RISE ENERGY SERVICES

OCTOBER 2025

ENERGY MARKET UPDATE

NATURAL GAS, POWER, AND BULLISH & BEARISH MARKET DRIVERS

Gas and Power Prices Strengthen as Winter Risk Builds

Energy markets shifted higher in October, with natural gas forward settlements rising month-over-month and power prices following suit in PJM, NYISO, and ISO-NE. The gains reflect stronger LNG export demand, firmer winter heating expectations, and regional supply constraints. Despite robust storage levels, markets are clearly pricing in heightened winter risk, keeping volatility concerns front and center as the heating season approaches.

Natural Gas Summary

Natural gas markets shifted notably higher in October, with NYMEX forward settlements posting **sharp month-over-month gains** after September's retreat. The Henry Hub winter strip (Dec–Feb) rose by more than **$0.50–0.70/MMBtu**, reflecting stronger LNG export demand, firm storage draws in early forecasts, and renewed volatility concerns heading into heating season.

- **Regional Pricing-**
  - Eastern hubs saw the most pronounced increases. Algonquin Citygate winter spreads held firm in the $7–8/MMBtu range above Henry Hub, and Transco Z6 NY widened back above $3.00, signaling **tightening supply expectations** into the Northeast.
  - Western hubs such as SoCal Citygate and NW Sumas also ticked higher (about $0.25–0.40/MMBtu month-over-month), keeping winter premiums **well above $2.00 relative to Henry Hub.**
  - Chicago and Rockies were comparatively steady, though still reflecting incremental winter uplift.

- **Market Context-** Storage remains ample at 3,508 Bcf (6% above the 5-year average), but the market is clearly pricing in stronger winter demand risk than a month ago. **LNG exports also continue to set records**, providing a persistent floor under U.S. balances. Combined, these factors have reversed September's softer tone and shifted sentiment back toward upside risk for winter.

Power Summary

Power forwards **followed the gas rally** for October, with winter peak strips firming across major eastern ISOs. While long-dated 2026 contracts softened slightly, the **near-term outlook reflects higher gas costs**, winter reliability risks, and congestion dynamics.

- **ISO Highlights-**
  - **PJM** winter peaks edged higher alongside gas, keeping premiums intact for January and February.
  - **NYISO** forwards climbed in NYC and Hudson Valley zones, where congestion and gas supply constraints are expected to bite hardest.
  - **ISO-NE** remained the highest-priced region, with January 2026 strips still above $100/MWh. Even with modest easing versus September, fuel constraints and limited pipeline capacity keep winter premiums steep.

- **Takeaway-** October underscores that while storage cushions look comfortable, both gas and power markets continue to reflect **significant winter risk pricing**. The combination of rising gas settlements, elevated Northeast basis spreads, and regional reliability concerns suggest **volatility potential is elevated as heating season approaches.** While renewable additions provide some off-peak relief, the market is showing that they will do little to offset winter peak concerns.

