RISE ENERGY SERVICES

MARCH 2026

ENERGY MARKET UPDATE

NATURAL GAS, POWER, AND MARKET RISKS & EMERGING DRIVERS

Natural Gas and Power Markets Retreat as Winter Risk Premium Unwinds

After February's sharp weather-driven rally, March pricing is reflecting a mix of market drivers. Milder temperature forecasts and strong domestic supply have pulled the **12-month natural gas strip down from $4.37/MMBtu in February to $3.53/MMBtu**, a decline of roughly $0.84/MMBtu. However, recent conflict in the Middle East has begun to add a **modest geopolitical premium** to forward prices.

Power markets show a similar pattern, with forward on-peak prices across PJM, NYISO, and ISO-NE lower than February levels as **reliability concerns and fuel supply risks moderate.** Overall, pricing suggests markets are shifting away from winter scarcity concerns toward a more balanced outlook heading into the **spring shoulder season.**

Natural Gas Summary

Natural gas forward prices are **trending lower in early March** as supply fundamentals stabilize and demand expectations moderate. Strong domestic production and stable storage levels continue to support a **more balanced market outlook** heading into spring. However, **geopolitical developments** may begin to introduce a new layer of uncertainty.

Several factors are contributing to the shift:

- **Weather normalization:** Temperatures across much of the U.S. have returned closer to seasonal norms following the late-January Arctic outbreak, reducing heating demand expectations.
- **Strong domestic supply:** U.S. natural gas production remains near record levels, supported by continued output from the Permian and Appalachian basins.
- **Comfortable storage outlook:** Inventories remain within a manageable range relative to historical averages, easing concerns about tight end-of-winter storage levels.
- **Changing risk premium:** February prices reflected significant weather-driven risk premiums that have moderated across the forward curve, although emerging Middle East conflict has introduced a new geopolitical risk factor that may provide offsetting support to natural gas prices.

Power Summary

Forward on-peak power prices across PJM, NYISO, and ISO-NE are also trending lower in March. The decline is most noticeable in winter delivery months, where forward prices had previously risen sharply as markets priced in elevated reliability risk and tighter fuel supply conditions. As natural gas prices have softened and system conditions improved, **forward power curves across the Eastern ISOs have moderated** from those peaks.

The repricing and broad decline can be seen across all three markets. It is **most pronounced in ISO-NE**, where forward pricing has fallen from roughly $230/MWh in February to around $60/MWh in March, **a decline of about $170/MWh.**

NYISO shows a similarly sharp move, with forward prices dropping from roughly **$180–$230/MWh to around $50–$60/MWh,** while PJM has declined from approximately **$120–$170/MWh to $30–$60/MWh.**

Lower natural gas prices, which often set the marginal generation cost in eastern power markets, have contributed to the decline in forward power pricing. As demand expectations moderate and markets begin to price the upcoming spring shoulder season, forward curves across the Eastern Interconnection are **returning toward more typical seasonal patterns.**

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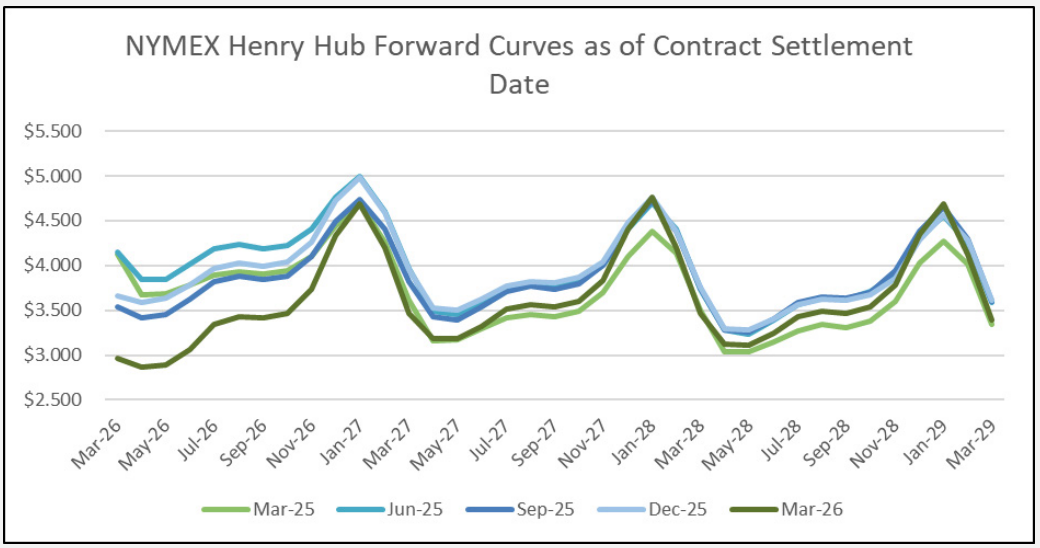
NATURAL GAS

