DECEMBER 2025

ENERGY MARKET UPDATE

NATURAL GAS, POWER, AND RECENT NEWS SHAPING PRICES

Winter Cold Drives Sharp Gas Rally; Power Forwards Strengthen on Fuel Costs and Structural Load Growth

December marked a decisive shift in market tone, with natural gas reversing course from November's softness and rallying sharply on colder forecasts and strengthening LNG demand. Power forwards continued to firm across major hubs as higher gas prices layered on top of persistent structural load growth tied to electrification and data center expansion.

Natural Gas Summary

NYMEX Henry Hub futures saw a pronounced rally through December as weather models trended colder across key heating regions and global LNG utilization remained strong.

Prompt-Month Strength:
The front-month December 2025 contract settled at \$4.424/MMBtu, climbing more than \$0.60/MMBtu month-over-month, a sharp break from November's easing trend.

Winter Strip Repricing:
The core Dec 2025–Mar 2026 winter strip rebounded materially, now averaging ~\$4.17/MMBtu, up from the \$3.82–\$4.09/MMBtu range highlighted in last month's outlook. Colder risk and stronger export demand lifted the entire near-term curve.

Curve Dynamics:
The January 2026 contract inched above December at \$4.481/MMBtu, reflecting near-term scarcity concerns. Further out, 2026 forward averages continue to price higher than 2025, consistent with expectations for incremental LNG export growth.

Overall, December delivered a notable sentiment shift , with strong gains across the winter curve and a renewed bullish tone heading into the 2025–26 heating season.

Power Summary

Power forwards remained firm across PJM, NYISO, and ISO-NE as rising natural gas prices and expanding long-term load expectations continued to support elevated pricing structures.

Fuel Cost Pass-Through:
The sharp rise in natural gas (the dominant marginal fuel across Eastern markets) translated directly into higher forward power prices.

Structural Demand Growth:
Underlying load growth remains a defining theme, driven by accelerated electrification trends and the continued build-out of high-load infrastructure such as data centers and new industrial facilities.

Capacity Tightness and Reliability Risk:
Winter volatility, higher heating demand, and increasingly stressed reserve margins are amplifying concerns around firm capacity. PJM's ongoing warnings regarding potential capacity shortfalls as early as the 2026/27 delivery year underscore tightening fundamentals. Even as renewable penetration expands, the need for sufficient dispatchable resources during winter peaks remains central.

Forward power prices across PJM, NYISO, and ISO-NE held their elevated structure, with winter peaks continuing to reflect regional capacity constraints and reliability risk in the Eastern markets.

