

Market Commentary

WEEK ENDING 07.11.25



Natural gas storage is increasing at a **record pace**.



June heat wave tests **power grid reliability**.



PJM gears up for next **Capacity Auction**.

NATURAL GAS MARKET

Stability of recent contract expirations masks intra-month volatility

After reaching a high of \$4.15 three weeks ago, the July 2025 natural gas contract ultimately settled nearly 90 cents lower at \$3.261. Notably, the final settlements for the past 3 consecutive contract months, May through July, have landed within a narrow range of \$3.17 to \$3.261, which is unusual given the intra-month and even intra-day price volatility we've experienced over the past several months.

Some of the downward pressure that's been placed on the market lately can likely be attributed to strong natural gas inventories. As of the latest storage report, U.S. natural gas storage stands at 3,006 billion cubic feet (Bcf), with all regions reporting inventories above their respective 5-year averages. Since mid-March, the U.S. has injected a record-setting 1,308 Bcf, effectively turning a 225 Bcf deficit (as of February 28) into a 173 Bcf surplus.

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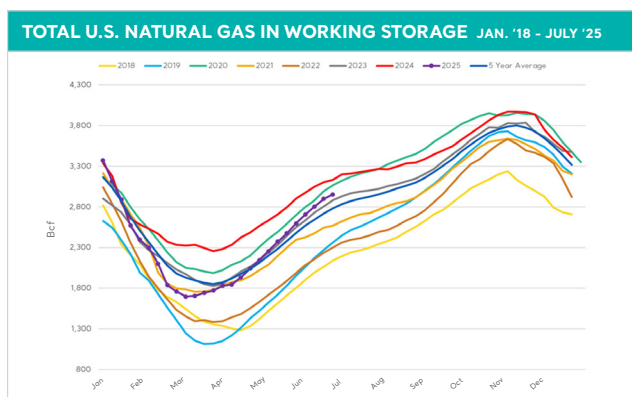


Fig. 1-1

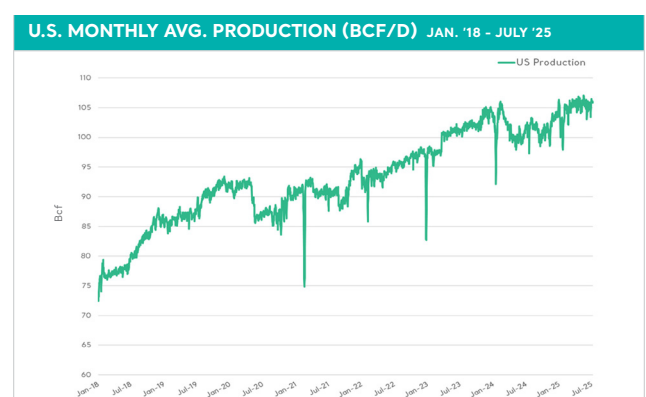


Fig. 1-2

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NATURAL GAS MARKET

Looking ahead, 2025 marks the beginning of a significant expansion in U.S. liquefied natural gas (LNG) export capacity. Key projects include Plaquemines Phases 1 and 2, Corpus Christi Stage 3, and Golden Pass. Collectively, these facilities are expected to add over 7 Bcf per day (Bcf/d) of new export capacity. However, the timeline for reaching full operational capacity remains uncertain. LNG liquefaction projects are highly complex, capital-intensive endeavors, and their completion timelines are often fluid. Currently, Plaquemines Phase 1 is operational, and Phase 2 is expected to be completed by the end of this year. Corpus Christi Stage 3 is targeting mid-2026 completion, while Golden Pass has experienced delays, pushing its expected start date to late 2026. The market will likely respond to any news of these projects shifting their completion dates.

Citing increased storage injections, the U.S. Energy Information Administration (EIA) decreased its Henry Hub natural gas price forecast in its most recent [Short-Term Energy Outlook](#). The EIA is forecasting Henry Hub prices will average \$3.37 for the full year of 2025 and \$4.41 in 2026 — which is down from the previous forecast of \$4.02 in 2025 and \$4.88 in 2026.

Given the increased LNG demand and uncertainty on when producers will increase supply, speculative traders are currently betting the supply side will lag the demand, creating an environment of higher prices going into 2026. The highest part of the forward curve is calendar year 2026, which is trading around \$4.20, followed by calendar year 2027, which is trading slightly below \$4. As we move out to 2030, natural gas prices are trading below \$3.60.

