

LNG

COLUMN: 2021 to See More Natural Gas Imports, Political Risk in Mexico

Editor's Note: NGI's Mexico Gas Price Index, a leader tracking Mexico natural gas market reform, is offering the following column by Eduardo Prud'homme as part of a regular series on understanding this process.

Prud'homme was central to the development of Cenagas, the nation's natural gas pipeline operator, an entity formed in 2015 as part of the energy reform process. He began his career at national oil company Petróleos Mexicanos (Pemex), worked for 14 years at the Energy Regulatory Commission (CRE), rising to be chief economist, and from July 2015 through February served as the ISO chief officer for Cenagas, where he oversaw the technical, commercial and economic management of the nascent Natural Gas Integrated System (Sistrangas). Based in Mexico City, he is the head of Mexico energy consultancy Gadex.

The opinions and positions expressed by Prud'homme do not necessarily reflect the views of NGI's Mexico Gas Price Index.

The beginning of a year should be a time of ...cont' pg. 8

MEXICO IPGN PRICES (MXN/GJ & US/MMBtu)

Month	MXN/GJ	US/MM	COG	VOL	DEALS
Dec-19	57.9798	3.1898	23	5549	237
Jan-20	52.0535	2.9203	24	6086	261
Feb-20	48.2574	2.7131	23	5987	271
Mar-20	46.2114	2.2193	22	5572	292
Apr-20	48.9707	2.1299	26	5909	274
May-20	53.0901	2.3734	23	4481	249
Jun-20	49.0200	2.3281	24	5876	255
Jul-20	48.7371	2.287	23	6691	287
Aug-20	56.6134	2.6861	28	7194	288
Sep-20	58.5947	2.8561	26	7110	295
Oct-20	62.8382	3.1045	27	6879	262
Nov-20	67.1283	3.4534	28	6478	298

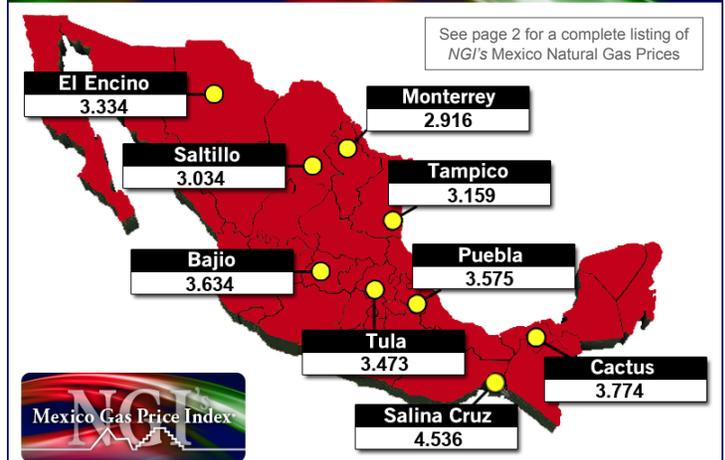
Regional Breakout of November 2020 IPGN

Region	MXN/GJ	US/MM	COG	VOL	DEALS
Region 1	54.9146	2.825	-	705	20
Region 2	58.9802	3.0342	-	739	38
Region 3	61.6045	3.1692	-	2275	61
Region 4	89.0517	4.5812	-	417	33
Region 5	76.6593	3.9437	-	1627	128
Region 6	64.2903	3.3074	-	716	22



IPGN prices are published by CRE. Companies represents the number of marketers who submitted trade data to CRE. Vol is total reported commercialized volumes converted to MMcf/d. Deals represents the net number of transactions CRE used to calculate the IPGN (gross transactions reported less atypical deals CRE excluded from the data). For more information, and access to raw aggregated data behind these figures, including exchange rate information, please visit the CRE website, which you can access [here](#).

NGI's MEXICO NATGAS PRICE TRACKER



Source: NGI - based on US-to-Mexico cost plus transport prices in \$US/MMBtu. For the full list of NGI's US/MX border & Mexico prices, visit: natgasintel.com/mx-price

U.S./Mexico NatGas Market Snapshot

- Forecasts shifted to expectations for a severe winter chill
- Demand for U.S. LNG exports continued to boost sentiment
- Spot gas prices finished the week strong

Read more on pg. 7

NGI's US DAY-AHEAD SPOT MARKET PRICES

Trade Date: 15-Jan-2021 Flow Date(s): 16-Jan-2021 to 19-Jan-2021

	RANGE	AVG	CHG	VOL	DEALS
CALIFORNIA					
Ehrensberg	2.750-2.870	2.830	-0.030	230	53
EAST TEXAS / SOUTH LOUISIANA					
Henry Hub	2.760-2.800	2.785	0.050	162	21
Houston Ship Channel	2.700-2.720	2.715	-0.020	45	6
ROCKIES					
El Paso San Juan	2.610-2.650	2.625	0.025	485	71
SOUTH TEXAS					
NGPL S. Tx	--	--	--	0	0
Tennessee S. Tx	2.665-2.690	2.675	-0.020	39	10
TETCO S. Tx	2.620-2.710	2.695	0.005	401	74
South Texas Avg [†]	2.620-2.710	2.685	-0.007	440	84
WEST TEXAS					
El Paso Permian	2.500-2.650	2.575	-0.010	1613	211
Waha	2.500-2.650	2.560	-0.025	1166	171

All prices are in \$U.S./MMBtu. Data are excerpted directly from NGI's Daily Gas Price Index except for the (1) South Texas Avg, which is a simple average of NGPL S. Tx, Tennessee S. Tx, and TETCO S. Tx. For more information on how we calculate our next-day and next-month price indexes, please refer to our Price Index Methodology, which is located [here](#).

NOTE: NGI's Mexico Gas Price Index plans to calculate our own Mexico spot prices in the same manner as we do for locations in the United States & Canada as soon as possible. For more information, or if you wish to participate in NGI's Mexico natural gas price survey, please contact Dexter Steis at +1-703-318-8848, or e-mail us at prices@natgasintel.com.

