RISE ENERGY SERVICES

June 2026

ENERGY MARKET UPDATE

NATURAL GAS, POWER, AND THE SUMMER HEAT FACTOR

Supply Growth Wins the June Tug-of-War

Natural gas forward prices continued to ease in June, as robust domestic production and a building injection-season storage surplus absorbed the demand pull of record LNG exports. The 12-month Henry Hub strip settled at $3.316/MMBtu, down $0.06 MoM and $0.89 YoY, as EIA projects working gas inventories will end the injection season 7% above the five-year average. Power markets held firmer, supported by summer cooling demand, accelerating data center load growth, and sustained capacity tightness in the Northeast. A notable shift from May: Cal 2026 was the lone gas strip to tick higher (+$0.021 MoM to $3.625), signaling the market is beginning to price in modest summer heat risk, while Cal 2027 gave back $0.144 MoM as delayed LNG capacity additions and strong production growth trimmed the medium-term recovery premium.

Natural Gas Summary

Natural gas forward prices extended their decline in June across most contracts, as rising U.S. production continued to outpace the demand pull of record LNG exports. EIA's May 2026 Short-Term Energy Outlook forecasts marketed gas output averaging 118.9 Bcf/d in 2026, up 3% from 2025, with Permian Basin production alone growing 6% year-over-year. Against that supply backdrop, even a forecast 17.0 Bcf/d in LNG exports, a projected record, has not been enough to tighten near-term balances.

- **Near-Term Softness, Winter Floor:** June prompt at $3.040/MMBtu, up $0.349 MoM but down $0.970 YoY. Cal 2026 was the only strip to tick higher (+$0.021 MoM to $3.625), while Cal 2027 fell $0.144 to $3.403. Jan-27 at $4.346 still embeds a $1.31 winter premium above the 12-month strip.
- **Storage Build Accelerating:** EIA estimates end-of-winter storage at 1,908 Bcf (4% above the five-year average) and projects the injection season ending 7% above average. Production reached 117.2 Bcf/d in 1Q26 (+4% YoY), with the Permian growing 6% year-over-year.
- **Northeast Winter Premiums Intact:** Algonquin and TETCO M3 winter strips remain materially above Henry Hub. Western markets are bifurcated, with summer basis near historic lows at NoCal and NW Sumas while SoCal CG stays elevated on constrained imports.

Power Summary

Forward on-peak power prices remain firm across PJM, NYISO, and ISO-NE, as structural load growth and tight capacity conditions continue to support forward curves well above where the declining gas forward curve would imply. The softening gas curve is reducing the energy cost component of power pricing at the margin, but capacity, transmission, and local reliability premiums are pricing independently of fuel costs.

- **Power Holds Where Gas Has Not:** Cal 2027 on-peak forwards remain elevated — PJM DOM ~$92/MWh, ISO-NE Hub ~$87/MWh, NYISO N.Y.C.–J ~$83/MWh — as capacity, transmission, and reliability premiums price independently of the softening gas curve.
- **Data Centers Reshaping the Load Curve:** EIA's AEO (Annual Energy Outlook) 2026 projects data center servers rising from 7% of commercial electricity use in 2025 to 22–33% by 2050. Virginia's commercial sales alone grew 30 million MWh between 2019 and 2025, largely driven by data center concentration.
- **Record Demand Growth on the Horizon:** EIA forecasts electricity demand up 1.3% in 2026 and 3.1% in 2027, the strongest two-year growth in recent history. Gas-fired generation is forecast to set a new summer record in 2027 at 46.1 Bcf/d, up 6% from this summer's 43.7 Bcf/d.