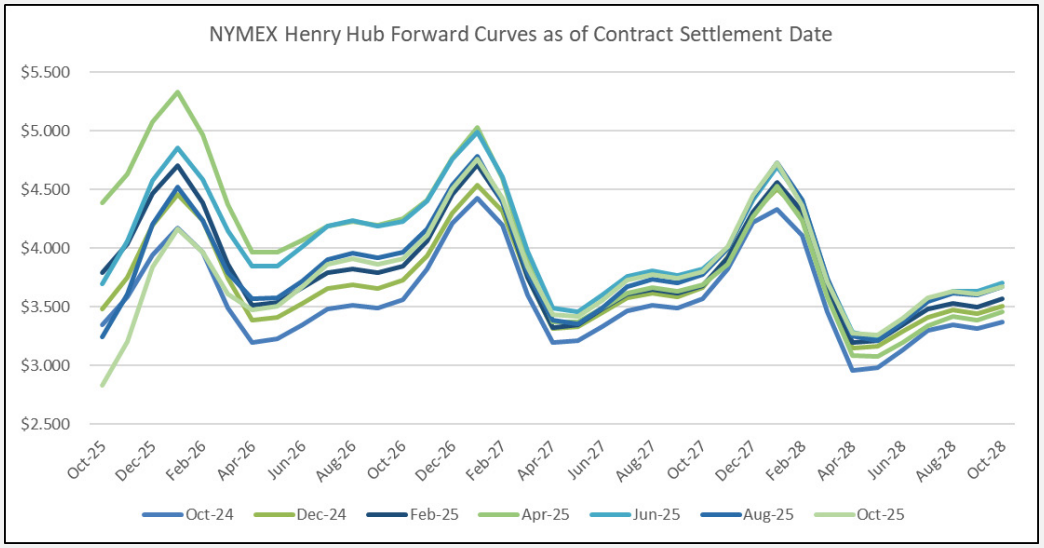
NATURAL GAS

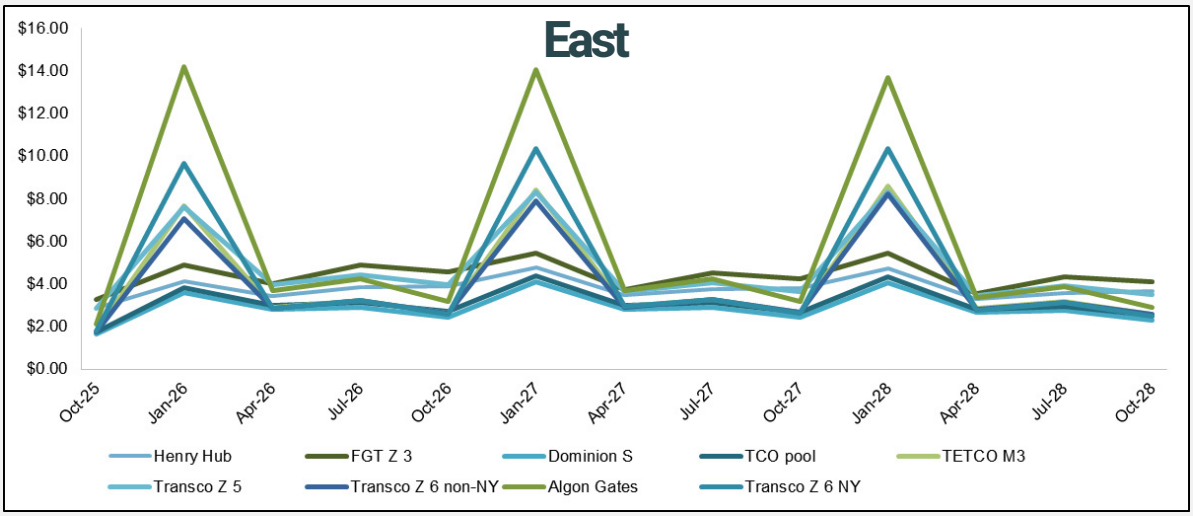
Forward Natural Gas Prices ($/MMBtu)