NGI MEXICO NATURAL GAS PRICES

Estimated US-to-Mexico Natural Gas Cost Plus Transport Prices

Flow Date(s): 16-Jan-2021 to 19-Jan-2021

US/MX Exchange Rate: 19.79

To the U.S./Mexico Border (a la frontera de EE.UU./Mexico)

Location (U.S./Mexico)	U.S. Index + Transport From:	\$US/MMBtu				MX/GJ			
		U.S. Index Price	Transport Fee ¹	Total Price	Chg	Molécula	Transporte ¹	El Border	Cambio
Arizona/West Texas									
Clint, TX / Juárez, CH	Waha + El Paso Natural Gas	\$2.560	\$0.068	\$2.628	-\$0.026	48.019	1.284	49.303	-0.455
Presidio, TX / Ojinaga, CH	Waha + Trans-Pecos Pipeline	\$2.560	\$0.216	\$2.776	-\$0.025	48.019	4.048	52.067	-0.442
San Elizario, TX / Juárez, CH	Waha + Roadrunner Pipeline	\$2.560	\$0.473	\$3.033	-\$0.025	48.019	8.863	56.882	-0.439
Sasabe, AZ / Sásabe, SO	Waha + EPNG & Sierrita Pipeline	\$2.560	\$0.055	\$2.615	-\$0.025	48.019	1.032	49.051	-0.447
California									
Ogibly, CA / Los Algodones, BN	Ehrenberg + North Baja	\$2.830	\$0.026	\$2.856	-\$0.030	53.083	0.492	53.575	-0.540
South Texas									
Alamo, TX / Reynosa, TM	HSC + Tennessee Gas Pipeline	\$2.715	\$0.018	\$2.733	-\$0.020	50.926	0.329	51.255	-0.351
Brownsville, TX / Matamoros, TM	HSC + Valley Crossing	\$2.715	\$0.311	\$3.026	-\$0.020	50.926	5.827	56.753	-0.353
Rio Grande, TX / Carmago, TM	HSC + NET Mexico	\$2.715	\$0.327	\$3.042	-\$0.020	50.926	6.130	57.056	-0.347
Roma, TX / Mier, TM	HSC + Kinder Morgan Texas	\$2.715	\$0.147	\$2.862	-\$0.021	50.926	2.765	53.691	-0.352

Deliveries Within Mexico (entregas dentro de Mexico)

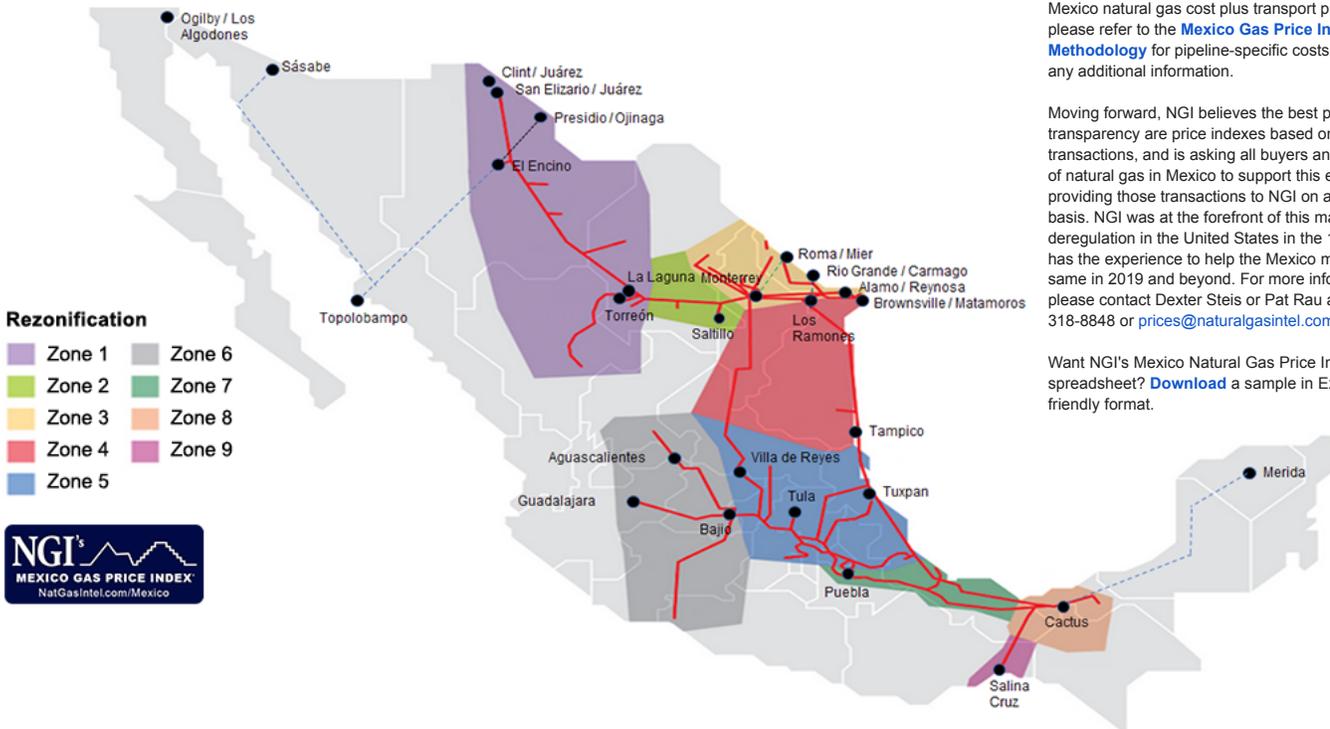
Region	Border/Hub Point + Transport From:	\$US/MMBtu				MX/GJ			
		Border/Hub Price	Transport Fee ¹	Total Price	Chg	Border/Hub	Transporte ¹	Total	Cambio
Aguascalientes	La Laguna + La Laguna-Aguascalientes*	\$3.472	\$0.157	\$3.629	-\$0.025	65.128	2.934	68.062	-0.440
Bajío	Alamo / Reynosa + SNG Zn 3 to Zn 6	\$2.733	\$0.901	\$3.634	-\$0.021	51.255	16.917	68.172	-0.358
Cactus3	Puebla + SNG Zn 7 to Zn 8	\$3.575	\$0.199	\$3.774	-\$0.021	67.057	3.741	70.798	-0.357
El Encino2	San Elizario + Tarahumara	\$3.033	\$0.301	\$3.334	-\$0.025	56.882	5.647	62.529	-0.440
Guadalajara	Aguascalientes + VAG*	\$3.629	\$0.148	\$3.777	-\$0.026	68.062	2.791	70.853	-0.440
La Laguna	El Encino + El Encino-La Laguna*	\$3.334	\$0.138	\$3.472	-\$0.025	62.529	2.599	65.128	-0.440
Los Ramones	Alamo / Reynosa + SNG Zn 3 to Zn 3	\$2.733	\$0.258	\$2.991	-\$0.020	51.255	4.846	56.101	-0.357
Merida	Cactus + Mayakan	\$3.774	\$0.395	\$4.169	-\$0.021	70.798	7.398	78.196	-0.357
Monterrey2	Roma / Mier + Kinder Morgan Mexico	\$2.862	\$0.054	\$2.916	-\$0.020	53.691	0.996	54.687	-0.352
Puebla	Alamo / Reynosa + SNG Zn 3 to Zn 7	\$2.733	\$0.842	\$3.575	-\$0.021	51.255	15.802	67.057	-0.357
Salina Cruz	Cactus + SNG Zn 8 to Zn 9	\$3.774	\$0.762	\$4.536	-\$0.022	70.798	14.289	85.087	-0.357
Saltillo	Alamo / Reynosa + SNG Zn 3 to Zn 2	\$2.733	\$0.301	\$3.034	-\$0.021	51.255	5.654	56.909	-0.358
Tampico	Alamo / Reynosa + SNG Zn 3 to Zn 4	\$2.733	\$0.426	\$3.159	-\$0.020	51.255	7.996	59.251	-0.357
Topolobampo	El Encino + Topolobampo Pipeline	\$3.334	\$0.649	\$3.983	-\$0.025	62.529	12.181	74.710	-0.440
Torreón	Clint / Juarez + SNG Zn 1 to Zn 1	\$2.628	\$0.241	\$2.869	-\$0.026	49.303	4.508	53.811	-0.463
Tula	Alamo / Reynosa + SNG Zn 3 to Zn 5	\$2.733	\$0.740	\$3.473	-\$0.020	51.255	13.882	65.137	-0.358
Tuxpan	Matamoros + Sur de Texas-Tuxpan	\$3.026	\$0.434	\$3.460	-\$0.021	56.753	8.147	64.900	-0.353
Villa de Reyes	Tula + Tula-Villa de Reyes*	\$3.473	\$0.181	\$3.654	-\$0.021	65.137	3.397	68.534	-0.357