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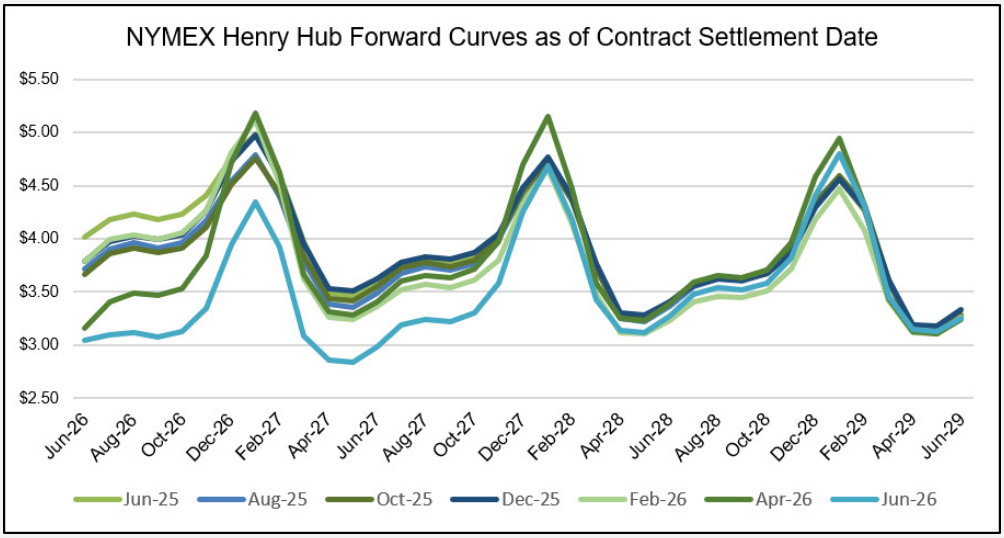
NATURAL GAS

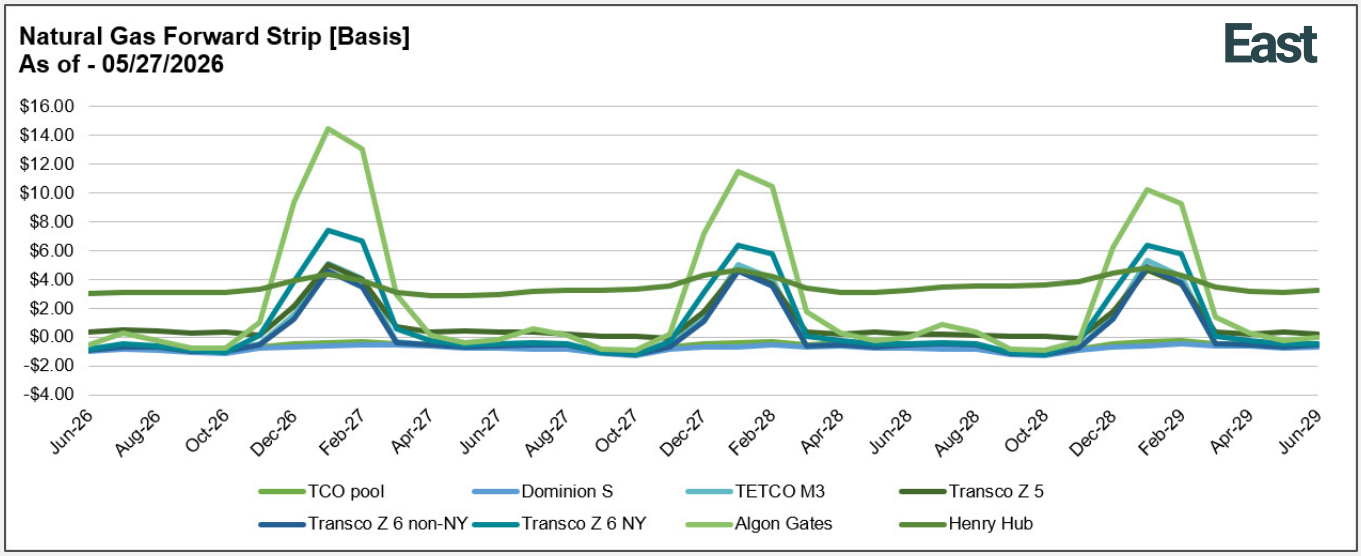
Forward Natural Gas Prices ($/MMBtu)

