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JANUARY 2026

ENERGY MARKET UPDATE

NATURAL GAS, POWER, AND 2026 MARKET THEMES

Winter Risk Recedes as Markets Digest Early-Season Conditions

January markets showed a shift from the extreme weather risk premium seen in December, with natural gas futures pulling back modestly as forecasts pointed to milder early-winter temperatures and production remaining strong, helping to alleviate some near-term price pressure. Power markets in constrained regions such as New York and New England continued to price winter risk, with grid operators highlighting capacity and fuel concerns under extended cold conditions even as overall volatility softened.

Natural Gas Summary

For January, natural gas markets are shaped by the balance of weather, production, and supply fundamentals. According to the U.S. Energy Information Administration's latest Short-Term Energy Outlook, winter prices were revised higher late in December due to cold influence in that month, but forecasts point to milder-than-normal weather in early 2026, which is expected to moderate near-term natural gas prices as the season progresses. This outlook contributed to a cooling in market sentiment after December's rally, though winter risk was not fully removed.

This dynamic created a mixed pricing picture: prompt curves reflected residual winter demand and weather risk, yet the forward strip showed some moderation relative to December peaks as traders balanced supply and demand expectations into January. Production remains strong, and storage inventories are generally in range of historical norms, helping keep downside risk in check even as heating demand persists. As a result, pricing softened modestly without signaling a material shift in underlying fundamentals.

Key Takeaways:

- Gas price forecasts call for moderate near-term moderation in early 2026 after December's cold influence.
- Supply fundamentals, including steady production, helped temper extreme upside.

Power Summary

Power markets in January reflected ongoing regional reliability emphasis and structural demand pressures, particularly across Eastern U.S. grids. Winter readiness assessments from grid operators highlighted that while capacity and energy resources are expected to meet forecasted peaks under normal conditions, concerns remain under extended or extreme cold scenarios, reinforcing winter risk in near-term forward pricing.

Broader grid and market commentary has continued to note that reliability margins in parts of the Northeast remain challenged by rising winter peaks, fuel availability, and supply-demand dynamics, leaving power prices sensitive to weather outcomes. These regional factors, coupled with ongoing load growth and energy transition dynamics that place a premium on dispatchable generation, supported stable to slightly firmer near-term power prices in NYISO and ISO-NE.

Key Takeaways:

- Winter readiness assessments continue to underscore firm pricing risk around peak conditions, despite adequate capacity under base-case assumptions.
- Structural concerns, including tightening margins and winter performance risk, remain embedded in near-term power pricing.

