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# The SAVINGS Spark

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Cost Control Associates helps your organization reduce and better manage your energy/utility and overhead expenses. This monthly newsletter shares industry-related news, tips and updates.

June 2022



## 6 Disruptive Energy Trends

For the past two or three years, tracking the cost of energy commodities has been as thrilling as a rollercoaster ride. Never has this been truer than in the current energy pricing environment where [the usual variables were complicated by a series of surprises no one could foresee](#).

What You Need to Know

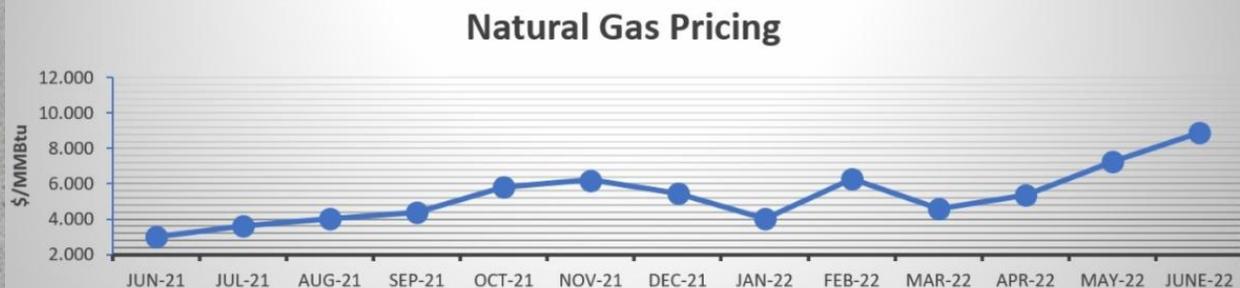
# Energy Procurement Report: June 2022

## Natural Gas

At the beginning of June, [EIA](#) expectations included the Henry Hub spot price to average \$8.69 per million British thermal units (MMBtu) in 3Q22, up from \$8.13/MMBtu in May. Natural gas prices were rising because:

- Natural gas inventories are below the five-year average
- There is continued steady demand for U.S. liquefied natural gas exports, and
- There is high demand for natural gas from the electric power sector given limited opportunities for gas-to-coal switching.

U.S. natural gas inventories ended May at 15% below the five-year average and were expected to end the 2022 injection season (end of October) at 9% below that average. However, breaking news at the Freeport LNG facility off the coast of Houston TX on June 7 changed everything. (The chart below shows pricing prior to the Freeport explosion.)



## Freeport Explosion Turns Gas U.S. and European Markets Upside Down

Prices dipped immediately when news of the explosion got out. They dove sharply a week later when the facility announced it would need at least three months of repairs in order to achieve partial functionality.

Freeport represents about 17% of U.S. LNG processing capacity and typically received 2 Bcf/d of feed natural gas to support its liquefaction efforts. This represents a bit more than 2% of U.S. natural gas demand that has suddenly been eliminated.

The situation will increase the supply of natural gas in the U.S. market. This will push down pricing and allow us to put more gas into storage ahead of winter. Europe's existing gas shortage will be exacerbated by now diminished U.S. LNG imports and increasing European prices. As a result, the EU is considering reviving coal stocks in the short term.

## LNG

Liquefied natural gas (LNG) exported to Europe accounted for 74% of total U.S. LNG exports in January through April 2022 and was expected to average out at 11.9 Bcf/d for all of 2022. Even though additional U.S. capacity is coming online midyear, the loss of the Freeport plant will continue to play havoc on pricing and exports for the coming year.

## Electricity & Renewables

The EIA predicts the summer commercial-sector electricity price to average 12 cents/kWh (up 4.7%) with the industrial sector price averaging 7.7 cents/kWh (up 3.2%). Higher retail electricity prices largely reflect higher wholesale power prices and higher natural gas prices.

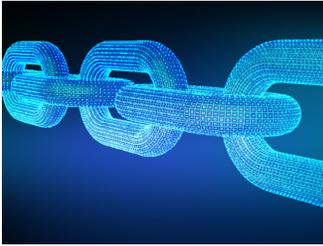
The largest increases in U.S. electricity generation in the next two years are likely to come from renewable energy sources as generating capacity expands. The EIA expects renewable energy will provide 22% of U.S. generation in 2022 and 24% in 2023, up from 20% in 2021.

## Oil & Gas

The Brent crude oil spot price averaged \$113 per barrel (b) in May. The EIA expects the Brent price will average \$108/b in the second half of 2022 and fall to \$97/b in 2023. Current oil inventory levels are low, which amplifies the potential for oil price volatility. Actual price outcomes will be affected by present and future sanctions on Russia and independent corporate actions affecting production and sale in the global market. OPEC crude oil production is expected to rise 0.8 million b/d from the first half of 2022.

The U.S. average retail price for regular grade gasoline averaged \$4.44 per gallon (gal) in May, and the average retail diesel price was \$5.57/gal. Rising prices reflect refining margins at or near record highs amid low inventory levels. The EIA expects gasoline wholesale margins to fall from \$1.17/gal in May to average 81 cents/gal in 3Q22. It is expected that retail gasoline prices will average \$4.27/gal in 3Q22 with retail diesel averaging \$4.78/gal in 3Q22.

## If You Missed Last Month's Blog



### **Intro to Blockchain for Business**

Within 2-3 years, your vendors may implement blockchain distributed-ledger technology (DLT) and require you to use it. Blockchain technology is expected to transform entire industries. Global spending on blockchain is forecast to reach nearly \$17.9 billion in 2024, growing at a 5-year compound annual growth rate of 46.4%. [Learn why it is important to know what blockchain is and how it might affect your business.](#)



### **Gain the Energy Edge**

Cost Control Associates has the energy industry expertise you need to be on the leading edge of your competition. Our independence from suppliers and installers helps your business pay less and understand more about its utility expenses including energy, water/sewer, waste removal, telecom and [so much more](#). We've been doing it for more than 30 years, and our experience shows. Client satisfaction is our top priority!

For more information on any of our services, please get in touch with [Brandon Sisson](#) at 770-307-7413 or complete the [contact form](#) on our website.

Cost Control Associates, Inc. | 518-798-4437 | <https://costcontrolassociates.com>