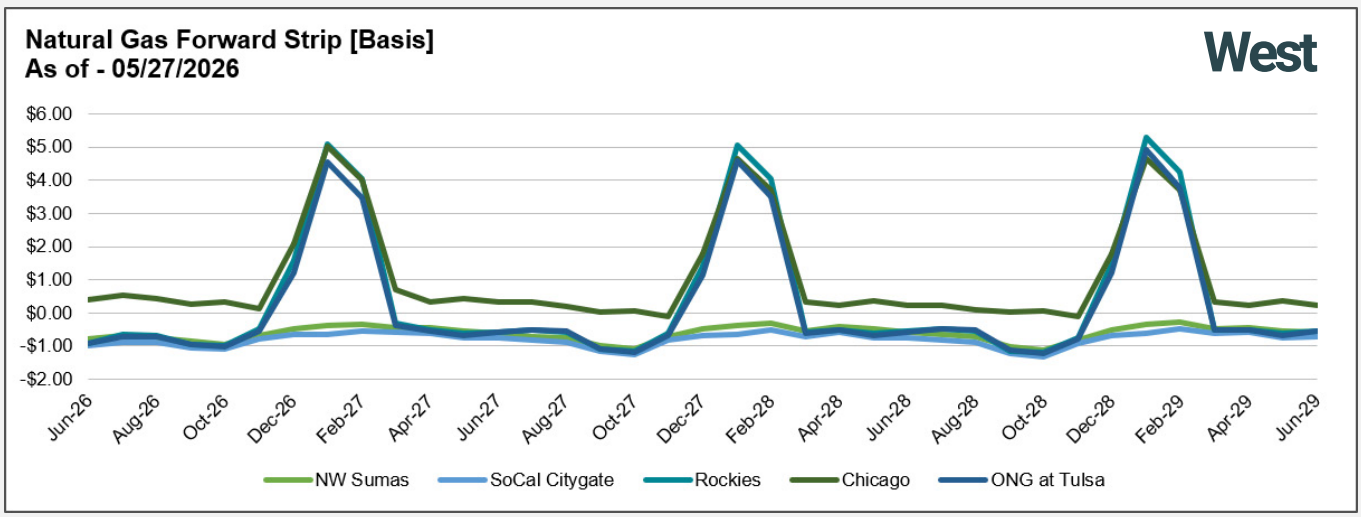
Historical Prices

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

	Current	MoM	YoY
Jun-26	$ 3.040	$ 0.349	$ (0.970)
Jul-26	$ 3.095	$ 0.105	$ (1.090)
Aug-26	$ 3.117	$ 0.044	$ (1.115)
Sep-26	$ 3.077	$ 0.011	$ (1.107)
Oct-26	$ 3.122	$ (0.019)	$ (1.106)
Nov-26	$ 3.341	$ (0.107)	$ (1.061)
Dec-26	$ 3.942	$ (0.239)	$ (0.815)
Jan-27	$ 4.346	$ (0.271)	$ (0.644)
Feb-27	$ 3.918	$ (0.229)	$ (0.689)
Mar-27	$ 3.086	$ (0.157)	$ (0.884)
Apr-27	$ 2.863	$ (0.119)	$ (0.624)
May-27	$ 2.843	$ (0.120)	$ (0.613)
12 month Strip	$ 3.316	$ (0.063)	$ (0.893)
Cal 2026	$ 3.625	$ 0.021	$ (1.038)
Cal 2027	$ 3.403	$ (0.144)	$ (0.572)
Cal 2028	$ 3.680	$ (0.025)	$ (0.111)
Cal 2029	$ 3.696	$ 0.030	$ 0.009