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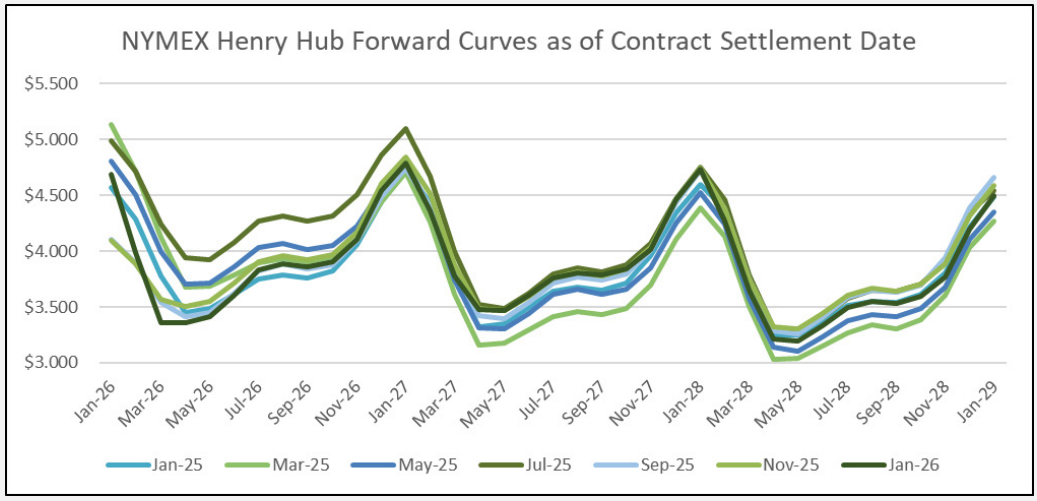
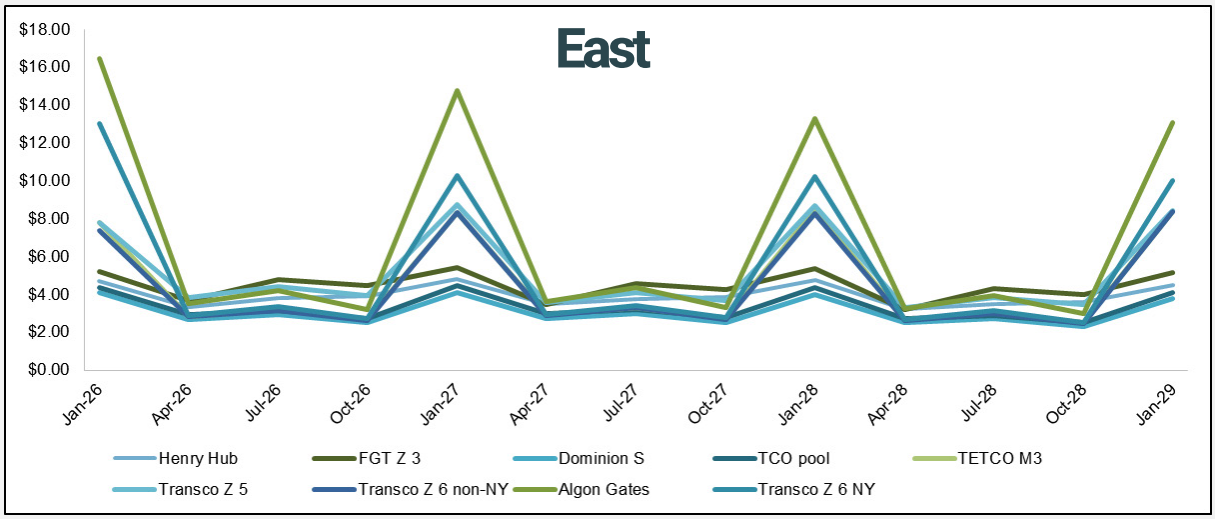
NATURAL GAS

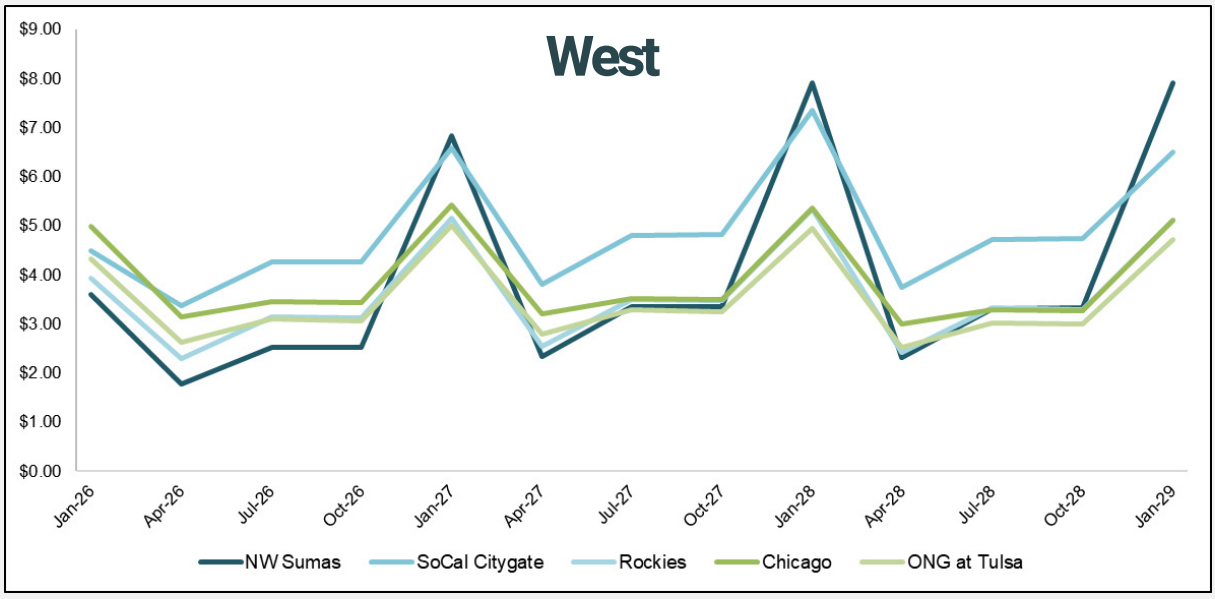
Forward Natural Gas Prices ($/MMBtu)