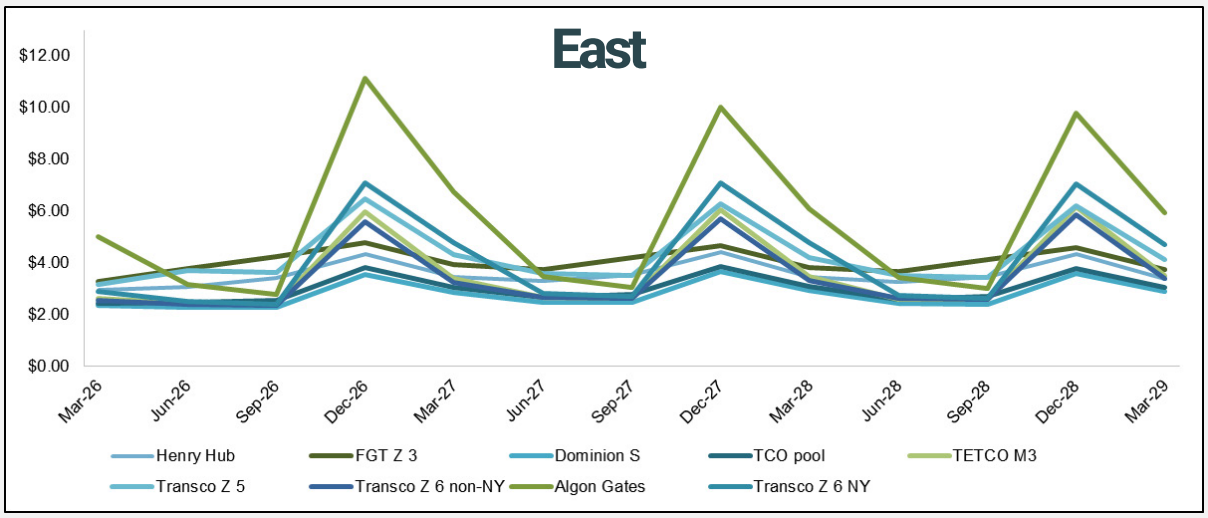
Forward Natural Gas Prices ($/MMBtu)