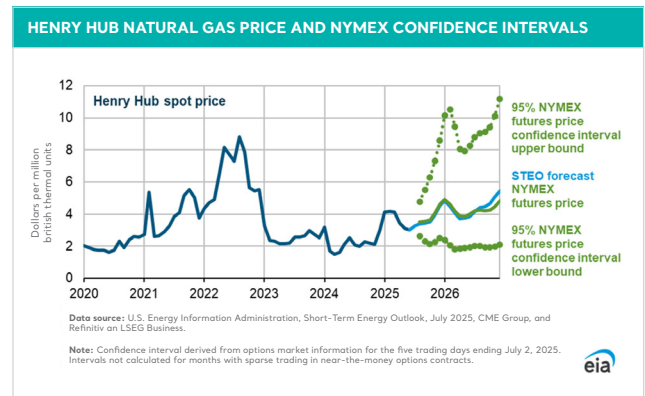


Fig. 2-1

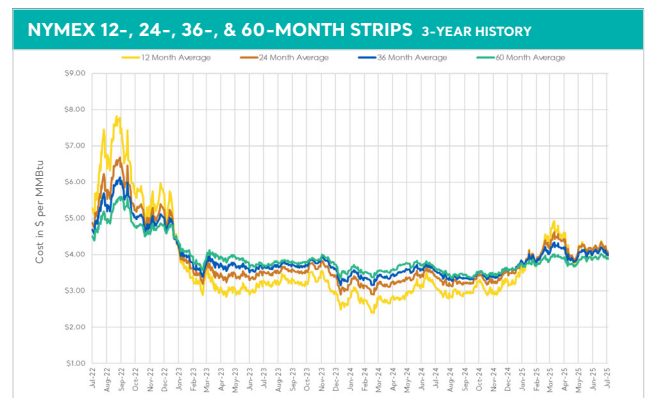


Fig. 2-2

LAST MONTH ON THE NYMEX				
	Prompt-Month (Aug. '25)	12-Month Strip	36-Month Strip	Winter Strip '25-'26
Settlements on 5/30/2025	3.447	3.965	3.984	4.383
Settlements on 6/30/2025	3.456	4.030	4.010	4.410
Monthly \$ Change	0.009	0.064	0.026	0.028
Monthly % Change	0.3%	1.6%	0.6%	0.6%

Fig. 2-3

POWER MARKET

PJM successfully manages recent heat wave

The regional transmission organization for a large portion of the Eastern U.S., PJM, issued Hot Weather and Maximum Generation alerts from June 22 to June 25, urging utilities in the region to postpone nonessential outages and maintenance to maximize available capacity. Demand peaked near 160.5 gigawatts (GW) on June 23 — about 6 GW above this summer's expected peak forecast of 154 GW — marking the highest June

power load since 2006. PJM was not the only ISO to issue similar emergency protocols during this time. Across the Eastern Interconnection, New York ISO and ISO New England also issued alerts and tapped reserves to successfully manage the higher demand.

This extreme demand caused several older peaking units to struggle, which unexpectedly increased outages. As such, PJM directed customers participating in its

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POWER MARKET

[demand response load-management programs](#) in several load zones to reduce consumption. During the peak, the generation mix was 44% natural gas, 20% nuclear, 19% coal, 6% solar, with increased oil generation supplementing. This peak period impacted real-time power prices in a big way, as June 23 prices surged to a peak of \$1,334/MWh, compared to around \$52/MWh mid-June.

PJM reviewing Capacity Market rules to address future challenges

The next PJM Capacity Auction results are expected by the end of this month, as generators and other resources are currently entering their bids into the auction process for the June 2026 - May 2027 delivery year. The results of the auction will be made public the evening of July 22. The auction for the June 2027 - May 2028 delivery year is currently scheduled to occur in December under the same auction rules.

Currently, PJM is undergoing a scheduled review (called the Quadrennial Review) to decide how this market should work starting in the 2028 to 2029 timeframe. Several groups — such as power plant owners, electric utilities, and state regulators — are debating which plan to use as the reference resource — a decision which heavily impacts how high prices can go.

Several parties have brought proposals to the table for the Quadrennial Review process, each with pros and cons:

- The Independent Market Monitor (IMM) wants a more conservative approach that would use a basic combustion turbine (CT) power plant as the standard for setting prices. This plan would lead to lower prices, which is appealing to utilities but not to power plant owners, who'd earn less under this model.
- Generation owner LS Power wants to keep the current system mostly the same, updating the cost numbers. This could lead to higher prices, and generation companies defend this stance, as it will make it easier to invest in new generation.

- PJM's own proposal tries to find a middle ground, using a more efficient combined cycle (CC) plant as the example and setting a moderate price cap. But some industry experts worry this proposal won't receive approval from the Federal Energy Regulatory Commission (FERC), as CC plants have caused issues in previous auctions.
- The Pennsylvania Public Utility Commission (PUC) put out a new idea that's similar to PJM's but uses the IMM's lower cost numbers, which could possibly lead to the lowest prices of all.

There's also controversy around PJM's idea to use batteries as the price-setting resource in northern Illinois (the ComEd area), and this part of the proposal may be removed. Additionally, there's continued debate around how the PJM Capacity Auction will continue to provide reliable generation expectations with unpredictable load growth from data centers, AI, and electrification while aligning with state policies that have introduced conflicting incentives, political priorities, and new technologies that sometimes clash with market designs.

