Coal Institute Conference: Fundamentals Update

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BP Energy Company / January 2017
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Weather has been warmer than normal for most of the US

Nov 1 – Mar 31, 2015-16

Nov 1 – Feb 15, 2016-17
US gas storage: 303 Bcf year-over year deficit currently; big change from 2016

Source: EIA, 02-10-2017
Rig counts have recovered from the lows
Drilled but uncompleted wells (DUCs) have helped partially offset the decline in rig counts.

Total January Oil DUCs: 4,527

Total January Gas DUCs: 854
U.S. gas supply: Strong growth to return?

Steep ramp up in overall production due to associated gas and Northeast growth

Source: EIA Short Term Energy Outlook, February 2017; Various External Consultants, January 2017
Gas demand growth: Power sector

- What changes under the new administration?
  - Extension of PTC & ITC and growth in renewables generation
  - EPA???
  - Slower electricity demand
  - Gas/coal pricing relationship

* Under construction or financed future projects only

Regulatory policy changes driving coal retirements, new generation capacity additions

But uncertainty around those policies could delay investment, gas demand growth
Exports to Mexico have increased, with more pipe expansions to come

Source: Sener, EIA, January 2017

- **NET Mexico / Los Ramones**: 2.1 Bcf/d – Dec 2014
- **Waha to Presidio**: 1.4 Bcf/d – Mar 2017
- **Waha to San Elizario**: 1.1 Bcf/d – Jan 2017
- **Columbia to Escobedo**: 0.5 – 1.2 Bcf/d: Jul 2017
- **Brownsville to Tuxpan**: 2.6 Bcf/d – May 2018

Source: Sener, EIA, January 2017
The US is shifting towards a net export market

Source: EIA Monthly, December 2016; AEO 2017
US LNG export capacity: What will be the impact to the global markets?

Sources: EIA, various companies websites, Platts, Heren, 2/10/2017
World winter demand: Multiple countries have winter peaking demand

Demand in most OECD countries peaks at the same time, potentially leading to more price volatility.

Sources: EIA, IEA February 2017
U.S. industrial demand growth: Focused in industry and region

Highest demand growth expected in Southeast and Texas

Highest demand growth expected in Fertilizer, GTL, and Methanol

Source: Platts Analytics’ Bentek Energy, January 2017
Marcellus Takeaway Capacity: Too much or not enough?

Sources: EIA, Public Announcements; BP Analytics
Questions?