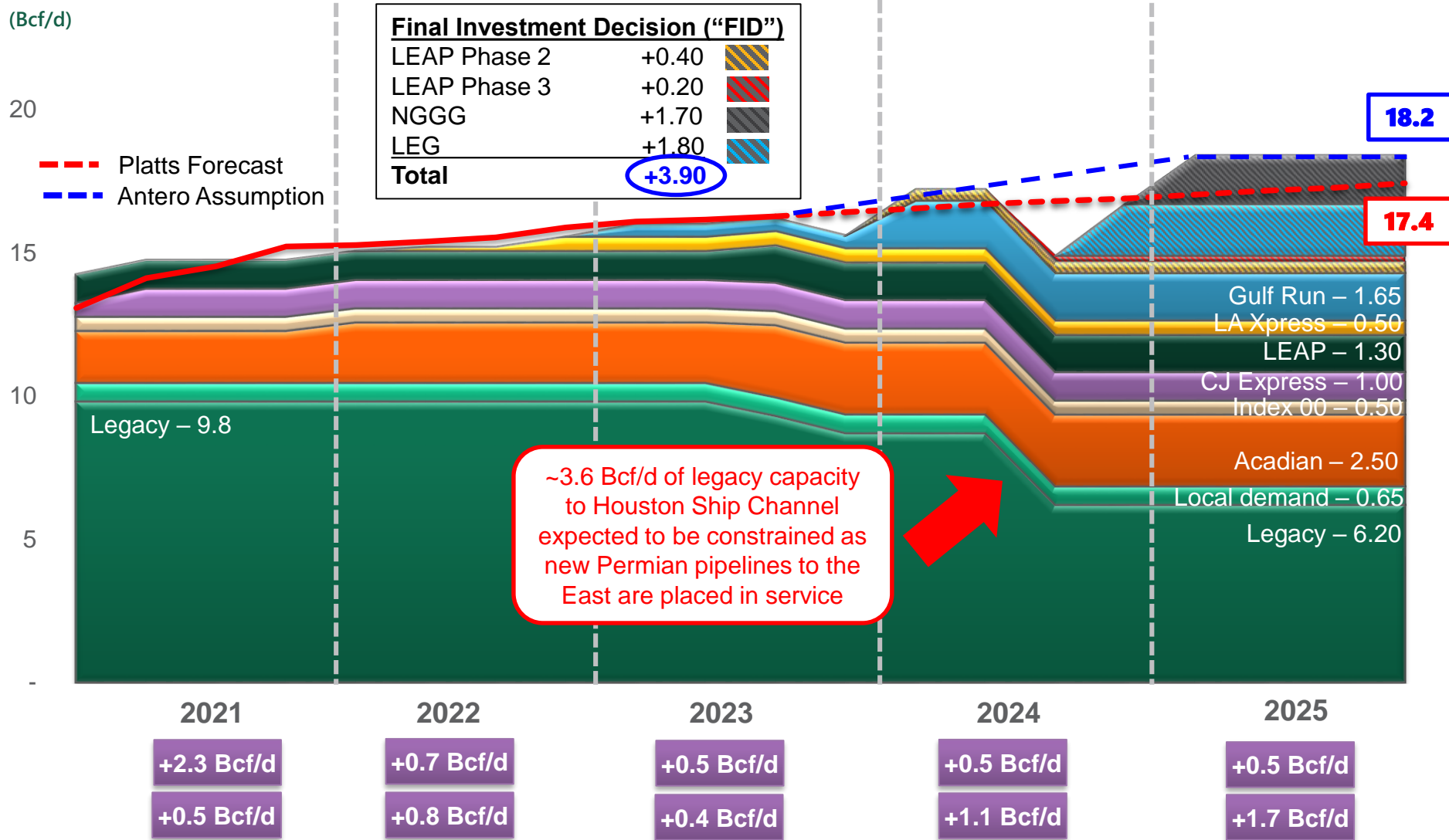
Supply: Permian Takeaway Capacity Increasing