Historical Prices	
2022	$ 6.645
2023	$ 2.737
2024	$ 2.269
2025	$ 3.427

	Current	MoM	YoY
Jan-26	$ 4.687	$ 0.206	$ 0.119
Feb-26	$ 3.986	$ (0.145)	$ (0.301)
Mar-26	$ 3.362	$ (0.299)	$ (0.415)
Apr-26	$ 3.354	$ (0.236)	$ (0.097)
May-26	$ 3.412	$ (0.224)	$ (0.070)
Jun-26	$ 3.603	$ (0.186)	$ (0.011)
Jul-26	$ 3.830	$ (0.140)	$ 0.081
Aug-26	$ 3.891	$ (0.134)	$ 0.107
Sep-26	$ 3.863	$ (0.129)	$ 0.106
Oct-26	$ 3.905	$ (0.134)	$ 0.080
Nov-26	$ 4.107	$ (0.152)	$ 0.047
Dec-26	$ 4.546	$ (0.182)	$ 0.107
12 month Strip	$ 3.879	$ (0.146)	$ (0.021)
Cal 2026	$ 3.879	$ (0.146)	$ (0.021)
Cal 2027	$ 3.929	$ (0.069)	$ 0.088
Cal 2028	$ 3.712	$ (0.082)	$ (0.023)
Cal 2029	$ 3.603	$ (0.106)	$ (0.002)

