

The Advisor

DATA-DRIVEN, HOLISTIC ENERGY CONSULTING

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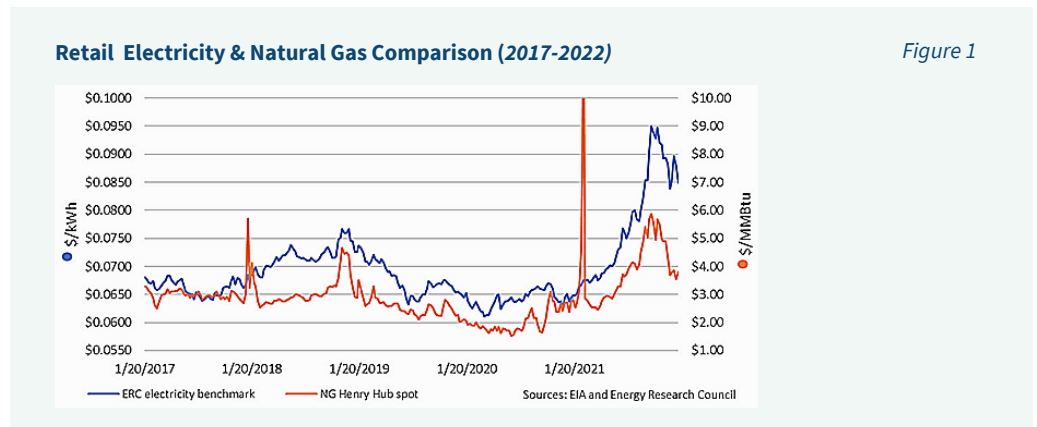
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MARKET MOMENT

Electricity and natural gas prices continue to be very volatile. 2021 ended with the second warmest December on record, helping Henry Hub natural gas prices move lower before several rounds of arctic cold set in for much of the country in January. Natural gas spot prices were 2.7% higher while electricity benchmark prices moved 3.5% higher since our last update. Of the competitive electricity markets, Maine saw the largest increase, up nearly 7% while Pennsylvania prices were essentially flat, up less than 1%. (figure 1).



DRIVING PRICES HIGHER

Arctic cold – Frigid January temperatures brought ice, snow and extreme cold deep into the South before heading up the East Coast, increasing heating demand and limiting production, as wellheads and drilling equipment froze over.

Cost of renewables – Environmental, Social and Governance (ESG) initiatives are increasing the cost of renewable energy as demand for “green” power outpaces available supply. Federal transmission projects aim to move more renewables, including offshore wind to high demand markets (figure 2).

MARKET MOMENT

Liquefied natural gas – High demand and prices in Europe and particularly Asia continue to incent producers to export natural gas at close to maximum capacity with two additional processing facilities coming online this year.

DRIVING PRICES LOWER

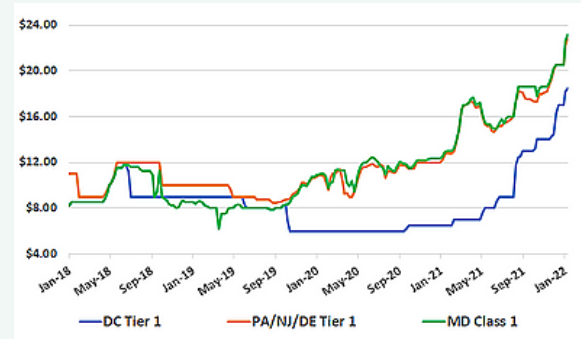
Natural gas production – Exploration & Production companies are slowly increasing gas-directed rig counts in response to higher prices. EIA is now projecting growth in gas production to slightly outpace growth in demand and exports in 2022 (figure 3).

Rising oil prices – Higher oil prices can have the opposite effect on natural gas prices and ultimately electricity. As travel and demand for oil increases and prices rise, additional drilling for crude oil also yields natural gas in many areas of the country, increasing supply.

Improved drought conditions – Snowpack levels in the West are now slightly above the 5-year average, allowing for increased hydropower generation. However, much of the increased precipitation may be soaked up by very dry soil conditions.