*Delivery pipeline not yet in service

The current assessments are estimated US-to-Mexico natural gas cost plus transport prices; please refer to the [Mexico Gas Price Index Methodology](#) for pipeline-specific costs and for any additional information.

Moving forward, NGI believes the best price transparency are price indexes based on actual transactions, and is asking all buyers and sellers of natural gas in Mexico to support this effort by providing those transactions to NGI on a confidential basis. NGI was at the forefront of this market price deregulation in the United States in the 1980s and has the experience to help the Mexico market do the same in 2019 and beyond. For more information, please contact Dexter Steis or Pat Rau at +1 (703) 318-8848 or prices@naturalgasintel.com.

Want NGI's Mexico Natural Gas Price Index in a spreadsheet? [Download](#) a sample in Excel-friendly format.

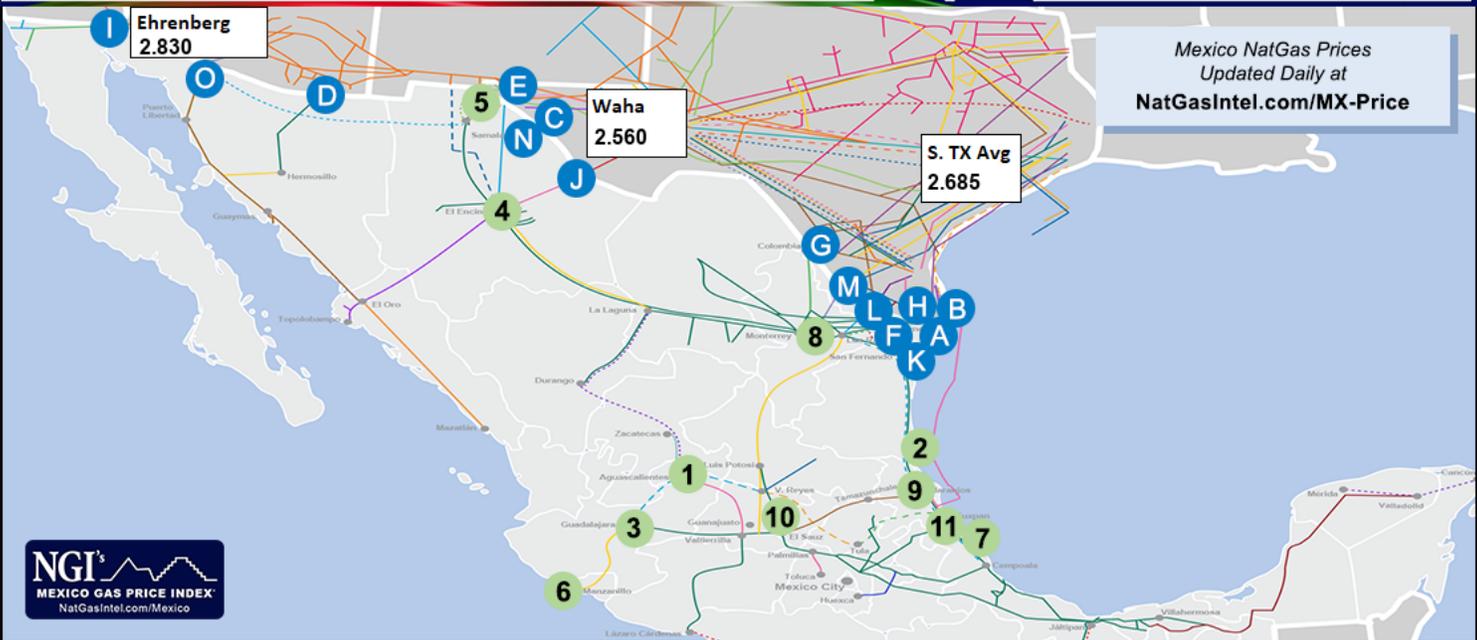


To learn more about accessing the Excel-readable datafeed file that accompanies this image, or to request historical data access, please contact ngidata@naturalgasintel.com