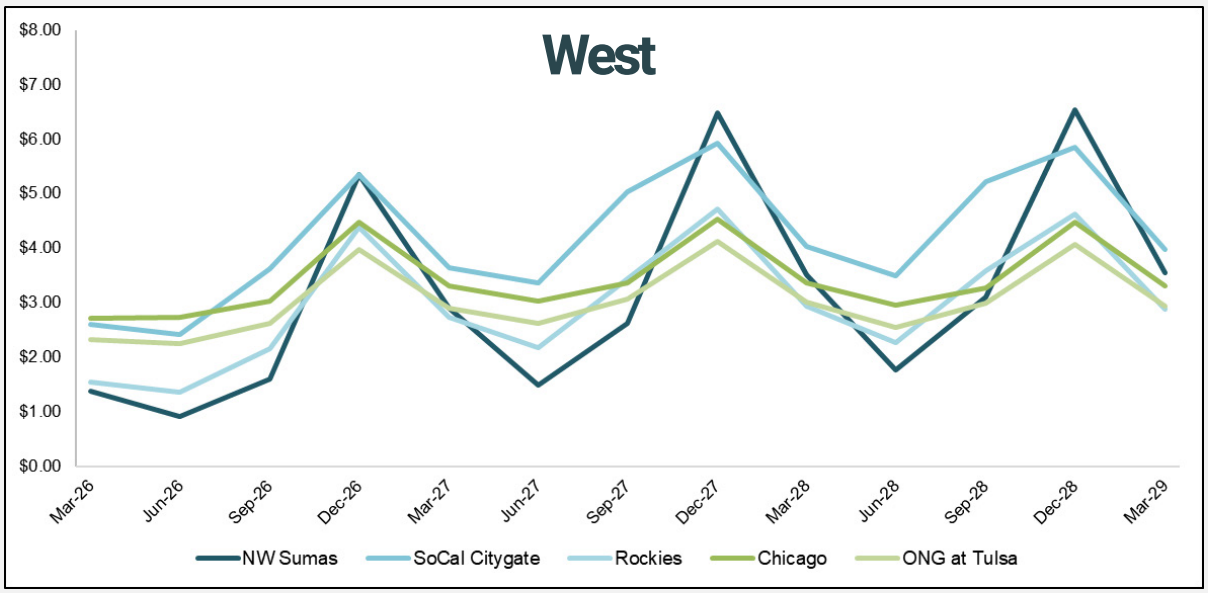
Historical Prices

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

	Current	MoM	YoY
Mar-26	$ 2.969	$ (0.763)	$ (1.156)
Apr-26	$ 2.868	$ (0.722)	$ (0.810)
May-26	$ 2.887	$ (0.727)	$ (0.796)
Jun-26	$ 3.062	$ (0.724)	$ (0.724)
Jul-26	$ 3.345	$ (0.647)	$ (0.552)
Aug-26	$ 3.425	$ (0.611)	$ (0.511)
Sep-26	$ 3.411	$ (0.587)	$ (0.490)
Oct-26	$ 3.465	$ (0.586)	$ (0.482)
Nov-26	$ 3.732	$ (0.527)	$ (0.366)
Dec-26	$ 4.337	$ (0.471)	$ (0.106)
Jan-27	$ 4.693	$ (0.422)	$ (0.013)
Feb-27	$ 4.202	$ (0.319)	$ (0.058)
12 month Strip	$ 3.533	$ (0.592)	$ (0.505)
Cal 2026	$ 3.804	$ (0.637)	$ (0.599)
Cal 2027	$ 3.805	$ (0.081)	$ 0.061
Cal 2028	$ 3.533	$ 0.044	$ 0.149
Cal 2029	$ 3.575	$ 0.006	$ 0.195