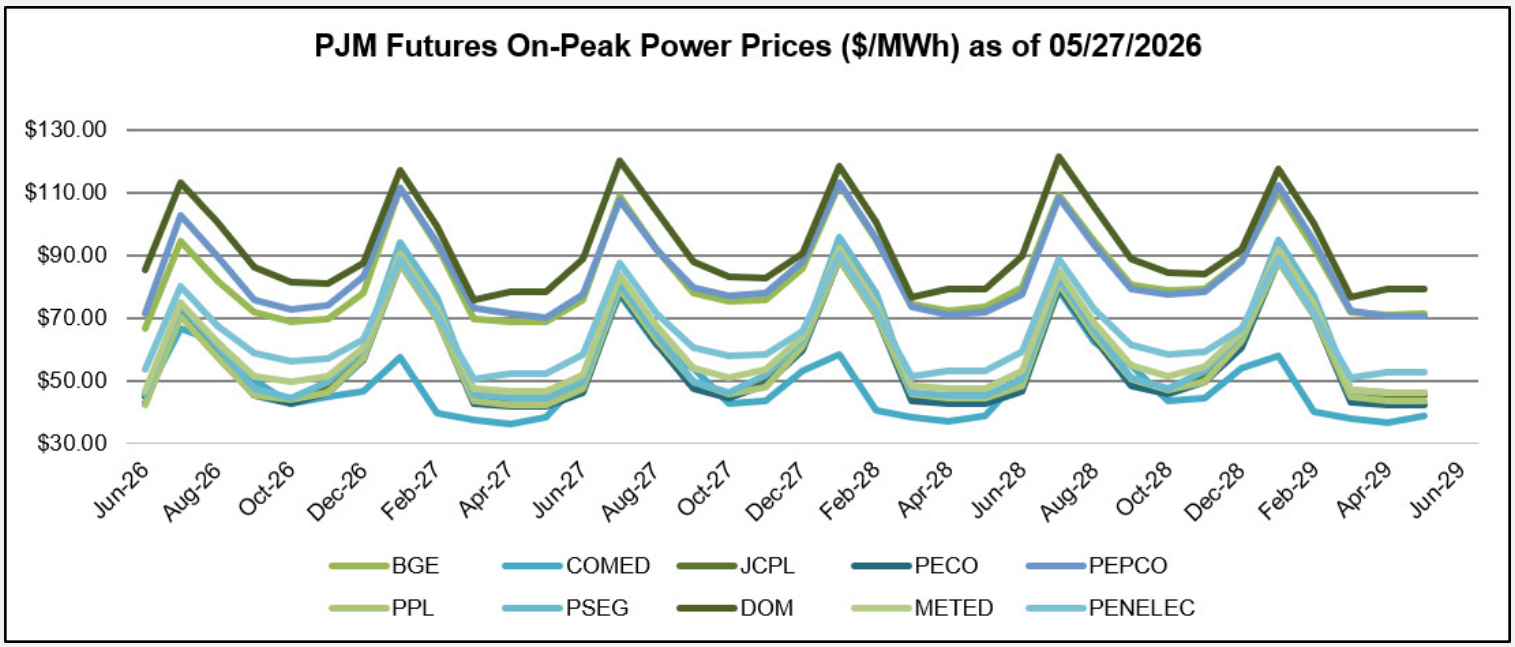


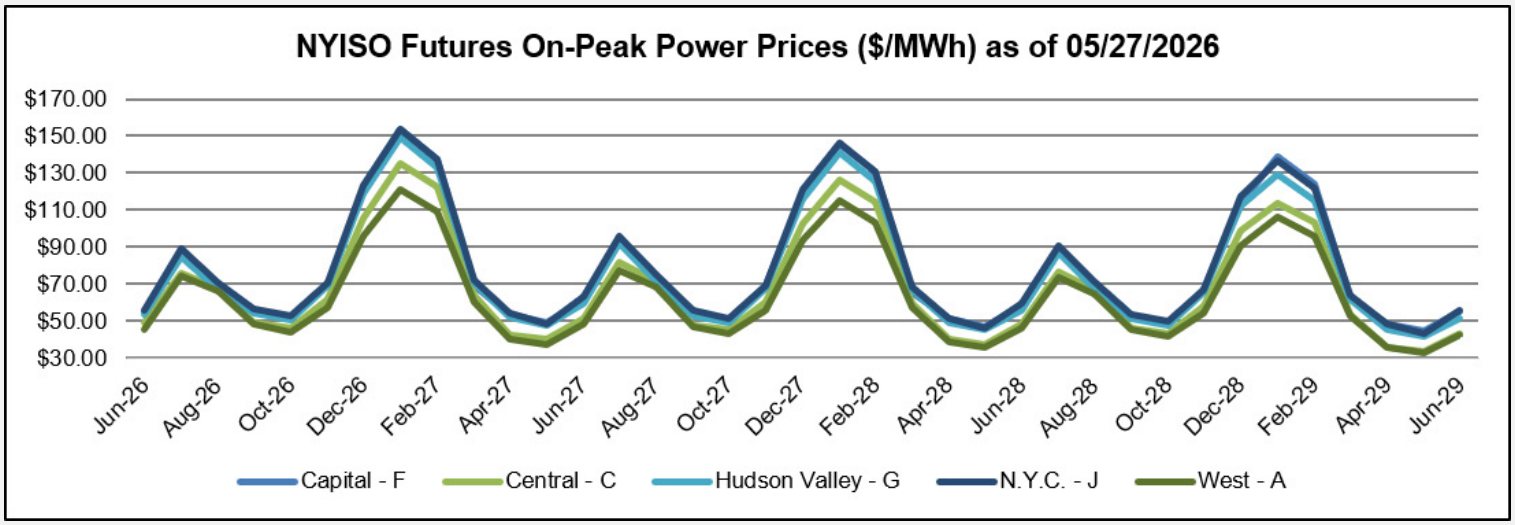