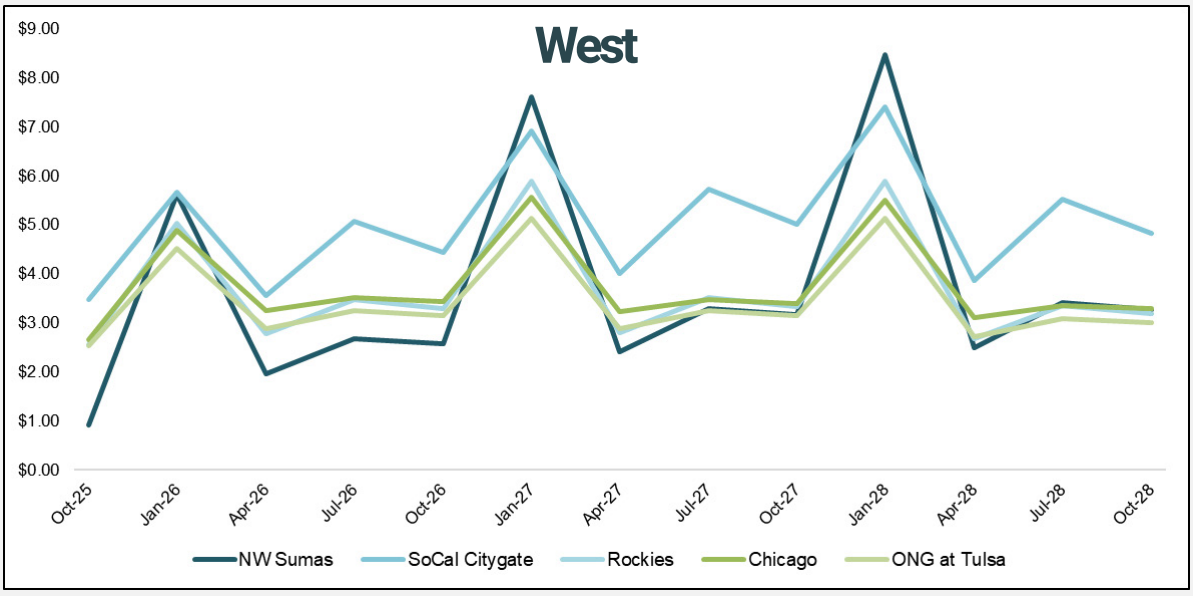
Historical Prices

2021	$	3.842
2022	$	6.645
2023	$	2.737
2024	$	2.269

	Current	MoM	YoY
Oct-25	$ 2.835	$ (0.051)	$ (0.510)
Nov-25	$ 3.206	$ (0.007)	$ (0.382)
Dec-25	$ 3.840	$ 0.059	$ (0.102)
Jan-26	$ 4.165	$ 0.058	$ (0.009)
Feb-26	$ 3.964	$ 0.066	$ (0.001)
Mar-26	$ 3.607	$ 0.065	$ 0.119
Apr-26	$ 3.473	$ 0.061	$ 0.277
May-26	$ 3.506	$ 0.056	$ 0.281
Jun-26	$ 3.669	$ 0.042	$ 0.321
Jul-26	$ 3.863	$ 0.037	$ 0.379
Aug-26	$ 3.907	$ 0.024	$ 0.395
Sep-26	$ 3.866	$ 0.024	$ 0.375
12 month Strip	$ 3.658	$ 0.036	$ 0.095
Cal 2026	$ 3.989	$ 0.040	$ 0.256
Cal 2027	$ 3.876	$ 0.013	$ 0.240
Cal 2028	$ 3.784	$ (0.019)	$ 0.296
Cal 2029	$ 3.669	$ 0.009	$ 0.263