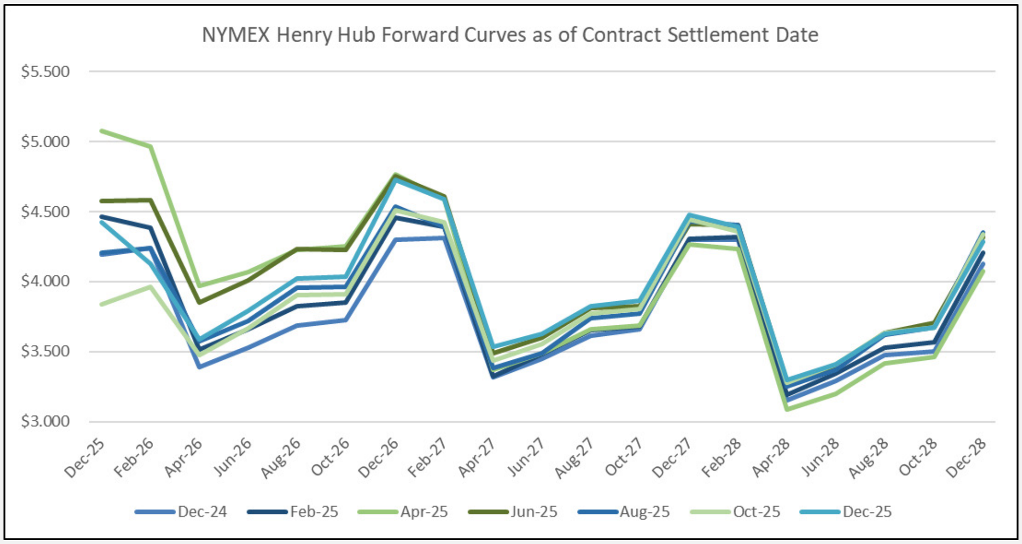
NATURAL GAS

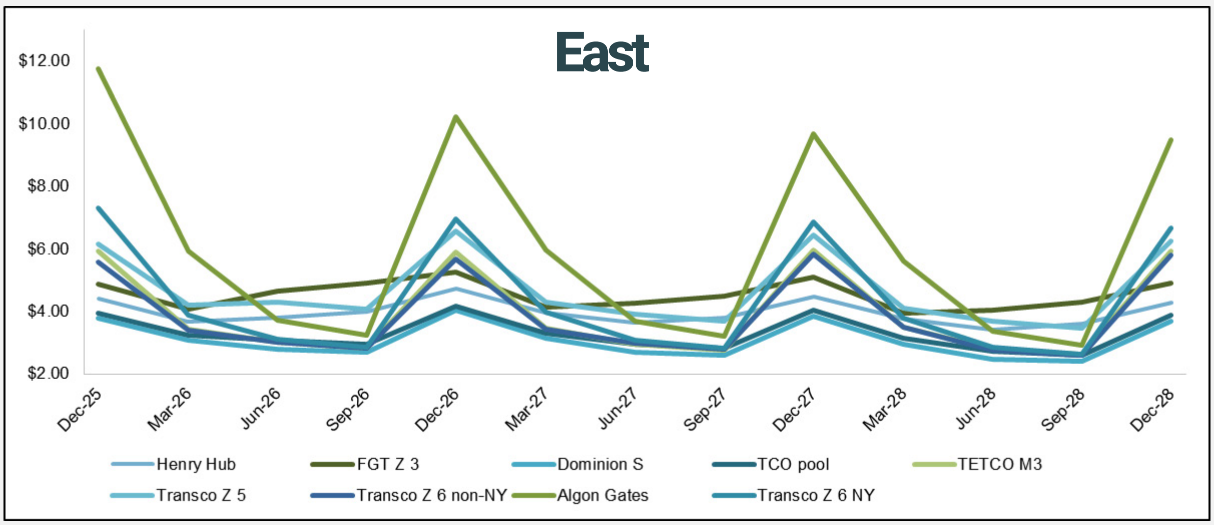
Forward Natural Gas Prices ($/MMBtu)

