

California gas buyers split on strategies



Ongoing volatility in the US natural gas market has forced some market participants in California to plan further ahead, while others have to rely on short-term outlooks, according to gas buyers in the region.

LNG export demand, decarbonization efforts and the Russia-Ukraine conflict have all shifted purchasing strategies for Albertsons Companies, senior manager of energy procurement Cathy Ikeuchi said. Ikeuchi was participating in a panel discussion at the LDC Rockies & West Gas Forum in Denver, Colorado.

"It has changed the way we procure gas, slightly," she said. "Actually it started with [winter] storm Uri," she added, referring to the extreme cold weather event that affected many regions of the US in February 2021.

Because of the current state of market volatility, Ikeuchi said it is becoming typical to look at gas contracts "maybe three to five years out" instead of one or two years. Companies are looking to lock in larger volumes than previously as well, she said.

Ikeuchi referred to doing floating transactions for gas as opposed to fixed pricing, the latter being a method to get a specific price per mMBtu for volume at a delivery point.

She also cited concerns on the reliability of California gas suppliers, and whether they can get the gas.

Marlon Santa Cruz, the gas supply manager for the Los Angeles Department of Water and Power (LADWP), said the city's issue was that it has to buy a lot of gas on the spot market.

"We can't exactly buy a lot of gas ahead of time because we can't know for sure what's going to happen on any given day," he said.

He noted that the LADWP runs programs to forecast need, but in terms of weather and intermittent resources, it can only hedge so much.

"It's not worth it to engage in long-term contracts in California anymore," he said.

The LDC Gas Forums Rockies & West concludes today.

By David Haydon

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