1) Transport rates for U.S. interstates, SISTRANGAS, and other Mexico pipelines taken from electronic bulletin boards (EBBs). However, Texas intrastate pipelines do not have EBBs, so our transportation costs for these are an estimates. For more information on which charges we include in these fees, please see the below note.
 2) Calculated Monterrey price would be the same as Los Ramones, and calculated El Encino would be the same as Torreón, if we had used the SISTRANGAS tariff, since SISTRANGAS is a zone based system.
 3) U.S. gas is not likely to be delivered to Cactus or Salina Cruz, but these represent a theoretical delivered price in Zonas Sur and Istmo.

NGI MEXICO NATGAS FLOW TRACKER

19-Jan-2021



Mexico NatGas Prices Updated Daily at NatGasIntel.com/MX-Price



U.S./MEXICO BORDER LOCATIONS

Key	Location	Delivery Pipeline	Deliveries (Dths/MMbtu)	Op Cap (Dths/MMbtu)	Deliveries (Gigajoules)	Op Cap (Gigajoules)	Cap Util %
A	Alamo, TX / Reynosa, TM	Tennessee / SISTRANGAS	268,670	479,700	283,462	506,110	56%
B	Brownsville, TX / Gulf of Mexico	Valley Crossing / Sur de Texas-Tuxpan	1,244,250	2,768,730	1,312,754	2,921,165	45%
C	Clint, TX / Ciudad Juarez, CH ¹	El Paso / Gasoducto de Chihuahua	108,723	544,500	114,709	574,478	20%
D	Cochise County, AZ (4 Points)	El Paso / Various	223,654	459,473	235,968	484,770	49%
E	El Paso, TX / Ciudad Juarez, CH	OkTex / Gas Natural de Juarez	45,000	70,000	47,478	73,854	64%
F	Hidalgo, TX / Reynosa, TM	Texas Eastern / SISTRANGAS	0	443,872	0	468,310	0%
G	Laredo, TX / Colombia, NL	Impulsora / Nueva Era	296,400	605,002	312,719	638,311	49%
H	McAllen, TX / Arguelles, TM	Energy Transfer / SISTRANGAS	217,623	250,000*	229,604	263,764	87%
H	McAllen, TX / Arugelles, TM	Kinder Morgan Border / SISTRANGAS	309,463	350,000*	326,501	369,270	88%
I	Ogilby, CA / Los Algodones, BC	North Baja / Gasoducto Rosarito	263,161	525,000	277,650	553,904	50%
J	Presidio, TX / Ojinaga, CH	Trans-Pecos / Ojinaga-El Encino	4,600	1,356,000	4,853	1,430,656	0%
K	Rio Bravo, TX / Rio Bravo, TM	Tennessee / Gasoducto Del Rio	78,000	430,500	82,294	454,202	18%
L	Rio Grande, TX / Camargo, TM	NET Mexico / SISTRANGAS	1,608,862	2,004,206	1,697,440	2,114,550	80%
M	Roma, TX / Ciudad Mier, TM	Kinder Morgan Texas / Mier-Monterrey	492,156	640,000	519,252	675,236	77%
N	San Elizario, TX / San Isidro, CH	Comanche Trail / San Isidro-Samalayuca	124,784	1,135,000	131,654	1,197,489	11%
O	Sasabe, AZ / Sasabe, SO	Sierrita / Sonora Pipeline	115,310	523,640	121,659	552,470	22%

*Contracted capacity. Figures may differ from operating capacity figures that appear on the SISTRANGAS EBB.

LOCATIONS WITHIN MEXICO

Key	Location	Delivery Pipeline	Volume (Dths/MMbtu)	Op Cap (Dths/MMbtu)	Deliveries (Gigajoules)	Op Cap (Gigajoules)	Cap Util %
1	Aguascalientes	SISTRANGAS / Gasoductos de Bajio	61,809	58,812	65,212	62,050	105%
2	Altamira Receipts	LNG / SISTRANGAS	102,178	N/A	107,803	N/A	N/A
3	El Castillo	Manzanillo-Guadalajara / SNG	55,001	109,292	58,029	115,309	50%
4	El Encino	Ojinaga-El Encino / El Encino-Mazatlan	89,354	670,000	94,273	706,888	13%
4	El Encino	Ojinaga-El Encino / El Encino-La Laguna	464,214	1,500,000	489,772	1,582,584	31%
5	Gloria a Dios, CH	Gasoducto de Chihuahua / SNG	59,236	121,232	62,497	127,907	49%
6	Manzanillo	LNG / Manzanillo-Guadalajara	243,561	500,000	256,970	527,528	49%
7	Montegrande	Sur de Texas-Tuxpan / SNG	N/A	500,000	N/A	527,528	N/A
8	Monterrey	KM Mexico / SISTRANGAS	147,659	425,104	155,789	448,509	35%
9	Naranjos	Sur de Texas-Tuxpan / Naranjos-El Sauz	370,591	919,200	390,994	969,807	40%
10	Pedro Escobedo	Naranjos-El Sauz / SISTRANGAS	311,450	433,870	328,597	457,757	72%
11	Tuxpan	Sur de Texas-Tuxpan / Tuxpan-V de Reyes	0	886,000	0	934,780	0%

Note: Delivery and operating capacity data are as of the morning of the stated flow date. Prices are from our U.S. Mexico Spot Market Price table.

¹The four EPNG points in Cochise County, AZ are: Douglas (DOUGLAS), El Fresnal (ICFEAGUA), Monument 90 (DPMEXWIL), and Willmex (IMEXWIL).

* Design and/or contractual capacity. Actual scheduled volumes can exceed this amount, depending on SNG system pressure and activity on nearby pipelines.

