

April 11, 2024

## ENERGY MARKET COMMENTARY

As we come into Spring, our group at Industrial Energy looks forward with strategies for natural gas, power supply, and our renewable energy portfolio.

## OUTSIDE INFLUENCES: ECONOMY, WEATHER, INFLATION AND GEOPOLITICAL

At one point in history, predictions and strategies in energy markets were solely based on weather and market supply. This has changed. Energy markets and implementation of strategies are now contingent on many additional factors, such as the economy, production, geopolitical influences, among others.

## WHAT WE SEE ON THE HORIZON. RECESSION?

In the last year, we have seen interest rates soar higher than they've been in many years. We have also seen significant inflation, causing higher food and energy costs. This is all a recipe for what we call the industry, demand destruction. Demand destruction refers to a permanent or sustained decline in the demand for a certain good in response to persistent high prices or limited supply (Investopedia).

In addition, we have uncertain Fed policy and a Presidential election in the mix, that could have huge effect on the country's energy policy. Many pundits have also indicated that we are still dealing with stimulus from Covid and other money floating around the economy. We have not seen a significant downturn or recession in over ten years, but could this change?

Jamie Dimon recently released a report that discusses some aspects of what we are seeing economically, which could affect the direction of the energy markets. Please see link below.

<https://reports.ipmorganchase.com/investor-relations/2023/ar-ceo-letters.htm>

## OUR ENERGY STRATEGY

With all these potential headwinds, Industrial Energy has specific strategies that can work hand in hand with our uncertain markets. Some of these strategies, for both natural gas and power, include hedging only certain components of costs, which would allow the flexibility to take advantage of any market change. These strategies can be utilized with our renewable energy offerings as well.

As one of the longest tenured advisors in the industry, Industrial Energy's team is available to navigate your organization with sound strategy from our highly regarded partners.