Permian Takeaway Capacity Additions



Supply: Moderated Growth Expected Once Capacity is Online

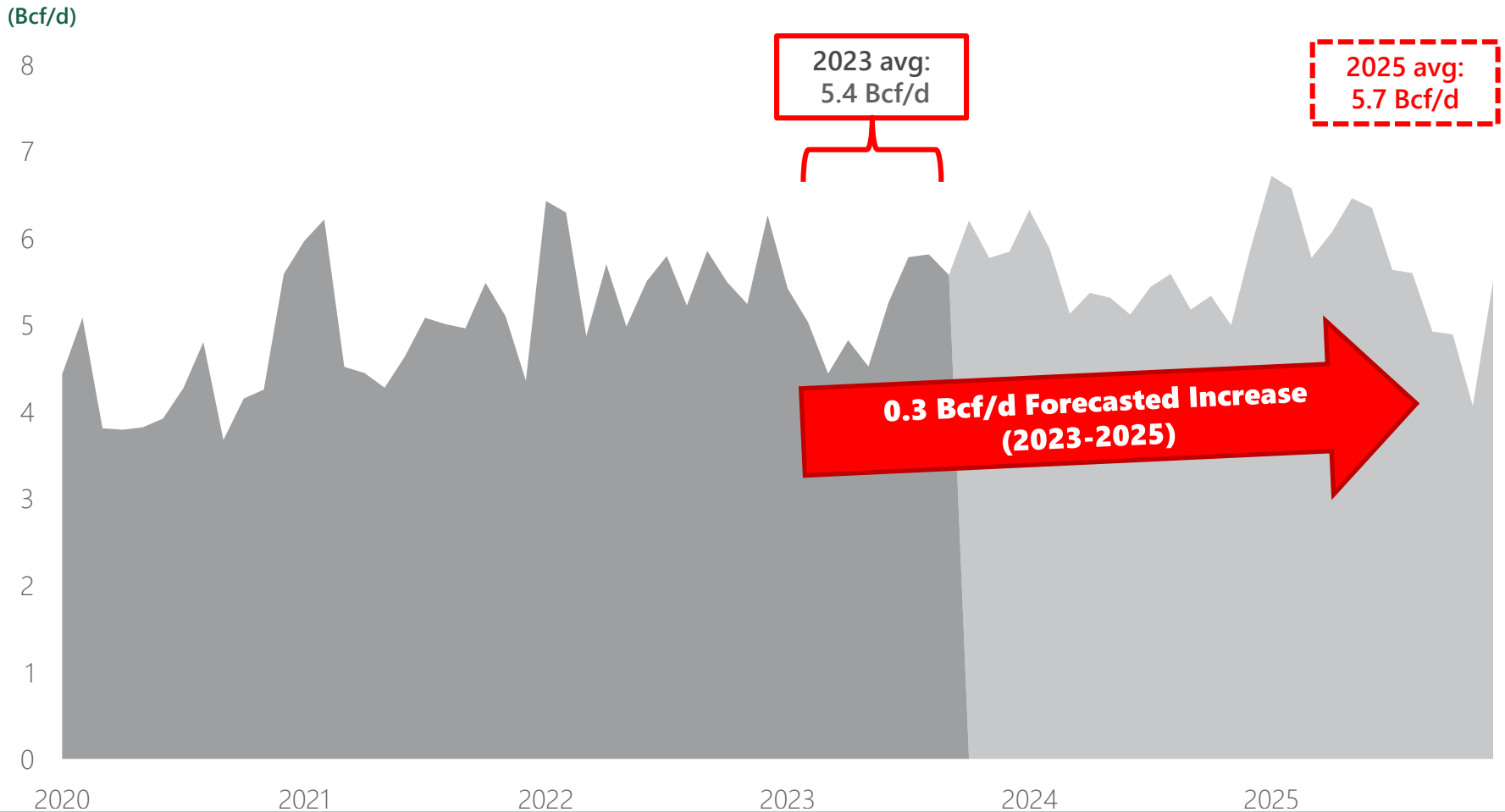
Haynesville Takeaway Capacity Additions



Canada Net Imports

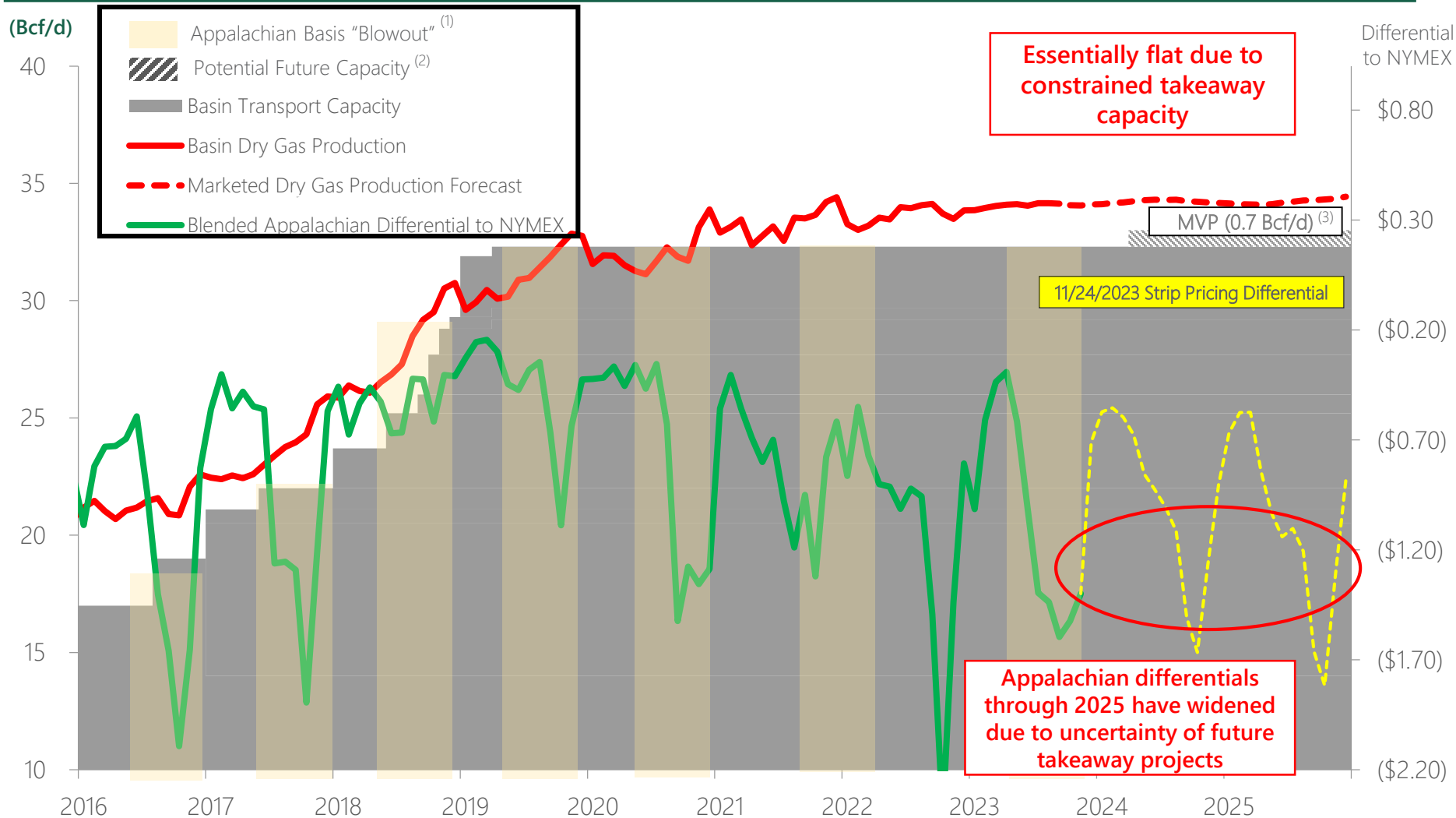
Net imports are expected to grow modestly through 2025 peaking at 5.7 Bcf/d. Net imports are then forecasted to decline as Canadian LNG exports ramp and production growth slows

Canada Net Imports (2020 – 2025)