Source: Pipeline EBBs, NGI calculations

NGI Summary SISTRANGAS NatGas Pipeline Flows 19-Jan-2021

<u>Deliveries By Sector</u>			<u>Receipts By Sector</u>		
	<u>Sched Qty</u>	<u>Chg</u>		<u>Sched Qty</u>	<u>Chg</u>
Distribution	546,500	1,056	Import	2,831,451	20,339
Electric	1,545,265	-29,999	National	1,824,437	-49,221
Industrial	853,362	16,765	Other	81,010	3,183
Petroleum	227,739	0	TOTAL	4,736,898	-25,699
Other	1,478,947	-15,716			
TOTAL	4,651,813	-27,894	<u>Receipts By Type</u>		
				<u>Sched Qty</u>	<u>Chg</u>
<u>Electric Deliveries Breakout</u>			Import Receipts	2,831,451	20,339
	<u>Sched Qty</u>	<u>Chg</u>	LNG Receipts	165,832	-49,221
CFE Points ²	855,645	-29,999	Production Receipts	1,388,037	-1
Other	689,620	0	Other Receipts	351,578	3,184
TOTAL ELECTRIC	1,545,265	-29,999	TOTAL	4,736,898	-25,699
<u>Deliveries By Zone</u>			<u>Receipts By Zone</u>		
	<u>Sched Qty</u>	<u>Chg</u>		<u>Sched Qty</u>	<u>Chg</u>
Zone 1	224,463	-4,513	Zone 1	62,497	0
Zone 2	51,941	0	Zone 2	0	0
Zone 3	698,635	14,327	Zone 3	3,070,698	20,339
Zone 4	555,050	-1,746	Zone 4	134,707	-49,221
Zone 5	1,369,607	11,557	Zone 5	352,641	1
Zone 6	520,842	1,201	Zone 6	58,029	0
Zone 7	229,189	-949	Zone 7	141,638	-1
Zone 8	629,158	732	Zone 8	835,678	0
Zone 9	28,585	0	Zone 9	0	0
Other ¹	344,343	-48,503	Other ¹	81,010	3,183
TOTAL	4,651,813	-27,894	TOTAL	4,736,898	-25,699

¹ Denotes deliveries & receipts where CENAGAS has no zone designations as yet. ² includes those locations with a CFE prefix per SISTRANGAS' list of location codes.
 Source: CENAGAS, NGI's Mexico Gas Price Index calculations

NGI WAHALAJARA PRICES (CALCULATED)

Flow Date(s): 16-Jan-2021 to 19-Jan-2021



Location	US\$/MMBtu	MX/GJ
Waha	2.560	48.019
+ Roadrunner	0.473	8.863
San Elizario	3.033	56.882
+ Tarahumara	0.301	5.647
El Encino	3.334	62.529
+ El Encino-La Laguna	0.138	2.599
La Laguna	3.472	65.128
+ La Laguna-Aguascalientes	0.157	2.934
Aguascalientes	3.629	68.062
+ VAG	0.148	2.791
Guadalajara	3.777	70.853

Shipping costs in italics. Figures may not total because of rounding resulting from currency conversions.



Source: NGI calculations & estimates, CENAGAS, Banco de Mexico, pipeline tariffs

NGI's Forward Curves At U.S Locations Key To Mexico

19-Jan-2021

Fixed Prices

	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22
East Texas/South Louisiana												
Henry Hub	2.740	2.699	2.696	2.725	2.788	2.857	2.875	2.861	2.880	2.934	3.059	3.148
D/D Change	0.071	0.066	0.062	0.063	0.060	0.054	0.051	0.049	0.050	0.046	0.044	0.044
Houston Ship Channel	2.726	2.645	2.637	2.673	2.739	2.825	2.846	2.797	2.791	2.882	2.997	3.071
D/D Change	0.062	0.057	0.051	0.049	0.044	0.042	0.045	0.050	0.041	0.049	0.047	0.035
South Texas												
NGPL S Tx	2.729	2.651	2.642	2.709	2.769	2.826	2.846	2.777	2.739	2.893	2.995	3.074
D/D Change	0.071	0.067	0.060	0.059	0.053	0.052	0.054	0.059	0.051	0.059	0.057	0.044
Tenn Zn 0 South	2.661	2.613	2.569	2.653	2.714	2.768	2.783	2.719	2.698	2.777	2.890	3.049
D/D Change	0.059	0.057	0.048	0.049	0.044	0.043	0.044	0.050	0.041	0.049	0.048	0.035
TETCO S Tx	2.721	2.642	2.641	2.718	2.768	2.832	2.853	2.791	2.743	2.899	2.999	3.091
D/D Change	0.068	0.063	0.054	0.055	0.049	0.048	0.051	0.056	0.047	0.055	0.053	0.041
South Texas Average*	2.704	2.635	2.617	2.693	2.750	2.809	2.827	2.762	2.727	2.856	2.961	3.071
D/D Change	0.066	0.062	0.054	0.054	0.048	0.048	0.049	0.055	0.047	0.054	0.052	0.040
West Texas												
El Paso Permian	2.581	2.433	2.339	2.361	2.509	2.673	2.711	2.662	2.626	2.702	2.882	3.029
D/D Change	0.058	0.046	0.044	0.046	0.053	0.049	0.046	0.044	0.035	0.046	0.044	0.044
Waha	2.574	2.435	2.342	2.356	2.489	2.670	2.703	2.664	2.618	2.705	2.890	3.004
D/D Change	0.056	0.046	0.047	0.048	0.055	0.051	0.048	0.046	0.035	0.046	0.044	0.044
Rockies												
El Paso San Juan	2.718	2.475	2.359	2.378	2.523	2.712	2.738	2.666	2.560	2.664	2.969	3.068
D/D Change	0.048	0.044	0.057	0.058	0.055	0.049	0.046	0.044	0.045	0.046	0.044	0.044
California												
SoCal Border	3.056	2.625	2.529	2.513	2.683	3.377	3.515	3.206	2.855	3.184	3.837	3.846
D/D Change	-0.034	0.029	0.055	0.056	0.052	0.054	0.051	0.049	0.065	0.046	0.044	0.044