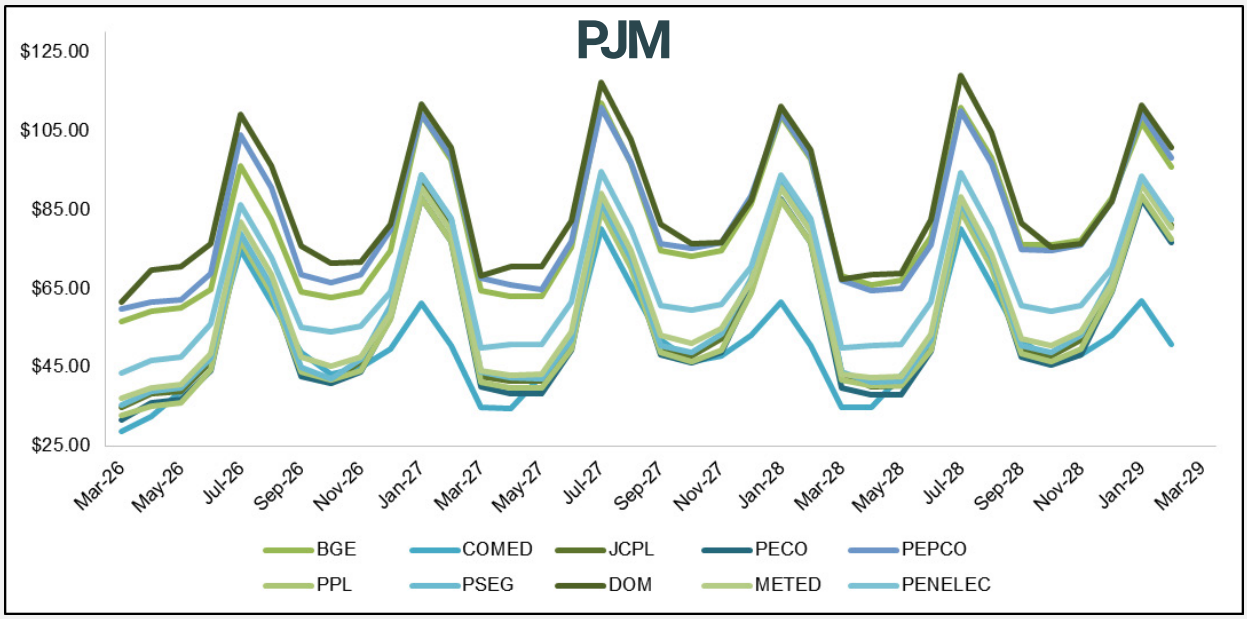


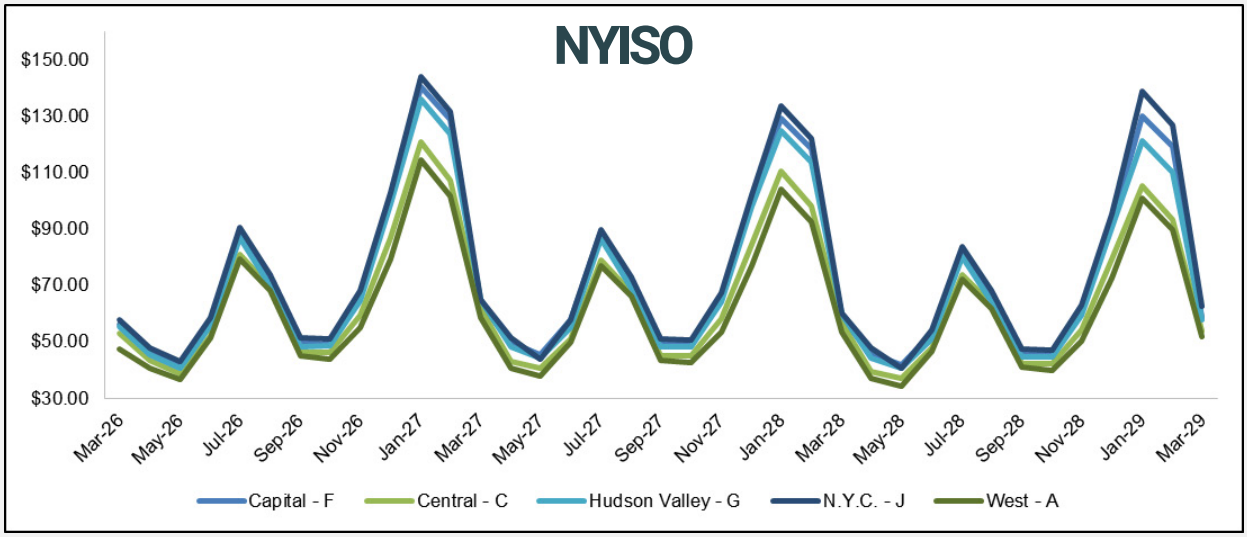


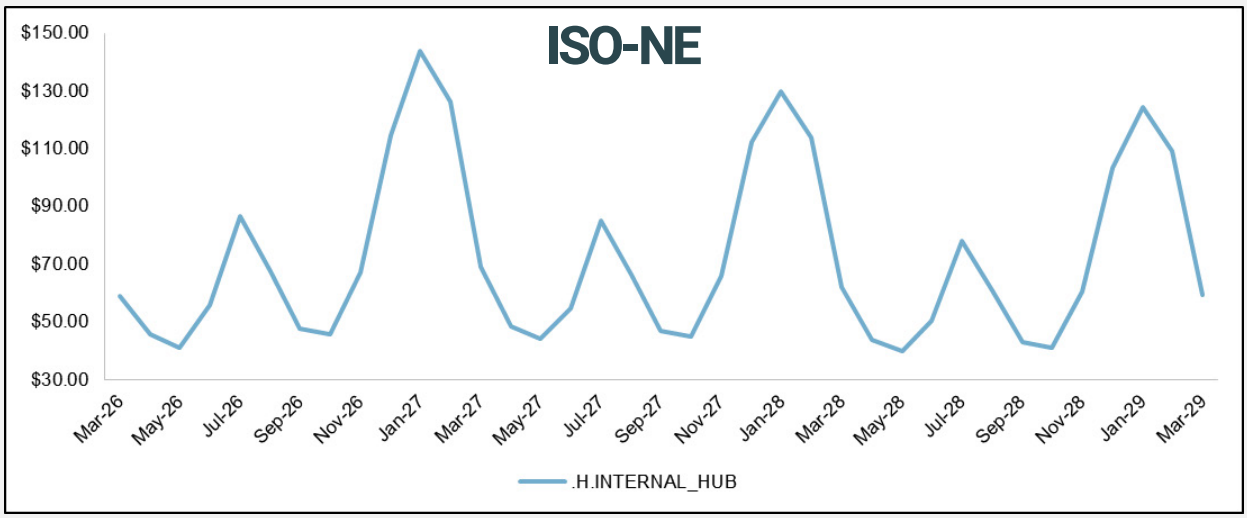


POWER

Forward On-Peak Power Prices ($/MWh)



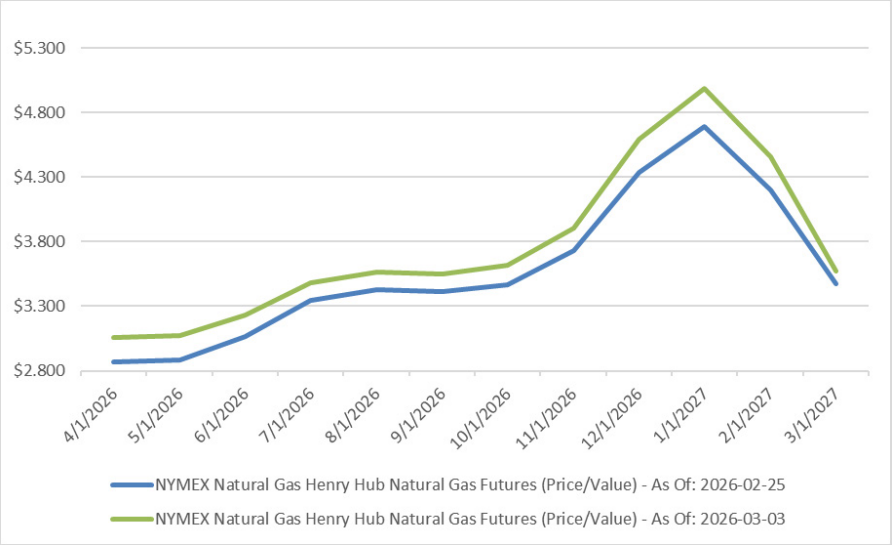




MARKET RISKS & EMERGING DRIVERS

Middle East Conflict and U.S. Energy Markets

Escalating conflict in the Middle East is introducing a **new layer of geopolitical risk** into U.S. natural gas and power markets. While the United States remains a major domestic producer, U.S. pricing is increasingly influenced by global LNG flows, shipping risk, and broader fuel market volatility. Based on the chart comparison, the **Henry Hub 12-month strip increased by roughly 5% between February 25 and March 4**, suggesting that markets have already begun to price in an added risk premium.