Supply: Appalachia is Constrained

Appalachia Takeaway Capacity Additions



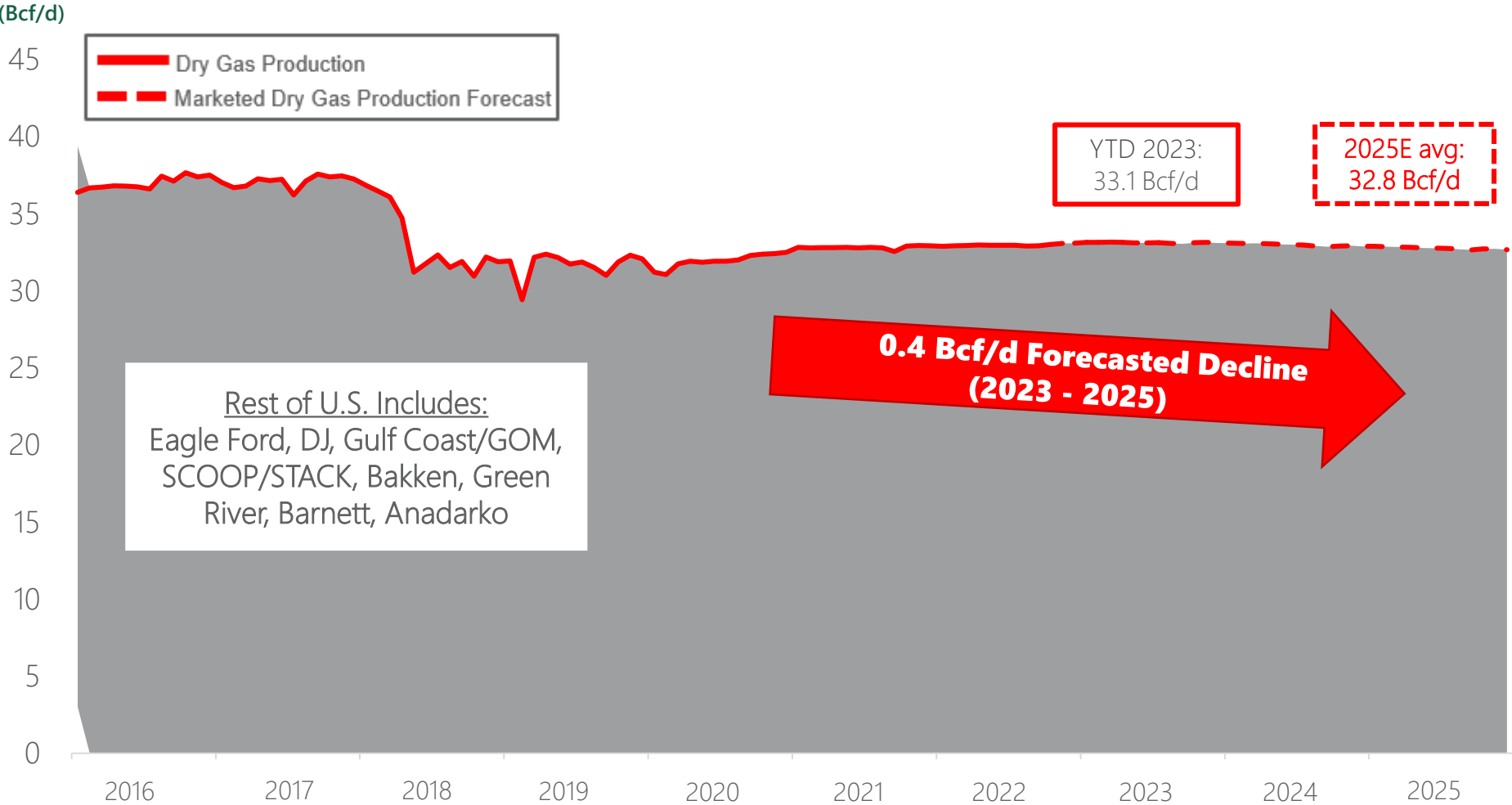
Source: S&P Global Platts. In-basin differentials represent an average of TETCO M2 and Eastern Gas South differentials to NYMEX Henry Hub.