Basis Prices

	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22
East Texas/South Louisiana												
Henry Hub	0.003	0.003	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001
D/D Change	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Houston Ship Channel	-0.011	-0.051	-0.058	-0.051	-0.048	-0.031	-0.028	-0.063	-0.088	-0.051	-0.061	-0.076
D/D Change	-0.009	-0.009	-0.011	-0.014	-0.016	-0.012	-0.006	0.001	-0.009	0.003	0.003	-0.009
South Texas												
NGPL S Tx	-0.008	-0.045	-0.053	-0.015	-0.018	-0.030	-0.028	-0.083	-0.140	-0.040	-0.063	-0.073
D/D Change	0.000	0.001	-0.002	-0.004	-0.007	-0.002	0.003	0.010	0.001	0.013	0.013	0.000
Tenn Zn 0 South	-0.076	-0.083	-0.126	-0.071	-0.073	-0.088	-0.091	-0.141	-0.181	-0.156	-0.168	-0.098
D/D Change	-0.012	-0.009	-0.014	-0.014	-0.016	-0.011	-0.007	0.001	-0.009	0.003	0.004	-0.009
TETCO S Tx	-0.016	-0.054	-0.054	-0.006	-0.019	-0.024	-0.021	-0.069	-0.136	-0.034	-0.059	-0.056
D/D Change	-0.003	-0.003	-0.008	-0.008	-0.011	-0.006	0.000	0.007	-0.003	0.009	0.009	-0.003
South Texas Average*	-0.033	-0.061	-0.078	-0.031	-0.037	-0.047	-0.047	-0.098	-0.152	-0.077	-0.097	-0.076
D/D Change	-0.005	-0.004	-0.008	-0.009	-0.012	-0.006	-0.002	0.006	-0.003	0.008	0.008	-0.004
West Texas												
El Paso Permian	-0.156	-0.263	-0.356	-0.363	-0.278	-0.183	-0.163	-0.198	-0.253	-0.231	-0.176	-0.118
D/D Change	-0.013	-0.020	-0.018	-0.017	-0.007	-0.005	-0.005	-0.005	-0.015	0.000	0.000	0.000
Waha	-0.163	-0.261	-0.353	-0.368	-0.298	-0.186	-0.171	-0.196	-0.261	-0.228	-0.168	-0.143
D/D Change	-0.015	-0.020	-0.015	-0.015	-0.005	-0.003	-0.003	-0.003	-0.015	0.000	0.000	0.000
Rockies												
El Paso San Juan	-0.019	-0.221	-0.336	-0.346	-0.264	-0.144	-0.136	-0.194	-0.319	-0.269	-0.089	-0.079
D/D Change	-0.023	-0.022	-0.005	-0.005	-0.005	-0.005	-0.005	-0.005	-0.005	0.000	0.000	0.000
California												
SoCal Border	0.319	-0.071	-0.166	-0.211	-0.104	0.521	0.641	0.346	-0.024	0.251	0.779	0.699
D/D Change	-0.105	-0.037	-0.007	-0.007	-0.008	0.000	0.000	0.000	0.015	0.000	0.000	0.000

Waha-to-Houston Ship Channel Spread -0.152 -0.210 -0.295 -0.317 -0.250 -0.155 -0.143 -0.133 -0.173 -0.177 -0.107 -0.067

*Average of the three pipelines that appear in the South Texas section. This is different from the South Texas Regional Average that appears in the various versions of NGI's Gas Price Index newsletters

Source: NGI's Forward Look. For more info on forward curves at 60+ U.S. locations out 10+ years, see natgasintel.com/forwardlook/locations

Average Mexico Day-Ahead Power Prices at Selected Distributed Nodes 19-Jan-2021

US/MX Exchange Rate: 19.76

Location	Power Prices (MXP/MWH)				Power Prices (USD/MWH)			
	24 Hr. Low	24 Hr. High	24 Hr. Avg.	D/D Chg.	24 Hr. Low	24 Hr. High	24 Hr. Avg.	D/D Chg.
A Acapulco	574.27	917.74	670.60	47.34	\$29.06	\$46.44	\$33.94	\$2.43
B Aguascalientes	526.80	839.26	607.17	37.74	\$26.66	\$42.47	\$30.73	\$1.94
C Chihuahua	373.85	601.06	454.08	-33.25	\$18.92	\$30.42	\$22.98	-\$1.66
D Durango	472.93	691.70	542.94	6.56	\$23.93	\$35.01	\$27.48	\$0.36
E Guadalajara	522.94	828.31	607.11	33.42	\$26.46	\$41.92	\$30.72	\$1.72
F Guaymas	401.27	580.70	452.02	-6.70	\$20.31	\$29.39	\$22.88	-\$0.32
G Huasteca	515.89	828.80	594.93	36.46	\$26.11	\$41.94	\$30.11	\$1.87
H Hermosillo	383.57	562.48	438.86	-11.86	\$19.41	\$28.47	\$22.21	-\$0.58
I Juarez	354.99	576.28	439.38	-26.68	\$17.97	\$29.16	\$22.24	-\$1.33
J La Paz	1246.49	2651.46	1879.39	174.72	\$63.08	\$134.18	\$95.11	\$8.93
K Laguna	434.79	659.24	503.29	-14.63	\$22.00	\$33.36	\$25.47	-\$0.71
L Los Mochis	421.68	613.38	478.97	5.30	\$21.34	\$31.04	\$24.24	\$0.29
M Manzanillo	517.66	819.02	600.69	33.07	\$26.20	\$41.45	\$30.40	\$1.70
N Matamoros	352.27	607.58	424.72	-42.76	\$17.83	\$30.75	\$21.49	-\$2.14
O Mazatlan	467.70	699.78	538.03	11.45	\$23.67	\$35.41	\$27.23	\$0.61
P Merida	515.69	746.09	583.77	34.92	\$26.10	\$37.76	\$29.54	\$1.80
Q Mexicali	154.54	1023.16	504.68	10.11	\$7.82	\$51.78	\$25.54	\$0.54
R Monterrey	372.07	618.42	440.74	-37.10	\$18.83	\$31.30	\$22.30	-\$1.85
S Nogales	360.08	584.51	438.97	-22.77	\$18.22	\$29.58	\$22.21	-\$1.13
T Oaxaca	545.29	824.16	625.23	38.42	\$27.60	\$41.71	\$31.64	\$1.97
U Piedras Negras	370.76	611.23	436.03	-36.11	\$18.76	\$30.93	\$22.07	-\$1.80
V Poza Rica	520.03	811.42	599.37	38.02	\$26.32	\$41.06	\$30.33	\$1.95
W Puebla	534.28	828.00	617.25	38.72	\$27.04	\$41.90	\$31.24	\$1.99
X Queretaro	531.45	838.36	612.96	38.43	\$26.90	\$42.43	\$31.02	\$1.97
Y Reynosa	350.90	607.66	423.52	-42.87	\$17.76	\$30.75	\$21.43	-\$2.15
Z San Luis Potosi	519.37	818.46	595.89	36.84	\$26.28	\$41.42	\$30.16	\$1.89
AA Saltillo	381.69	626.06	449.28	-35.50	\$19.32	\$31.68	\$22.74	-\$1.77
BB Tampico	496.61	777.85	568.23	35.63	\$25.13	\$39.36	\$28.76	\$1.83
CC Tuxtla	529.10	737.24	591.62	35.69	\$26.78	\$37.31	\$29.94	\$1.83
DD Villahermosa	519.73	741.37	585.09	41.76	\$26.30	\$37.52	\$29.61	\$2.14
EE Zacatecas	531.88	845.50	613.42	35.74	\$26.92	\$42.79	\$31.04	\$1.84