The main risk to U.S. natural gas prices is **not an immediate domestic supply disruption**, but tighter global LNG market conditions. If conflict affects LNG exports, tanker routes, or fuel procurement in key international markets, global buyers may compete more aggressively for available supply, **increasing demand for U.S. LNG and supporting higher domestic pricing.**

This dynamic can lift Henry Hub even when underlying U.S. production remains strong. In that sense, the recent move higher in the strip appears to reflect a **growing uncertainty premium** tied to export demand, shipping risk, and the possibility of tighter global gas balances.

A sustained geopolitical premium would likely keep **upward pressure on near-term and annual strip pricing** as the market evaluates the risk of stronger LNG export pull. The impact would be most significant if global supply disruptions begin to alter trade flows in a meaningful way, tightening the relationship between U.S. gas balances and overseas demand.

For now, the **market response appears to reflect precautionary repricing** rather than a full supply shock. Still, the speed of the recent increase suggests traders are beginning to account for a wider range of geopolitical outcomes than they were pricing just days earlier.

Key Takeaways

- The conflict is creating a new geopolitical premium in U.S. natural gas prices, with the Henry Hub annual strip up about 5% from February 25 to March 4 based on the chart provided.
- The primary risk to U.S. gas markets is global LNG disruption, not an immediate domestic supply shortage.
- A prolonged disruption could increase demand for U.S. LNG exports, tightening domestic balances and supporting higher Henry Hub pricing.
- Higher natural gas prices would likely create knock-on pressure in U.S. power markets, particularly in gas-heavy regions.

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MARKET RISKS & EMERGING DRIVERS

Rising data center demand in PJM is intensifying a broader discussion about **reliability, market design, and cost responsibility.** Recent market developments suggest the issue is not only whether enough new generation can be built, but also whether **existing capacity market structures can keep pace** with large-load growth without weakening price signals or shifting costs in unintended ways.

Tightening Margins in a High-Growth Market

PJM's recent capacity auction reinforced concerns about the region's supply-demand balance, **clearing at record-high prices** while still **falling short of the grid operator's reserve margin target.** At the same time, load forecasts have been pushed higher by large new demand, especially from data centers, highlighting the growing strain on a market structure that was not designed for this scale and speed of load growth.

More broadly, the challenge is becoming structural rather than temporary. As large new loads seek service, PJM faces increasing pressure to add supply quickly enough to maintain reliability while preserving workable investment signals for new generation. The auction outcome suggested that strong price signals alone may not be enough to bring new resources online quickly enough to maintain targeted reserve levels. It also demonstrated the practical challenge of **matching rapid demand growth** with the pace of **generation development, interconnection, and system planning.**

Proposed Procurement Approach and Market Debate

One proposal under discussion would create a **targeted pathway for large new loads**, particularly data centers, to support new generation through dedicated procurement arrangements. Supporters argue that this approach could better **align cost responsibility with the customers driving demand growth** and provide a clearer path for bringing on new capacity. The idea is that if very large new loads require significant incremental supply, they may need a more direct role in supporting the development of that supply.

However, the proposal has also prompted debate about whether it would solve enough of the problem. Analysis highlighted by Latitude Media suggests that even a large **targeted procurement could address only a portion of PJM's projected future capacity need**, while a more segmented approach could introduce added complexity, weaker market signals, and uncertainty for investors and other market participants. Critics also caution that **separating procurement for certain large loads** from the broader market could make it **harder to maintain transparent pricing** and consistent incentives across the system. More broadly, the debate reflects concern over whether a targeted solution can address a challenge that may ultimately require wider changes to market structure.

Key Takeaways

- PJM's recent capacity auction highlighted a reliability concern: high prices alone did not produce procurement at the target reserve margin.
- Rapid data center load growth is placing greater pressure on PJM's existing market and planning framework.
- Proposed procurement pathways are intended to accelerate new supply for large loads, but questions remain around scale, implementation, and market impact.
- The broader issue is how PJM balances resource adequacy, cost allocation, and long-term investment signals as electricity demand continues to rise.