- 1) Basin capacity based on pipeline flow data scrapes.
- 2) Production forecast and Mountain Valley Pipeline (MVP) Estimated In-Service date based on Platt's Project Tracker.
- 3) East Daley: Assumes MVP utilization of 35%



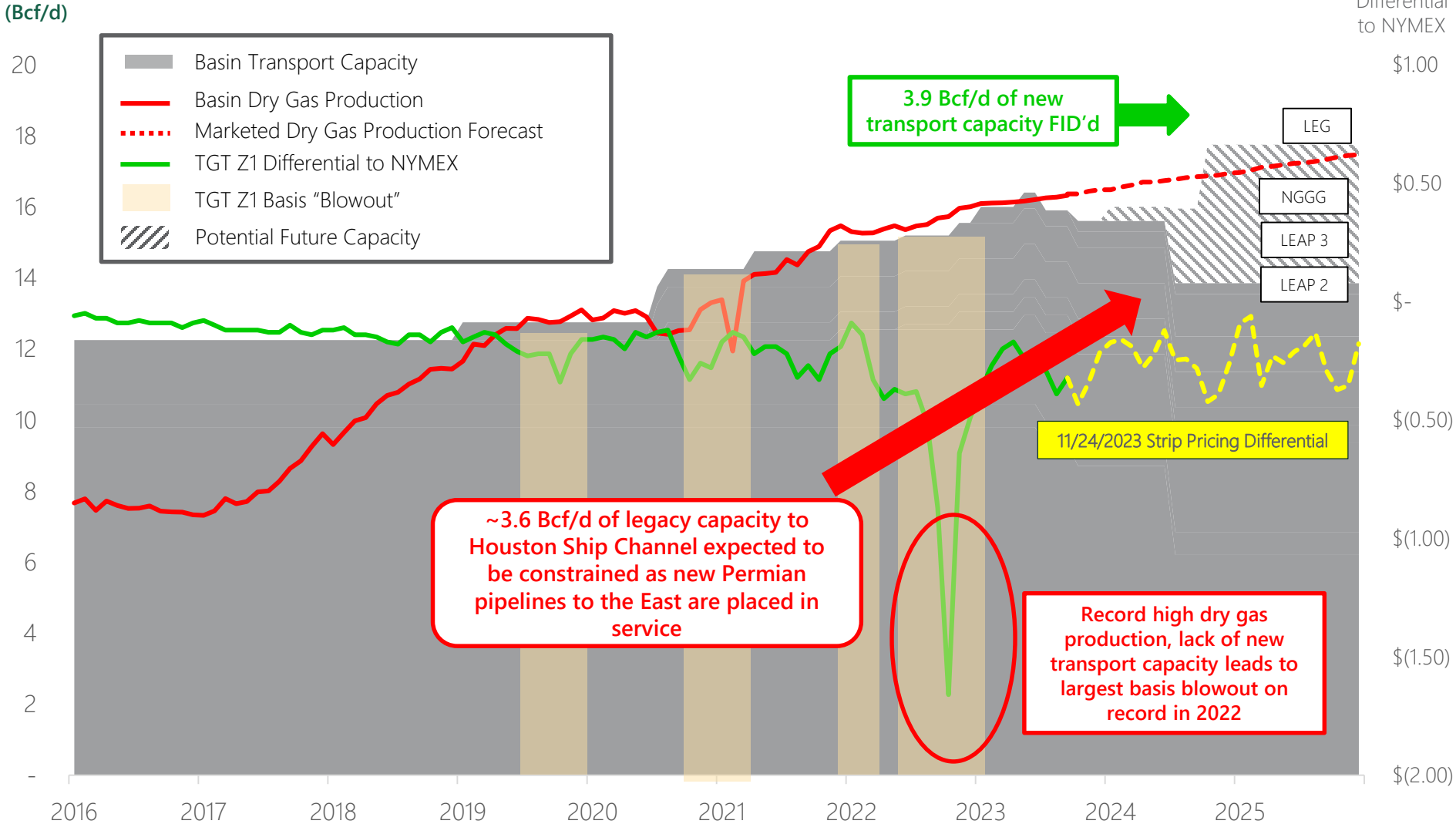
Legacy Gas Basins Continue Decline

While Appalachia, Permian and Haynesville lead future U.S. production growth, legacy U.S. shale basins and GOM are forecasted to decline



TGT Z1 Basis vs. Haynesville Takeaway Capacity

As producers test the limits of takeaway capacity, Haynesville basis expected to remain susceptible to wide differentials until new pipelines and LNG projects are placed in service



Tight Permian Takeaway Capacity in 2024

With limited eastbound capacity in the near term, steady westbound flows, and crude-oil-driven economics, Waha basis is expected to remain wide in 2024