Note: Power prices are the average of hourly day-ahead (MDA) prices for each listing, as published by CENACE, and include energy, congestion, and line loss components. \$US/MWH to MX/GJ exchange rate listed above.

Source: CENACE, Banco de México, NGI calculations

MARKET STORY

Forecast for Frigid Conditions in Late January Fuel Rebound for February Natural Gas Futures

Natural gas prices rebounded Friday from a loss the day earlier as volatile weather forecasts shifted back to expectations for a severe winter chill in late January that could drive a surge in heating demand.

The February Nymex gas futures contract climbed 7.1 cents day/day and settled at \$2.737/MMBtu on Friday. The advance more than made up the 6.1 cents lost a day earlier, when weather outlooks had tilted warmer. March gained 6.6 cents to \$2.696.

Spot gas prices finished the week strong as well, with NGI's Spot Gas [National Avg.](#) up 10.5 cents to \$2.845.

"We finally see a colder pattern arrive here as we head into late month" focused on central and western portions of the Lower 48, "but with some cold bleeding eastward" under a North Atlantic Oscillation block in the Atlantic, Bespoke Weather Services said.

"Because the strongest cold looks to focus back from the Plains to the Pacific Northwest, it's not an extreme pattern to the cold side in terms of national demand, but it's easily the coldest we have seen all season long," the firm added. "We continue to believe this can give us a couple of colder weeks before potentially moderating after the first week or so of February."

Forecasts call for frigid air moving into the Northwest and Plains during the final week of January, with low temperatures ranging from well below zero to the 30s, then pushing east.

Robust U.S. LNG export levels over most of January add to the demand side and are providing additional support for futures, analysts said. LNG volumes, fueled by strong north Asia demand amid an unusually cold start to January, eclipsed 11 Bcf on Friday and hovered near record levels, NGI data showed.

Expectations are mounting that the combination of lofty export levels with intensifying domestic heating demand would result in steeper storage withdrawals in coming weeks.

The U.S. Energy Information Administration (EIA) on Thursday reported a withdrawal of [134 Bcf from natural gas storage](#) for the week ended Jan. 8. That topped the year-earlier pull and the midpoint of analysts' estimates.

A Bloomberg survey ahead of the EIA report landed at a median estimate of a 129 Bcf decrease. NGI modeled a 130 Bcf withdrawal. EIA recorded a 91 Bcf withdrawal for the comparable year-ago period. The agency reported a 130 Bcf pull for the [week ended Jan. 1](#).

Based on historical degree day correlations, the latest EIA report indicated the market was about 3 Bcf/d undersupplied, according to analysts at Tudor, Pickering, Holt & Co. (TPH).

Looking to the next storage report, TPH analysts issued a preliminary forecast for a 175 Bcf draw.

Meanwhile, markets more broadly are looking ahead to the potential of widespread vaccinations bringing an end to the coronavirus pandemic as soon as the spring, a development that could pave the path for stronger economic growth and greater commercial energy demand.

President-elect Joseph Biden said he would ask Congress to approve \$1.9 trillion in funding to help American households and businesses weather the shocks of a pandemic that continues to

hamper the U.S. economy this winter. Biden's plan includes \$1,400 per person in direct payments as well as funding for virus testing and vaccine distribution.

Some economists have argued the additional stimulus is needed to bridge Americans from the depths of winter to a post-pandemic economy.

U.S. consumers cut their retail spending by 0.7% in December from the prior month – usually a strong month because of holiday gift-buying – the U.S. Commerce Department said Friday. It marked the third consecutive monthly decline. Employers also slashed 140,000 jobs last month, according to the U.S. Department of Labor.

The slumps in spending and employment emerged as virus outbreaks increased in the fall and early winter. Cases continue to climb. The United States recorded more than 229,000 new infections for Thursday, according to data compiled by Johns Hopkins University. It was the 10th straight day the figure exceeded 200,000.

"The pandemic surge will restrain overall economic improvement in the near term," said Raymond James & Associates Chief Economist Scott Brown. "Many of the lessons of the 1918 pandemic -- debate about masks and social distancing -- have been repeated in this pandemic. One result is promising: When the 1918 pandemic had passed, people were eager to make up for lost time. We can expect rapid growth once vaccines are widely distributed. Until then, it looks like more of the same."

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Cash Cruises

Spot gas prices advanced Friday after a bout of harsh winter weather in the upper reaches of the central United States.

Blizzard conditions blanketed much of the Upper Midwest late Thursday and into Friday, and forecasters said the weather system, bringing both rain and snow, was expected to extend from the Great Lakes to portions of the East over the weekend.

Prices in the Northeast surged Friday and led the overall gains. **Algonquin Citygate** spiked \$2.185 day/day to average \$5.205 and **PNGTS** jumped \$79.5 cents to \$4.990.

Price gains generally were much more modest in other regions. In the Rocky Mountains, **CIG** picked up 5.5 cents to \$2.635, while in Appalachia, **Columbia Gas** gained 5.0 cents to \$2.580.