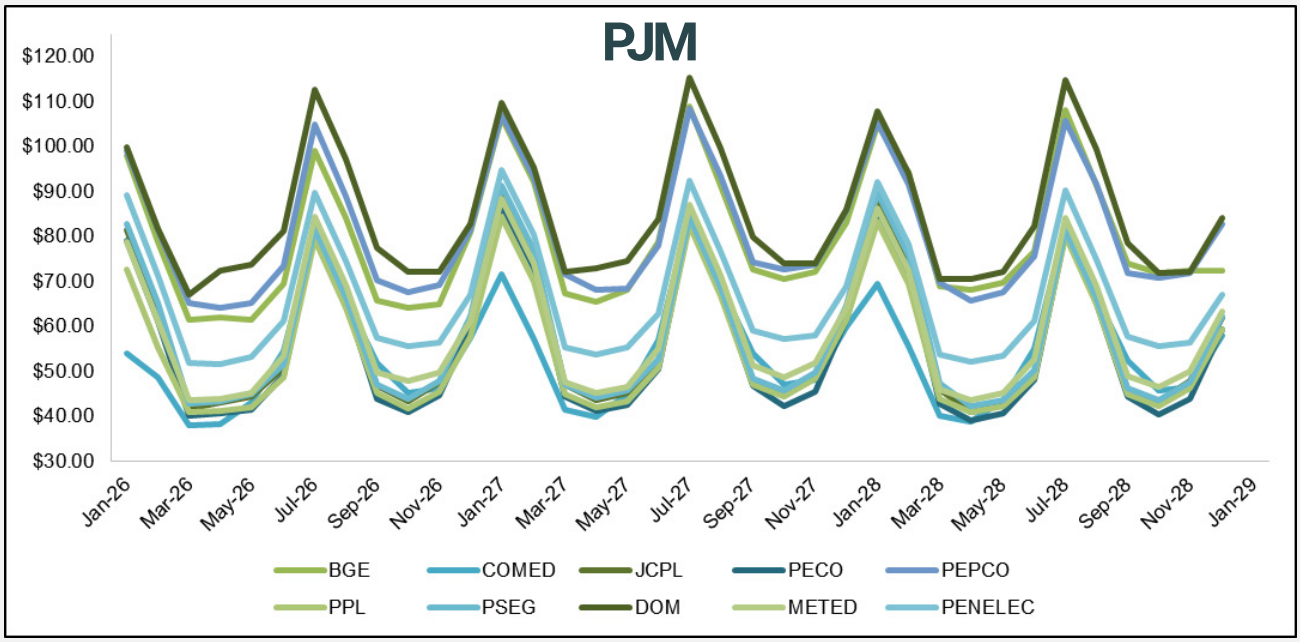


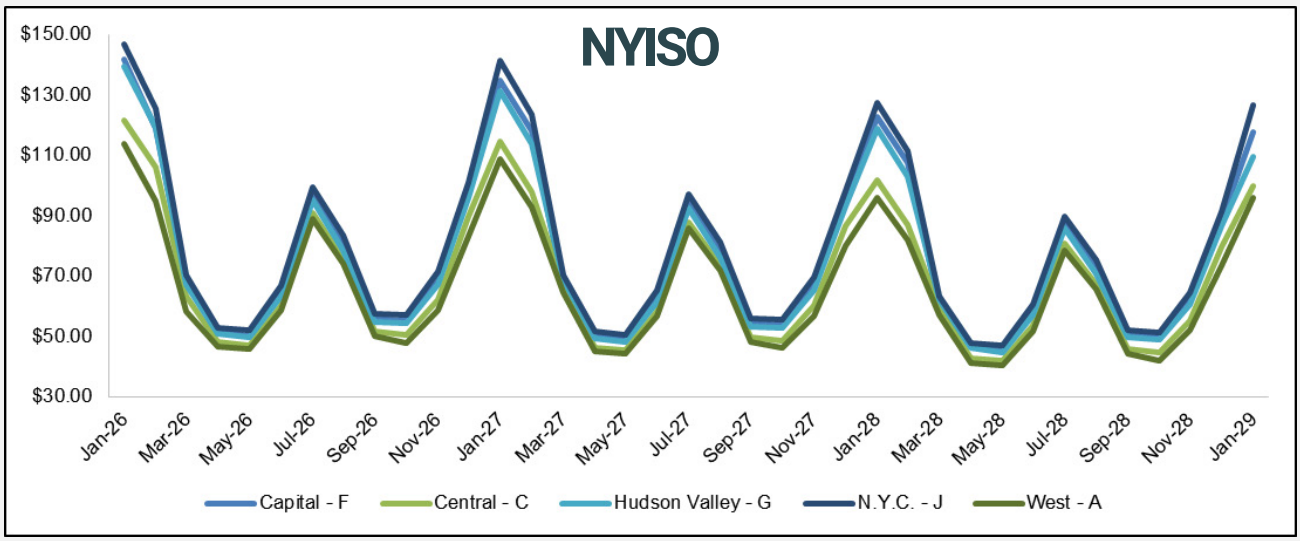


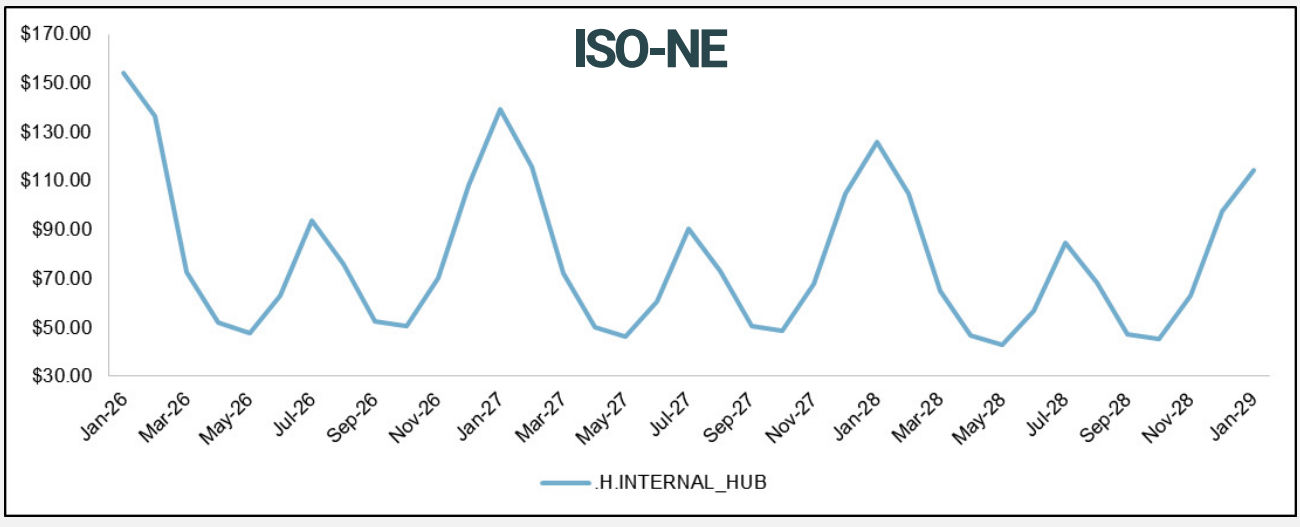


POWER

Forward On-Peak Power Prices ($/MWh)







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What's Ahead for Energy in 2026 - Themes Shaping Energy Markets

2026 is expected to be defined by structural drivers, demand growth, and strategic shifts across natural gas and power markets. Beyond short-term weather volatility, longer-term forces are likely to play a more prominent role in price formation, investment decisions, and risk management throughout the year.

Electric Load Growth Becomes a Persistent Pricing Input

Electricity demand growth is expected to remain a central driver of power markets in 2026, easing only modestly from recent elevated growth rates. Electrification, data center development, and digital infrastructure continue to add load that is both large-scale and relatively inelastic, increasing baseline demand and raising peak load expectations. For power markets, this dynamic supports higher forward price floors and increases the value of firm, dispatchable capacity across regions.

Grid Expansion and Integration Constraints Remain Binding

While renewable generation and storage additions continue to expand, infrastructure and integration challenges remain a limiting factor for system flexibility. Transmission constraints, interconnection backlogs, and operational complexity are shaping how incremental supply translates into usable capacity. These factors reinforce regional price separation and sustain congestion and reliability premiums, particularly during peak periods and stress events.

Natural Gas as the Marginal Fuel Remains Central

Natural gas continues to play a critical role as the marginal fuel for power generation, linking gas market fundamentals directly to power pricing. Production growth and infrastructure development will influence regional gas pricing, but demand from the power sector, particularly during peak load conditions, remains a key source of price sensitivity. As power demand grows, gas market outcomes will reflect power-sector requirements rather than purely weather-driven consumption patterns.

Capital Allocation and Investment Decisions

Capital allocation decisions in 2026 are influenced by reliability requirements, return thresholds, and technological change. Investments in generation, storage, and infrastructure are being evaluated not just on cost, but on performance during peak conditions and system stress. The growing role of advanced analytics, automation, and AI is also shaping how market participants assess risk, optimize operations, and plan long-term exposure.

Key Takeaways

- Structural electricity demand growth is reinforcing higher forward power price floors and increasing the value of firm capacity.
- Infrastructure and integration constraints continue to limit system flexibility, supporting congestion and regional price premiums.
- Natural gas remains the dominant marginal fuel, tightening the linkage between gas fundamentals and power pricing outcomes.
- Capital discipline and reliability considerations are increasingly central to investment and risk management decisions in 2026.