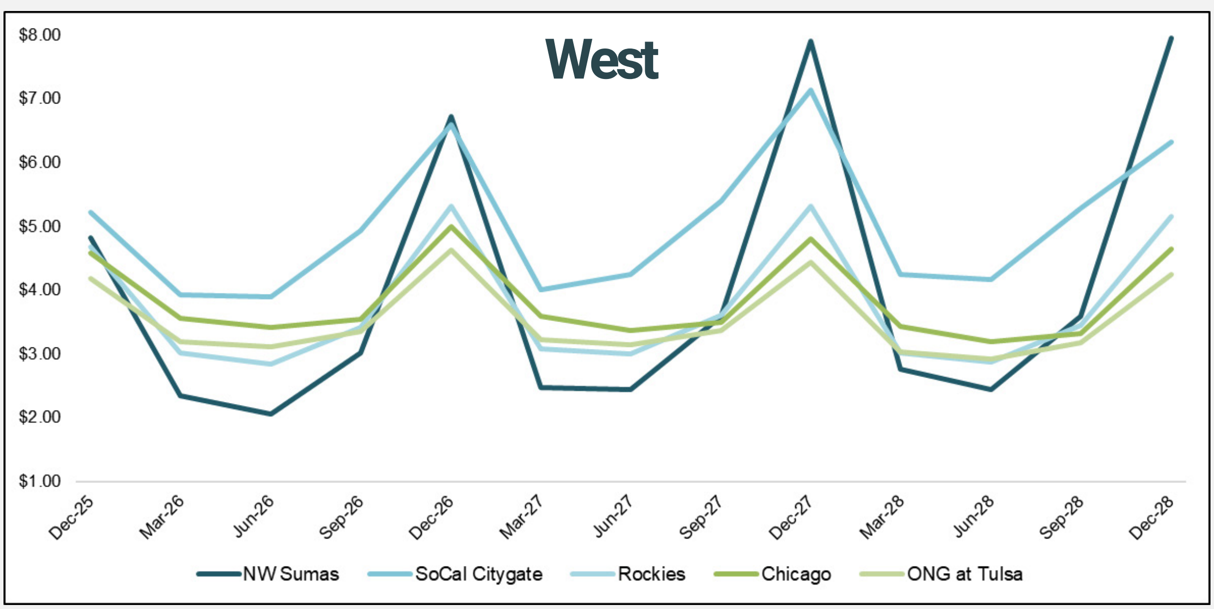
Historical Prices

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

	Current	MoM	YoY
Dec-25	$ 4.424	$ 0.609	$ 0.227
Jan-26	$ 4.481	$ 0.386	$ 0.026
Feb-26	$ 4.131	$ 0.242	$ (0.106)
Mar-26	$ 3.661	$ 0.089	$ (0.086)
Apr-26	$ 3.590	$ 0.086	$ 0.202
May-26	$ 3.636	$ 0.086	$ 0.228
Jun-26	$ 3.789	$ 0.072	$ 0.263
Jul-26	$ 3.970	$ 0.064	$ 0.316
Aug-26	$ 4.025	$ 0.062	$ 0.339
Sep-26	$ 3.992	$ 0.068	$ 0.334
Oct-26	$ 4.039	$ 0.069	$ 0.313
Nov-26	$ 4.259	$ 0.090	$ 0.326
12 month Strip	$ 4.000	$ 0.160	$ 0.199
Cal 2026	$ 4.025	$ 0.120	$ 0.215
Cal 2027	$ 3.998	$ 0.043	$ 0.217
Cal 2028	$ 3.794	$ (0.019)	$ 0.146
Cal 2029	$ 3.709	$ 0.024	$ 0.238

