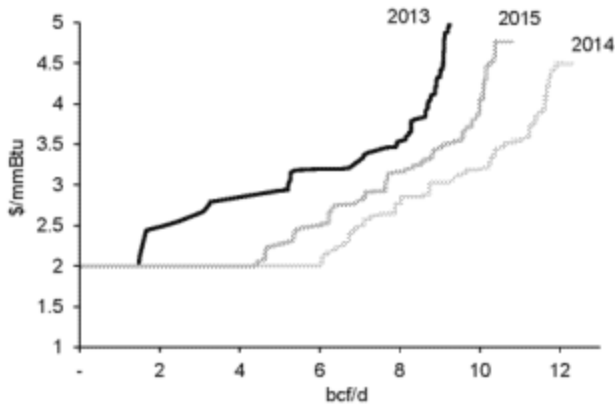


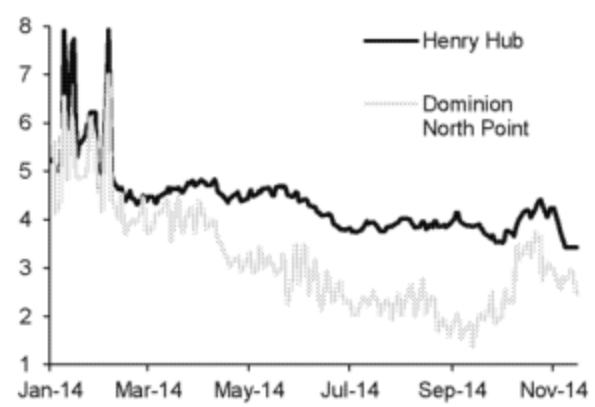


Figure 37: New drilled gas supply breakeven



Source: Wood Mackenzie, Deutsche Bank

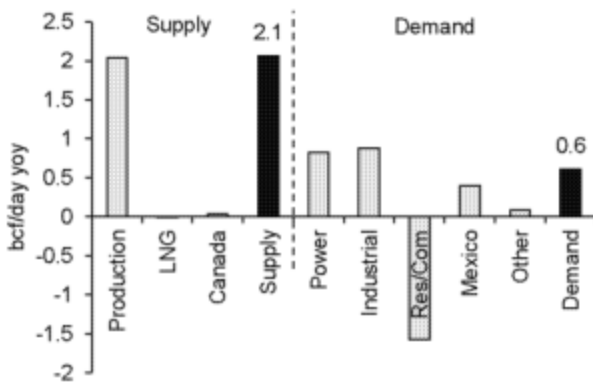
Figure 38: Dominion North Point (USD/mmBtu)



Source: Bloomberg Finance LP, Deutsche Bank

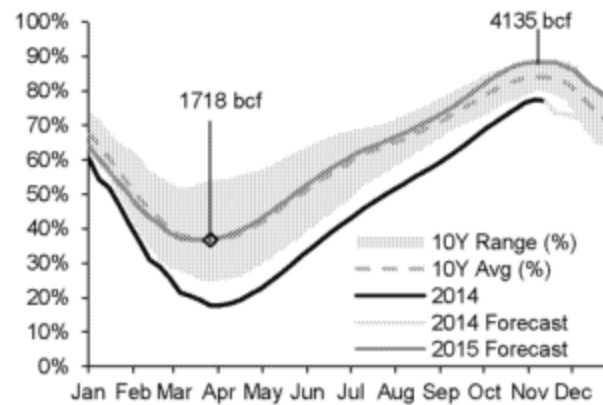
On a year-on-year comparison we expect lower demand from normalized winter weather to be offset by growth in power utility generation demand and industrial demand. Winter-to-date weather has been quite close to average in cumulative HDDs, with generally mild weather being offset by a pronounced cold spike over 12-21 November. This cold spell also triggered freeze-offs but a return to mild weather resulted in a quick resumption in production to the highest average of the year at 71.5 bcf/d in the week ending 5 December.

Figure 39: Natural gas supply & demand (yoy change)



Source: US DOE/EIA, Deutsche Bank

Figure 40: Storage as % of working gas capacity



Source: US DOE/EIA, Deutsche Bank

Overall we expect that the market could be balanced and restore normal storage levels by mid-year if production growth averages 1.3 bcf/d yoy in 2015. Consequently, our forecast of 2.0 bcf/d yoy growth implies normal storage achieved by the end of Q1, and building surpluses relative to the 10Y average (measured by the percentage of working gas capacity) over the balance of the year. Therefore we lower our 2015 forecast for Henry Hub to USD3.75/mmBtu with downside risks over the summer in the event of more aggressive production growth.