Out West, there were a few hubs that lost ground. **SoCal Citygate** shed 12.5 cents to \$3.260, while **El Paso S. Mainline/N. Baja** dropped 6.0 cents to \$2.830.

Friday's overall gains aside, looking ahead to the third week of January, temperatures were expected to be above normal outside of the northern Plains and interior West, NatGasWeather said Friday. "With high pressure ruling most of the rest of the United States," national heating degree days "will be much lighter than normal."

The forecaster noted that gas prices may have to wait until late January and the anticipated widespread surge in cold to generate and sustain upward momentum. ■

... from *LNG - 2021 to See More Natural Gas Imports, Political Risk in Mexico*, pg. 1 reflection and hope. In the case of 2021, almost anything would be better than 2020. The physical conditions and fundamentals of the Mexican market promise growth for the natural gas industry. But the political environment does not look good. Past expectations of pragmatism winning over ideology within the government no longer have any foundation in reality. An economy that has been sluggish since 2019 today more than ever requires new investment, but President López Obrador is doing his best to scare it away.



NGI's Estimated Daily PEMEX First Hand Sales (VPM) Prices

Flow Dates: 16-Jan-2021 to 19-Jan-2021

SISTRANGAS Regions	\$US/MMbtu	Chg	MX/GJ	Chg
Gulfo	\$3.135	-\$0.02	58.27	0.98
Occidente	\$3.632	-\$0.03	67.51	0.98
Sur	\$3.425	-\$0.03	63.66	0.98
Other	\$US/MMbtu	Chg	MX/GJ	Chg
Gloria a Dios	\$3.082	-\$0.01	57.29	1.12
Kinder Morgan Monterrey	\$3.190	-\$0.02	59.29	1.00
Naco	\$3.072	\$0.02	57.10	1.75

Note: Prices in this table represent our estimate of the daily base firm VPM price for each region, based on the published VPM formula, and using *Daily GPI* indexes as the price reference. For more information, or if you wish to participate in NGI's Mexico natural gas price survey, please contact Dexter Steis at +1-703-318-8848, or e-mail us at prices@naturalgasintel.com.

Despite this, Mexico persists as a land of potential opportunities; and 2021 will be decisive in turning these opportunities into realities. If not, maybe they will just be postponed until the arrival of another government.

Demand for natural gas remained robust during the 2020 pandemic, and gas exports from Texas to Mexico saw record levels last fall. Don't expect this trend to change in 2021. There are many reasons for this, principal among them the fact that long distance pipelines came online in 2020. Today, daily line packing of less than 7 Bcf in the national gas pipeline system (SNG) does not represent operational risk given the new injections it receives from interconnections in Zapotlanejo, El Sauz and Montegrande, which maintain pressures at adequate levels. With proper management, and if idle capacity from unused firm-base contracts is released, users should have no reason to incur imbalances.

Overall, the import capacity in operation far exceeds Mexico's demand and the lack of saturation at points of entry should allow payback transactions to proceed without systematic cuts. And yet, Mexico's two peninsulas have serious gas supply continuity problems because there is a lack of projects to reinforce and expand interconnections between specific segments of the network. Critical alerts are in the past, but Baja California and Yucatán will continue to have limited gas availability. Cuxtal has not been the definitive solution some hoped for and the important thing now is to ensure the continuity of routes from the sources of origin of gas. Proper supply to Baja California will only come when the necessary expansion of the Rosarito Gas Pipeline occurs with the construction of the Energía Costa Azul liquefaction terminal. Solutions for those two issues may not be in place in 2021.

Another variable that has not ceased is CFE's desire to maintain ownership of firm-based capacity that far exceeds the needs of its generation plants, its current supply commitments with other generators and its incipient commercial work with non-electric users. CFE has announced in different forums its intention to optimize its transport capacity contracts on both sides of the border, which involves a selective transfer limited to certain time periods. These intentions have little to do with the appetites in the market. Today marketers and large users with contracted capacity seek to have certainty regarding the maximum daily amounts that they can manage to serve their user portfolio. The intermittency that bothers CFE so much in

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its operations in the electricity sector is what it offers to its potential clients or assignees, without such intermittency being inherent in the secondary capacity market.

CFE intends to become the largest natural gas marketer in Mexico, but instead of focusing on identifying user needs and designing commercial solutions that meet them, they prefer to privilege operational restrictions and offer their remaining resources as if it were a concession to the rest of the agents. Although the Hydrocarbons Law provides for the principle of “use it or lose it,” regulators are increasingly beholden to the government and the state companies. The prognosis in this area is not encouraging. Policymakers in the energy sector do not view with sympathy any private participation that poses a threat to CFE or Pemex’s market power. The cost is fewer options for consumers. In 2021 we will most likely hear more ideological and radical messages that could see legitimate lower-cost and more efficient competition overwhelmed by the national energy champions. Energy sovereignty will continue to be won at a very high cost for the user of energy.

Another issue to keep an eye on in 2021 is new rules that discourage bilateral transactions between individuals. There are already multiple cases in which new regulations or tariffs are published without the due administrative consultation process and impact analysis. The popularity of the president and the criticism of past public policies are enough to disregard the legal framework still in force. Today a company that participates in the energy sector must understand that to carry out its activities it does not require a permit in terms of the law, but rather a concession granted by grace of the sovereign. Market participants must persist with a certain degree of stoicism. In 2021 the transaction costs of doing business in Mexico will likely grow, especially if the functions of energy regulators are absorbed by the Energy Ministry, as the president himself has

already suggested.

Elections for public office in Mexico, including governors, local authorities and lower house deputies will take place in June. If President López Obrador’s Morena party manages to snag a two-thirds majority in the lower house, we will have the real possibility of him reversing the energy reform of 2013-2014. If not, the government will continue to effectively reverse the mechanisms and objectives of the reform by other means. On the other hand, a defeat for his party may mean the appearance of a real counterweight that makes it clear, with some legal consequences, that current energy policy does not follow the principles as stipulated by law. Perhaps if this were the case, in one year when I write this column we will then recognize in López Obrador the pragmatic politician who governed Mexico City with an eye to both social services and investor confidence. ■

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