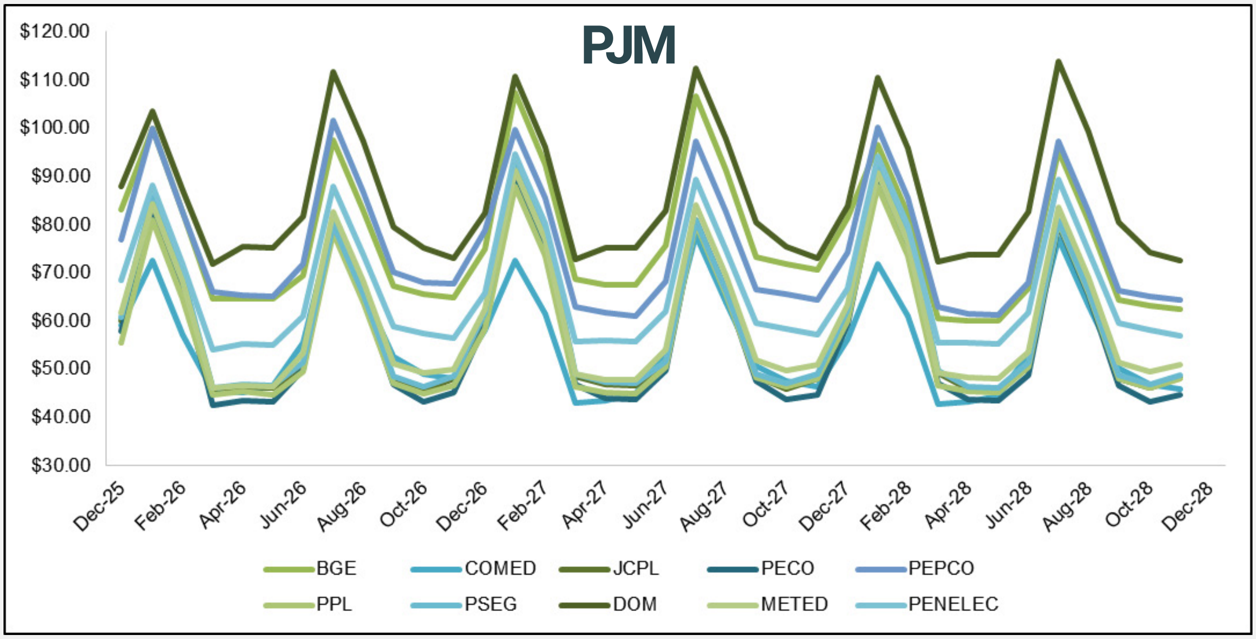


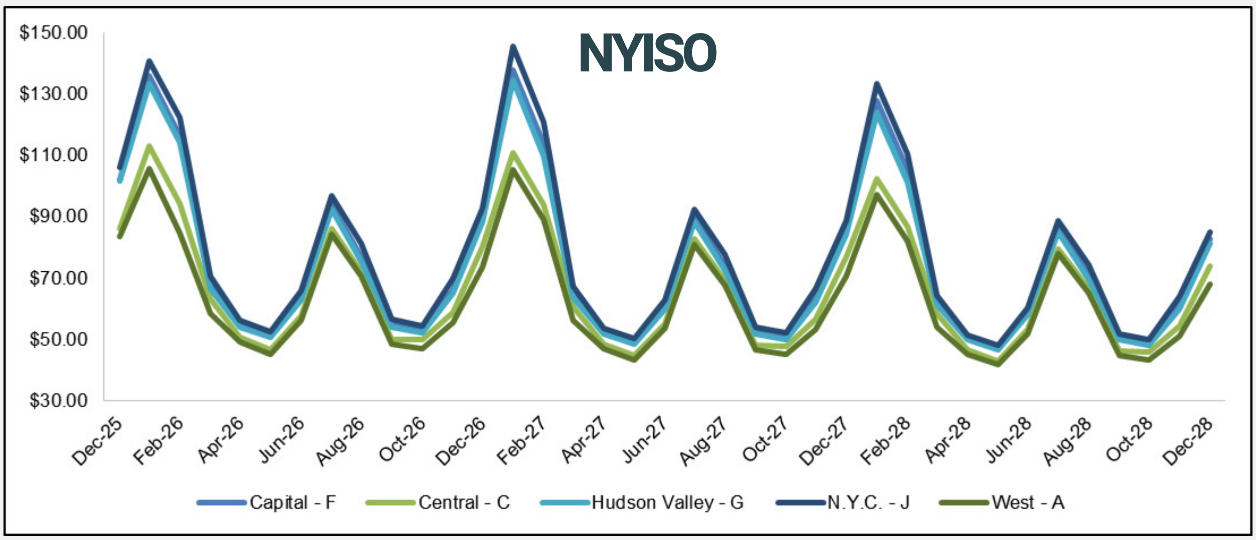


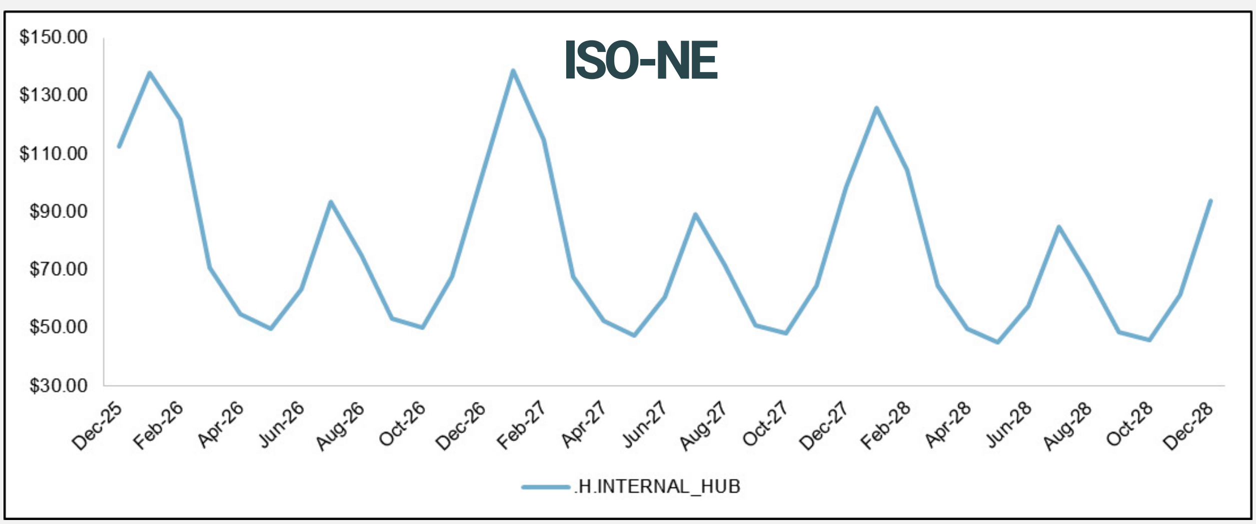


POWER

Forward On-Peak Power Prices ($/MWh)







MARKET SYNTHESIS

U.S. energy markets continue to undergo rapid structural change, with three themes dominating recent developments: increasing regulatory friction over large load interconnection, accelerating AI-driven load growth, and a surge in onsite and utility-scale infrastructure aimed at meeting reliability needs.

Regulatory Conflict Over Federal vs. State Grid Authority

The U.S. DOE's recent proposal to federalize large load interconnection has triggered significant pushback from states, utilities, and regional grid operators. While tech companies and data center groups support a unified national process for certainty, organizations such as NARUC and NASUCA warn the proposal would undermine state authority and impose unclear cost burdens on retail customers.

RTOs including PJM, ISO-NE, and NYISO cautioned that a one-size-fits-all federal structure could disrupt existing regional queue processes and slow progress. The policy outcome remains uncertain but represents a material variable for long-term load interconnection timelines and regional pricing dynamics.

AI and Data Centers Drive Unprecedented Load Growth

Tech sector investment signals a step-change in electricity demand. Industry leaders describe the current pace as "unprecedented," with $85 billion in recent AI and cloud infrastructure commitments from Microsoft, NVIDIA, Google, and Anthropic. Google's newly announced $40 billion Texas data center buildout, colocated with solar-plus-storage, emphasizes the scale.

This growth is straining grid queues: ERCOT interconnection requests have ballooned to ~200 GW, up from 56 GW a year earlier-"like adding California to Texas" according to ERCOT leadership. This demand outlook continues to push power forwards higher and reinforces long-term capacity concerns across Eastern markets.

Rapid Expansion of Onsite and Utility-Scale Energy Infrastructure

Facing long queues and reliability risk, large energy users are increasingly turning to onsite power solutions. Battery storage installations reached 11.6 GW through Q3, already eclipsing last year's full record, with major behind-the-meter projects deployed by industrials and AI data centers. Developers plan 185 GW of new storage through 2030, with Texas leading the pipeline as data center load accelerates.

On the gas side, utilities have sharply increased capital spending to support new large load connections, gas fired generation, and Gulf Coast export growth. Companies including Atmos, One Gas, NJR, and UGI have all expanded multi-year capex plans, reinforcing expectations for additional pipeline and storage build-out tied to data center and industrial development.

Overall Market Implication

The convergence of regulatory uncertainty, AI-driven demand, and rapid build out of both grid scale and onsite energy resources is reshaping forward pricing. These developments continue to push long-term power forwards higher, tighten gas and power linkages, and elevate the importance of firm capacity as the core constraint across US markets.