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# To Hedge or Not to Hedge

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# To Hedge or Not to Hedge

Why hedge?

Should you with natural gas at \$8?

The answer is easy . . .

***Corby has sales targets he needs to meet!!!!***



# Natural Gas Price Peaks

Peaked at over \$9 earlier this summer and again in late August  
2 major peaks over a decade ago

- 2006 Katrina “once in a lifetime”
- 2008 Crude Oil “insanity/collapse”

Most peaks over \$8 have been relatively short (1-2 months)

Causes:

- Weather Intensity (Hot or Cold) / Storage
- Speculation / Technical
- Geopolitics



# Historical Buy & Don't Buy Zones



# Crude/Natural Gas Pricing



# Making the Unknown Known

Locking in prices meets objective of **offsetting exposure** to future price movements.

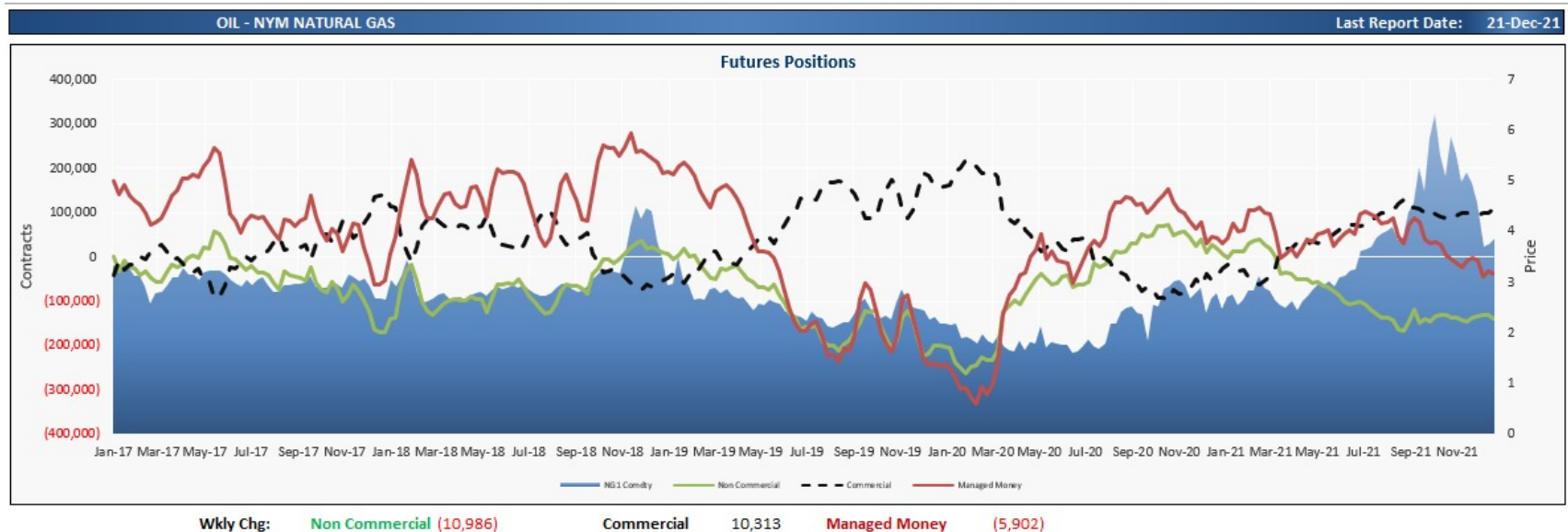
- Sometimes the hedged price ends up being *less than* the future settlement price
- Sometimes the hedged price ends up being *higher than* the future settlement price

**Hedging promises price certainty, not the lowest price.**

# Hedging Limits Hedge Funds' Influence

Bloomberg

CFTC - Commitments of Traders Report



# LNG to Europe

Figure 12. International natural gas prices  
dollars per million British thermal units