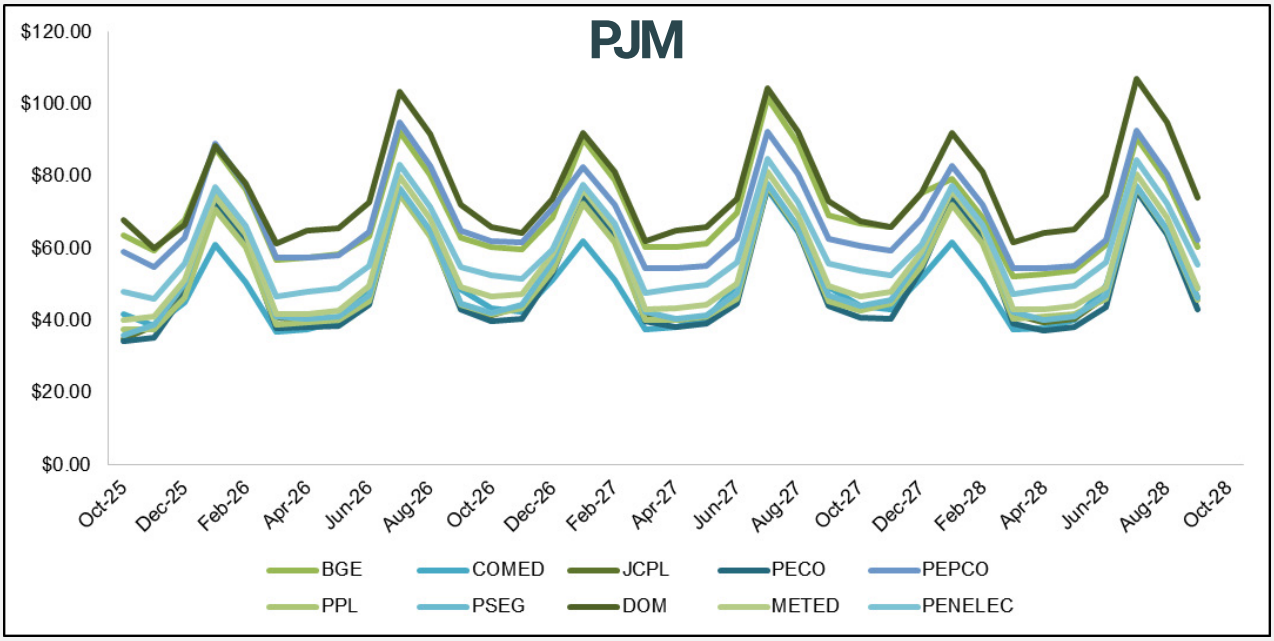


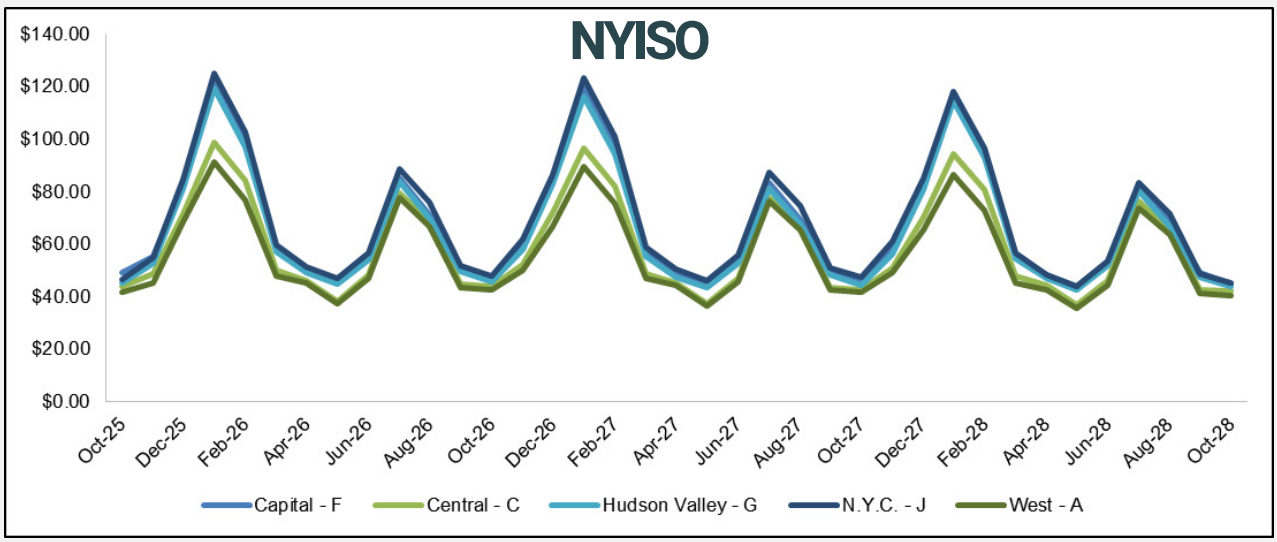


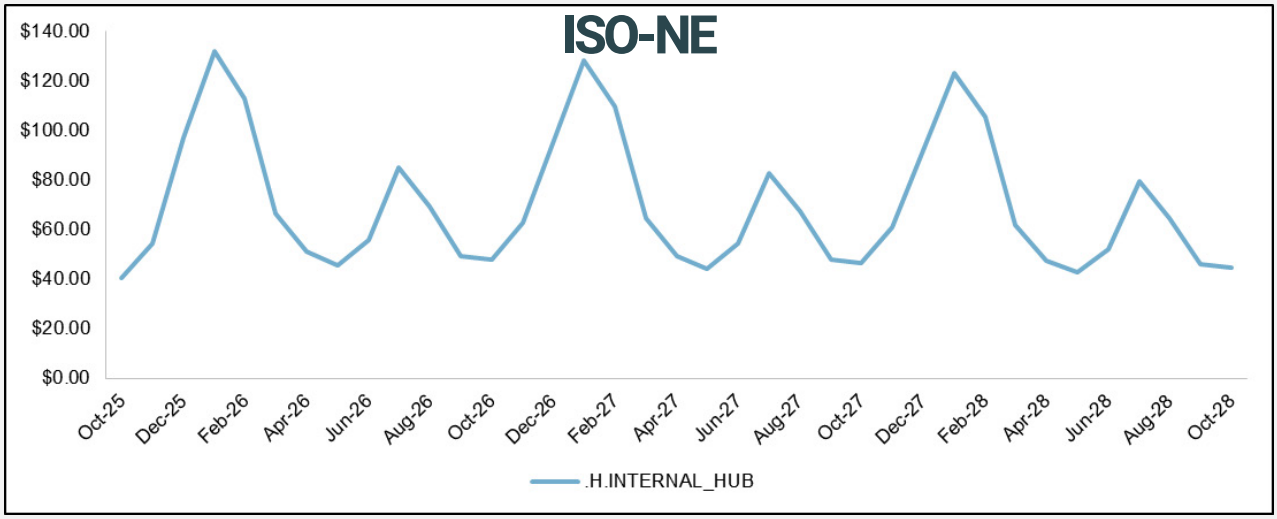


POWER

Forward On-Peak Power Prices ($/MWh)







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Bullish and Bearish Market Drivers Heading into Winter

Natural Gas

Bullish

- **Robust LNG Exports:** U.S. LNG exports reached a record 9.4 million metric tons in September, with Europe taking nearly two-thirds of flows.Continued strong overseas demand will tighten domestic balances.
- **Winter Price Outlook:** EIA projects Henry Hub to average about $4.60/MMBtu in January 2026, up from fall levels near $2.80–$3.00. The forward curve is pricing in significant winter premium.
- **Production Growth Slowing:** U.S. dry gas output is forecast to remain near 105 Bcf/d into early 2026, with only modest gains thereafter. Flat supply growth limits flexibility if weather or exports surprise higher.
- **Seasonal Heating Demand:** The return of colder weather is expected to push up commercial consumption, with stronger storage withdrawals likely in Q1.

Bearish

- **Ample Storage Cushion:** Working gas stocks stand at 3,508 Bcf, around 6% above the five-year average. End-October inventories could reach nearly 3,956 Bcf, providing a strong buffer.
- **Mild Weather Risk:** If winter temperatures run warmer than normal, weaker heating loads could could slow storage withdrawals and cap upward price momentum.
- **Fuel Switching:** Higher gas prices may trigger some coal substitution in power generation, particularly in MISO and SPP, capping incremental gas demand.
