

THE FUEL

NEWSLETTER

Natural Gas Intel for Location Strategy Experts



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PRICES: BASIS DIFFERENTIALS

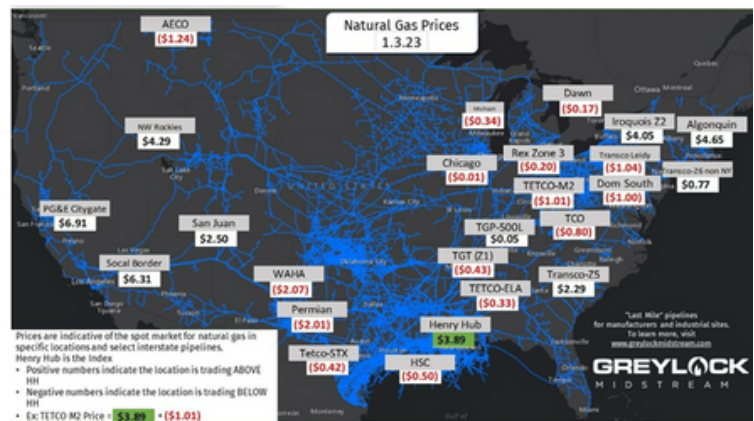
EXAMPLE: A \$35 MILLION/YR DECISION

IDEA: CAN EU MANUFACTURERS WEATHER 800% INCREASES?

FREE TOOL: EIA'S ENERGY INFRASTRUCTURE MAP

Prices: Basis Differentials

▼ Henry Hub Index is down \$.94 since the last note.

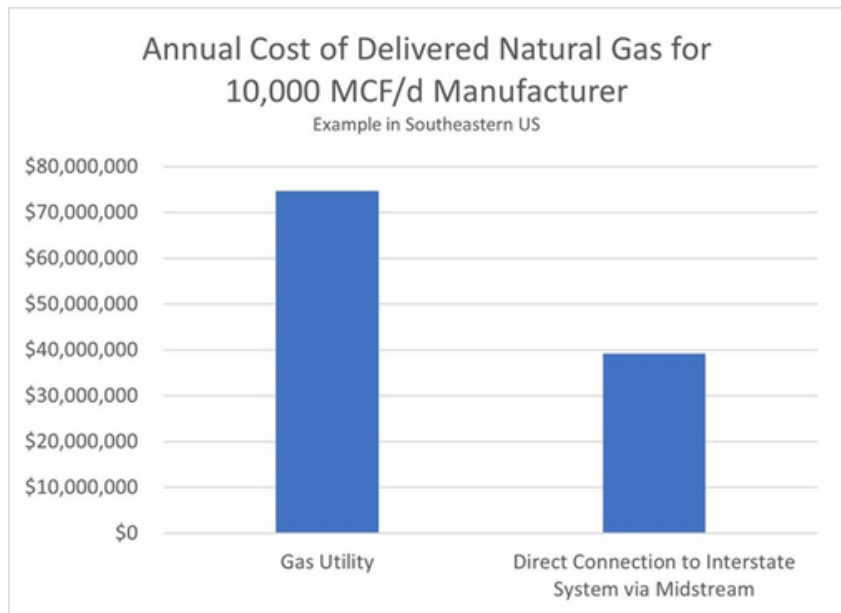


Why does this matter? Energy costs are consistently a top consideration for manufacturing location decisions. Understanding a site's relative position and how to connect to lower cost gas supply can be a difference maker.

More about price differentials. Natural gas trades at different prices in different parts of the world. "Basis" commonly refers to the price differential between the U.S. benchmark (Henry Hub), and the local cost of gas at a specific location. Common drivers for this difference are local production economics, regional demand, transportation costs, and pipeline capacity. For example, in a prolific production basin like the Marcellus/Utica, which also has limited pipeline takeaway capacity, the local prices face downward pressure and trade at a discount to Henry Hub.

Did You Say \$35 Million a Year?

We were asked to help on a recent site selection project in the southeast. The company was planning to connect to the local utility for gas service. Fortunately, the site also has access to a nearby interstate pipeline. Based on the current tariff rates published by the utility, this plant could save ~\$35MM/yr simply by connecting to the interstate market.



GREYLOCK
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Interested to learn how we can support your energy infrastructure project?

[Contact Us Today](#)

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Opportunity is missed by most people because it is dressed in overalls and looks like work.

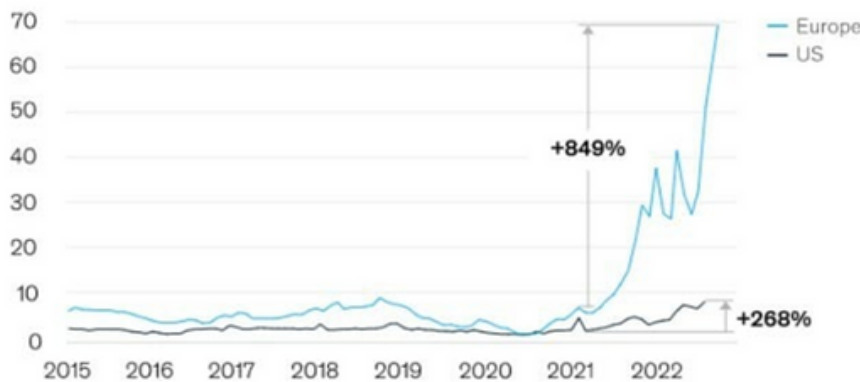
Thomas Edison

Idea: Will EU Manufacturer Flock to Stable Prices?

Global supply/demand disruptions led to extreme volatility in natural gas markets last year. Benchmark European natural gas prices climbed by more than 800% at their height during 2022. The U.S. saw an increase in prices but this appears to be short-lived with futures trading around \$3.50 for most of 2023. What is your strategy to attract clients from the EU in 2023?

Gas prices in the US and Europe have increased significantly.

US (Henry Hub) and European (TTF) gas prices from 2015–22,¹ \$/MMBtu²



¹Monthly average prices.
²Metric million British thermal unit.
 Source: Bloomberg; EIA

McKinsey & Company

EU companies from chemicals to steel announced investments in the US towards the end of 2022. Volkswagen announced US expansions while Tesla paused its plans to make battery cells in Germany. Growth projects in the EU won't halt, but energy intensive companies may think twice before committing additional capital.