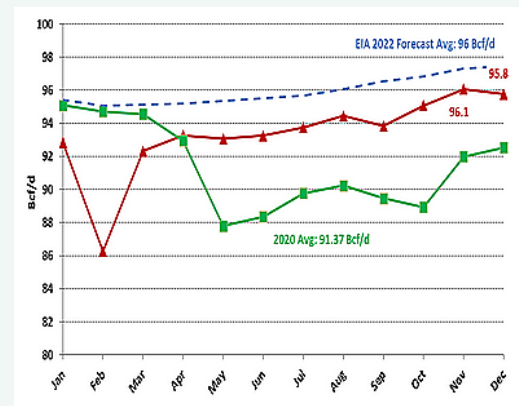
PJM Class/Tier 1 Cal 23 Fwd REC Prices
(in \$/MWh)

Figure 2



US Dry Gas Production (Bcf/day)

Figure 3



DID YOU KNOW?

Coal-fired plants will account for

85%

of all electricity generating retirements in 2022.

Planned U.S. utility-scale electric generating capacity retirements (2022)
gigawatts (GW)

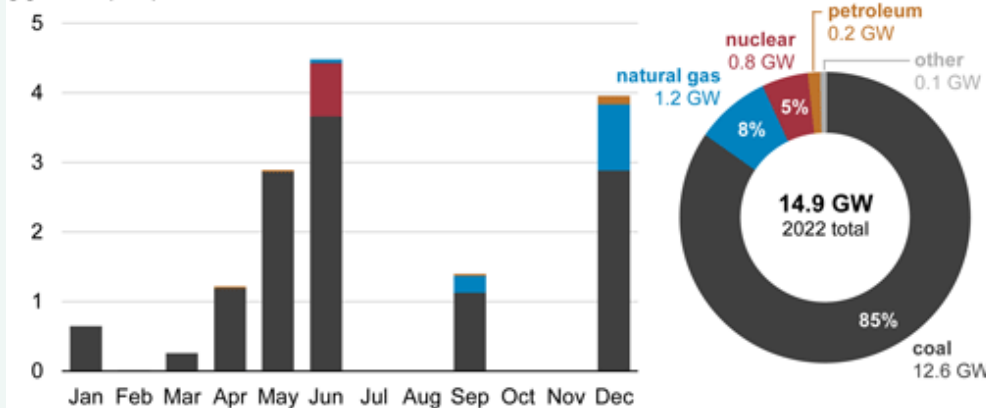


Figure 4

Source: U.S. Energy Information Administration, Preliminary Monthly Electric Generator Inventory, October 2021



RENEWABLE ENERGY CERTIFICATES

Curious about Renewable Energy Certificates and how they can help your organization to meet renewable energy goals? This 1-minute explainer video is a great place to start. Click to learn more about opting for RECs (or more simply stated, paying for green power as opposed to traditional brown or fossil fuel based power). Better yet, connect with our team today to discuss your options.

[For more information, check out our video explaining the benefits of renewable energy credits >>](#)

WHAT'S NEW?

ARTICLE: When it comes to electricity and natural gas procurement for an organization located in a deregulated state, the choices can be overwhelming. Let's take a closer look at what deregulation means for your business, as well as where to turn and when to act.

[View Article Here >>](#)



CLIENT CORNER



“St. Stephen’s Episcopal Cathedral and School has been a customer of APPI since 2018, and we have enjoyed a mutually beneficial relationship over that period of time. The St. Stephen’s campus in downtown Harrisburg, PA includes a total of eight buildings, dating from the early 19th century through the 21st century.

Part of the Property Committee’s mission statement relates to “using resources appropriately, economically, safely and sustainably” to further the work of the parish and school. Through our APPI-brokered contracts with electricity suppliers we honor that mission by reducing electric energy costs via successfully sourcing and relying on “green” or renewable energy sources.

APPI has been responsive, professional and easy to work with. I would recommend their services without reservation.”

THOMAS LONG

**Property Committee Chairman
St. Stephen’s Episcopal Cathedral and School**

**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.*