- **Efficiency / Renewables Impact:** Ongoing efficiency gains and electrification trends (heat pumps, renewables integration) may temper baseline gas demand.

Power

Bullish

- **Demand Growth:** U.S. power demand is forecast to grow 2.3% in 2025 and 3.0% in 2026, led by electrification, data centers, and weather-sensitive loads.
- **Gas Marginality:** Gas-fired generation remains the price-setting resource in most competitive markets; rising gas prices translate directly into higher wholesale power.
- **Reliability Premiums:** Winter reserve margins are thinner. Generator outages, pipeline constraints, or cold snaps can create scarcity pricing events.
- **Regional Dynamics:** Tight supply in the Northeast and PJM could lead to stronger winter peaks if cold weather coincides with LNG send-outs and high gas burn.

Bearish

- **Renewables Expansion:** Rapid capacity additions in wind, solar, and storage continue to displace thermal generation during off-peak hours, pressuring average wholesale prices.
- **Weather Sensitivity:** A warmer-than-expected winter would lower heating-driven load, cutting into demand growth.
- **Coal Competition:** EIA notes coal could overtake gas in share of generation in MISO/SPP during winter months, reducing gas burn and easing power price pressures.
- **Capacity Overbuild:** If new renewable and storage projects connect faster than demand materializes, off-peak prices could face structural downside.