



Market Outlook: ERCOT 2025 – 2030

The summary below outlines key factors to support decision criteria as they pertain to timing your next renewal and the terms of that enrollment.

Considering the convergence of the indicators highlighted below, the outlook for the next 5 years suggests increased volatility and elevated prices. Our primary objectives are to reduce your overall risk exposure and lessen projected increases in potential energy spend. Take a recent example of one of our manufacturing customers. Their Bagby facility, prior to acquisition, secured a rate of \$0.04065/kWh in May 2020. In just five years, their rate nearly doubled to \$0.074, an 82% increase. Most of 2024 saw NG pricing below \$3, and even in the sub-\$2 range, with the market not showing signs of pulling back. In fact, the market only increased. This is reflected in the wholesale power price graph below, which tracks settlement prices over the past approximately three years. The trend line is clear. In 2025, NG pricing spent most of its time in the \$3 range, and Texas power markets continued to see an elevation in pricing. This one example of the Bagby customer summarizes the real risk exposure in our current market landscape, the importance of utilizing market data, and points to NG's waning influence on Texas power prices.

ERCOT Houston (Centerpoint, TNMP) 10/31/2025



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Historical Pricing Energy (RTC incl basis)



Drill, Baby Drill - Increased LNG Exports & Infrastructure Constraints: Increased drilling plays a critical role in ensuring we have adequate energy. However, a key factor counteracting the potential price-lowering effect of increased drilling is the rapid growth of U.S. LNG exports. Keep in mind that Texas is drilling at capacity, and the Permian has been producing record volumes for the last several years. Texas, being a major export hub, is particularly exposed to these dynamics. Increased drilling may not translate to lower domestic prices if the additional gas is exported rather than used locally. There is precedent for this outcome during Trump's first administration, and exports are expected to double by 2030.

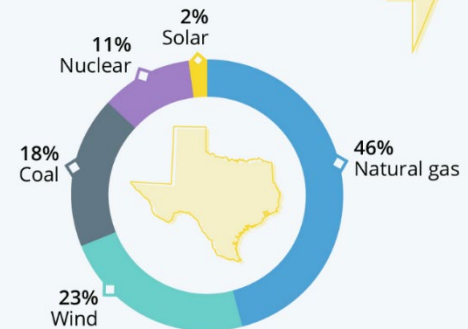
In addition, increased natural gas drilling could boost fuel supply, but the construction of new gas-fired power plants is constrained by supply chain issues for gas turbines, which are back-ordered through 2030. This lag indicates that even with increased drilling, electricity generation capacity may not keep pace with demand, resulting in higher prices.





Natural Gas Generation and Wholesale Prices: Let's stay on this thread of increased drilling leading to increased supply being the impetus for lowering prices. Historically, this was the case. NG prices used to dictate commodity contract timing due primarily to the fact that NG accounted for over 50% of our power generation; That is not the case anymore. NG power generation share has decreased to 46% in 2020, and as of 2024, it is estimated to be approximately 44% and declining. Again, you can see this market effect play out in 2024. Despite record-low NG prices for almost the entire year, Texas power prices did not adjust favorably; instead, they continued to increase (refer to the graph on page 1).

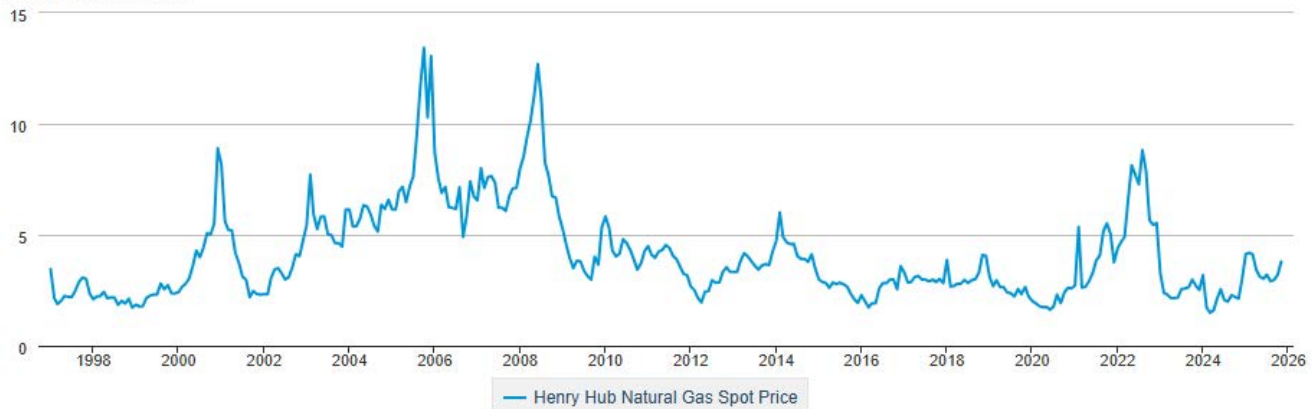
Share of energy (MWh) generated by fuel type in Texas in 2020



Source: ERCOT via Joshua D. Rhodes

Henry Hub Natural Gas Spot Price

Dollars per Million Btu



ERCOT Demand Forecast: Earlier this year, ERCOT projected that demand could potentially exceed supply as early as the summer of 2026, which would lead to critical power failures and tighter market conditions that could further drive up prices.

ERCOT's recent market alert titled: *2025-2029 Capacity Demand and Reserves Report (CDR)* (<https://www.ercot.com/news/release/02132025-ercot-releases-capacity>). The forecast over the next half-decade is a hockey stick with demand expected to double. The impacts of this rapid demand growth will undoubtedly ripple through the energy value chain.

Conclusion: Price volatility, over the next 5 years, is here to stay with no foreseeable off-ramp. Reach out to your CEP consultant to discuss optimal solutions.