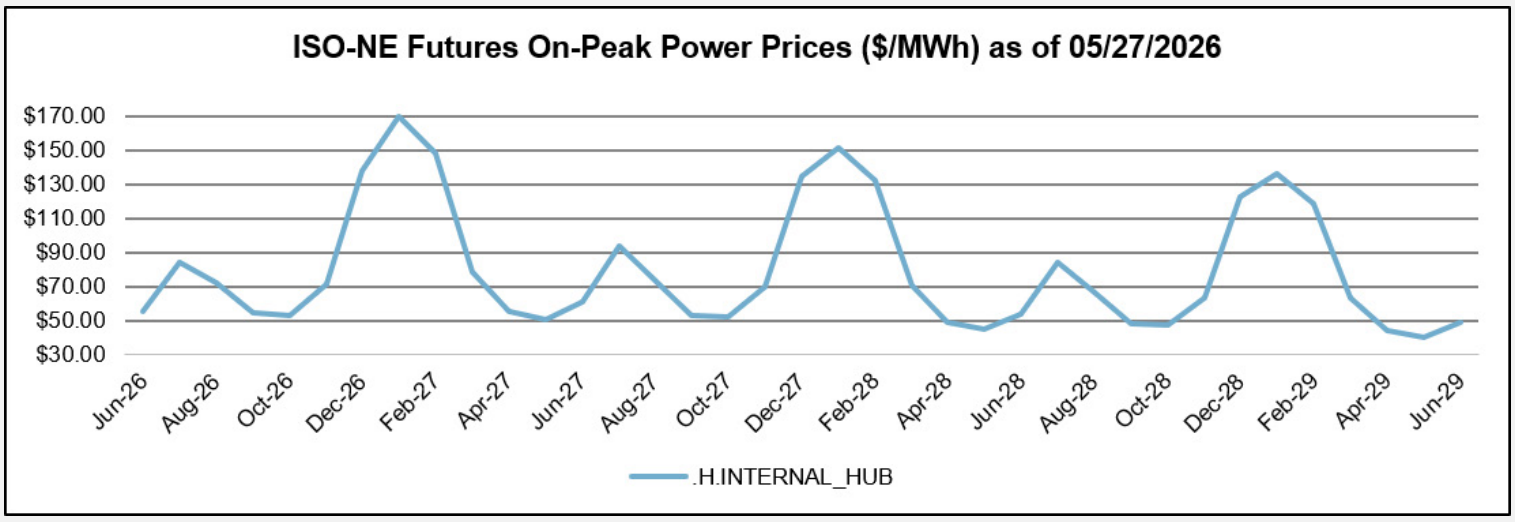


POWER

Forward On-Peak Power Prices ($/MWh)