POWER MARKET COMMODITY CHANGES (¢/kWh)						
ISO & Index Point	PJM AD HUB	PJM NI HUB	MISO Illinois HUB	PJM West HUB	ISONE Mass HUB	ERCOT Houston HUB
Markets Served	OH	IL (ComEd)	IL (Ameren)	PA/MD/NJ	MA	TX
12-Month Strip on 5/30/2025	4.745	4.056	4.340	5.173	6.393	5.399
12-Month Strip on 6/30/2025	4.888	4.174	4.545	5.310	6.535	5.504
Monthly \$ Change	0.144	0.117	0.206	0.137	0.141	0.106
Monthly % Change	3.0%	2.9%	4.7%	2.7%	2.2%	2.0%

Fig. 3-1



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WEATHER

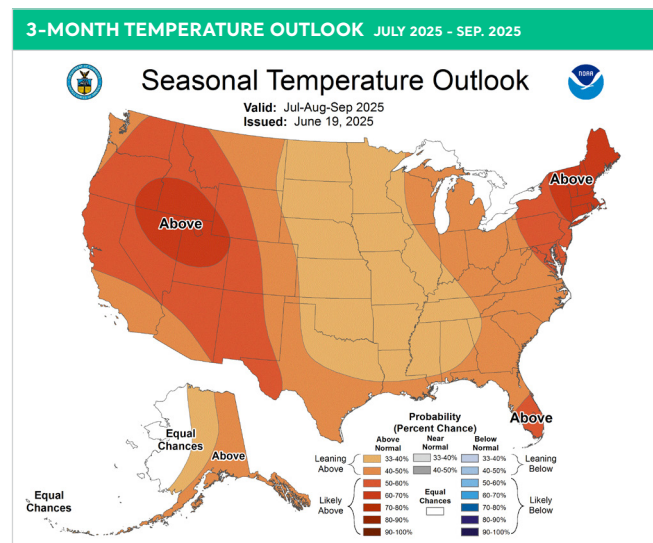
Late June heat wave pushes month into top 10 hottest since 1950

June 2025 finished as the seventh hottest June since 1950 based on power-weighted cooling degree days (CDDs). While the first few weeks averaged near normal in the eastern U.S., a significant bout of heat during the last 10 days helped propel the month back to a top-10 hottest June. Many major northern cities saw temperatures reach the upper 90s, with a few hitting 100 degrees. Philadelphia, for instance, hit 101 on June 24, while Boston soared to 102 on the same day.

So far, July has averaged above normal across much of the northern U.S., while some regions (notably Texas)

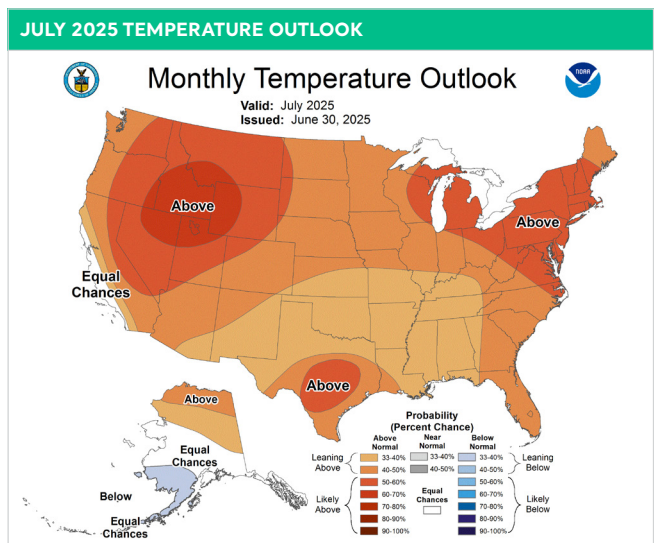
have been cooler than normal. Forecasts for the remainder of the month project the heat to be the most persistent in the Northwest, with above-normal temperatures in the Midwest and New England.

Early forecasts for August call for above-normal temperatures in the western half and seasonable temperatures in the East. These forecasts are based largely on years with similar ocean and atmospheric setups. Warmer risks are related to elevated temperatures in the Atlantic Ocean and a potential persistence of the current July pattern into the end of the summer.



[Source](#)

Fig. 4-1



[Source](#)

Fig. 4-2

SUMMARY

While recent NYMEX natural gas contract expirations have settled within a surprisingly narrow band, this surface-level stability belies the significant intra-month volatility driven by shifting fundamentals. Elevated storage levels and tempered price forecasts from the EIA have applied downward pressure in the near term, even as the market eyes potential upside from expanding LNG export capacity into 2026.

On the power side, PJM's ability to manage extreme heat conditions underscores the resilience of current grid operations, though upcoming capacity market reforms and growing demand from electrification, data centers, and AI introduce new uncertainties.

With weather patterns continuing to drive short-term volatility and structural shifts reshaping long-term dynamics, it is prudent for end users to be intentional about their long-term energy procurement strategies.

To learn more about how this impacts your business, reach out to your IGS Energy rep or email EnergyAdvisors@igs.com