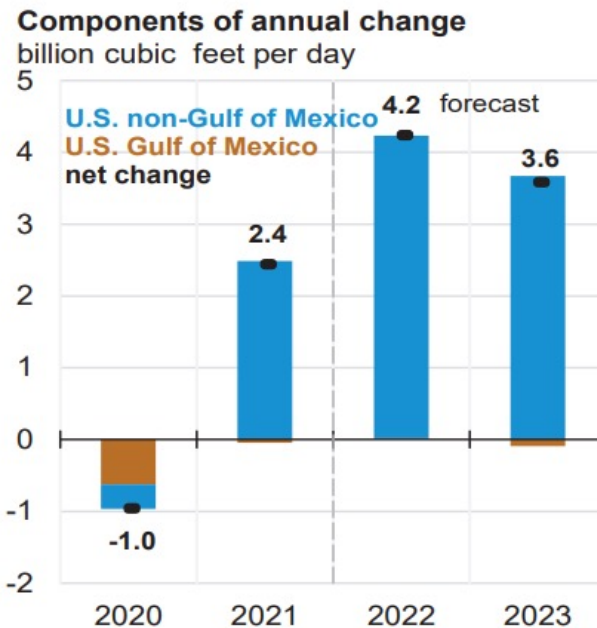
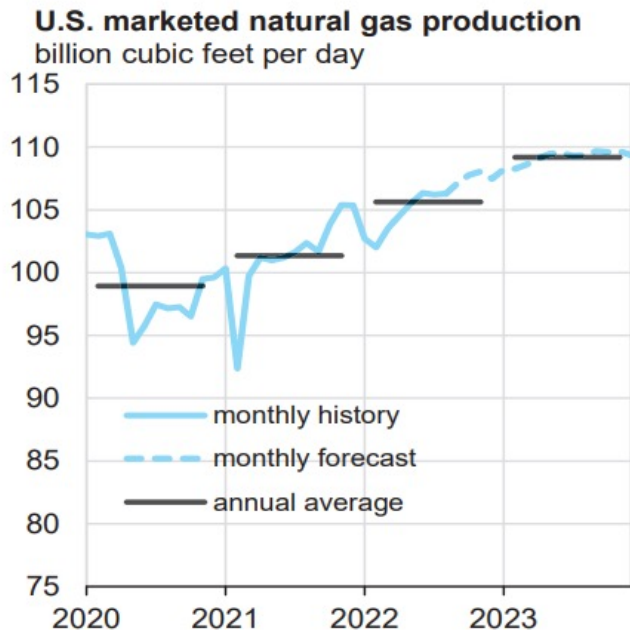
The percentage of U.S. LNG exports to Europe has increased in 2022, averaging 69% in the first half of 2022 compared with 32% in the first half of 2021



Data source: CME Group and Bloomberg L.P.  
Note: TTF=Title Transfer Facility



# Increasing Production

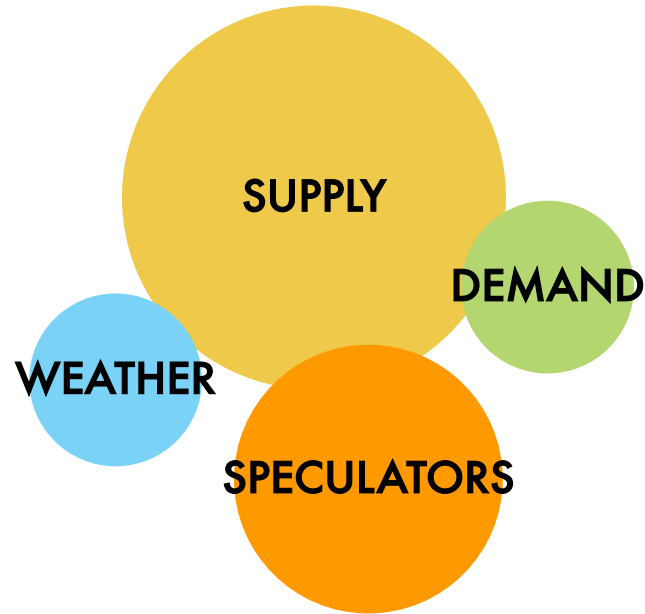


Source: U.S. Energy Information Administration, Short-Term Energy Outlook, September 2022



# Natural Gas Price Drivers

A DECADE AGO



CURRENTLY