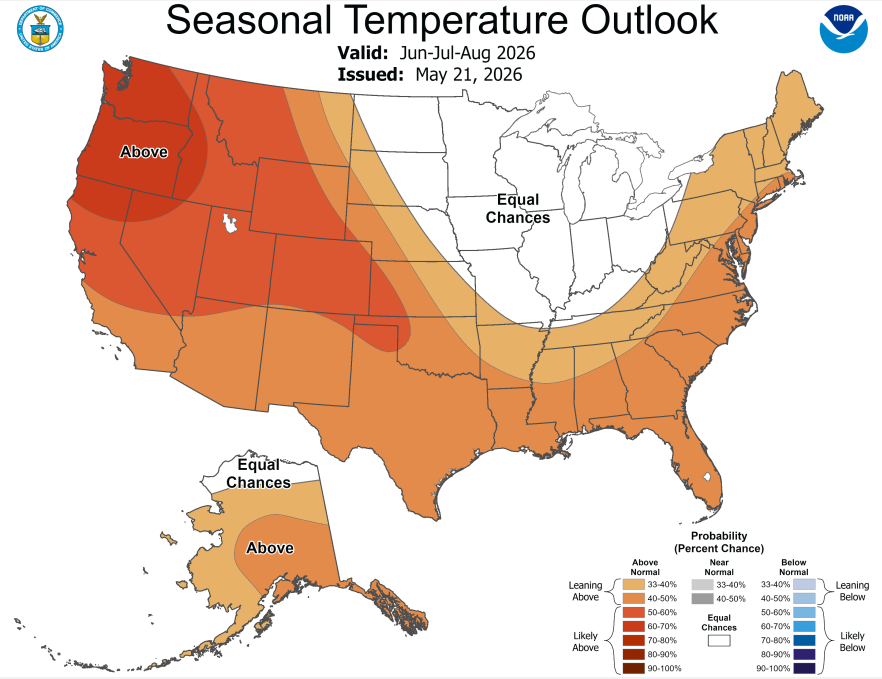


The Summer Heat Factor

FERC's Summer Assessment Flags Elevated Risks

FERC's 2026 Summer Energy Market and Electric Reliability Assessment projects above-average temperatures across much of the United States from June through August, with NOAA forecasting a 61% chance of El Niño conditions and a one-in-four chance of a strong El Niño developing later this year. El Niño conditions typically drive higher temperatures across the northern and central United States, raising the risk of extreme heat events that could sharply increase cooling demand and strain the grid. Total electricity consumption in summer 2026 is forecast to reach 1,587 TWh, the highest of any summer in at least five years, peaking in August at 426 TWh, up 5% from August 2025.

For natural gas markets, the heat outlook supports higher prices at eastern hubs. FERC projects the Algonquin Citygate to average $3.29/MMBtu this summer, 16% above last year's settled price, reflecting both regional heat risk and the need to refill Northeast storage following heavy winter withdrawals. The most acute reliability risk is in New England, where NERC's probabilistic assessment found the region approximately 559 MW short under its extreme peak scenario, with a reserve margin of 11%, below the 13% reference level, and modeled loss-of-load events in June, July, and August. This is consistent with the elevated ISO-NE forward prices shown on page 3.



Gas storage is tracking to plan, with inventories at 2,483 Bcf as of May 22, 6% above the five-year average. Whether summer heat materializes at El Niño-consistent levels is the key variable to watch. A sustained heat event could tighten both power and gas balances rapidly, and would likely support the winter premium already embedded in Dec-26 ($3.942) and Jan-27 ($4.346).

Key Takeaways

- FERC's 2026 Summer Assessment projects above-average temperatures across much of the U.S. for June-August, with a 61% chance of El Niño conditions. If El Niño strengthens, extreme heat could drive demand well above forecasted levels and strain grid reliability.
- Eastern gas hubs are pricing above last summer: Algonquin Citygate at $3.29/MMBtu (+16% YoY), reflecting Northeast storage refill needs and heat risk, directly consistent with the elevated winter basis spreads shown on page 2.
- New England faces the most acute reliability risk under extreme conditions: NERC finds NPCC-NE approximately 559 MW short at extreme peak demand, with modeled loss-of-load events in June, July, and August, a key structural support for ISO-NE's elevated forward curve.
- Storage at 2,483 Bcf (6% above the five-year average) reflects a well-supplied near-term, but the winter premium in Dec-26 and Jan-27 signals the market has not dismissed heat and early-draw tail risks heading into the fall.