# *Winter Storm Fern Sends Energy Markets Soaring*

*By Brendan Boyle, Director of Market Intelligence, Transparent Energy, January 2026*

On January 14th, Transparent Energy published an article highlighting that the 12-month natural gas strip had traded at its lowest level in over a year. The message was clear: take advantage of low pricing while it is still available. Fast forward two weeks, and the energy markets have turned upside down. A blast of extreme cold and a massive winter storm led to a spike in natural gas demand and declines in production due to freeze-offs at several major drilling sites.
After settling at a low of $3.30 per MMBtu on January 9th, the 12-month NYMEX natural gas strip soared to $4.36 per MMBtu on January 27th, a 32% increase.
In two weeks, the price of **natural gas for February delivery more than doubled**, expiring at $7.460, the highest monthly settlement since September 2022. Here is a snapshot of the February 2026 prompt natural gas contract since January 18th:

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It is easy to blame the massive spike on wintry weather; however, the risk of below-normal temperatures was expected and had been priced into forward market rates. **What changed was the geography and scope of the event** – ***Winter Storm Fern***. High pressure drove Arctic air much farther south than had been predicted, notably as far as the South-Central gas and oil producing region and into the Gulf Coast. In total more than 17 Bcf per day of gas production **(~16% of daily U.S. gas!**) was brought to a halt due to freezing conditions. In addition to higher-than-normal demand from the residential/commercial sector, there was less gas available, causing ideal conditions for prices to march higher.

This storm-driven cycle serves as a stark reminder that energy prices are extremely volatile and that **the most prudent way to manage this risk is to establish a long-term procurement strategy**.

**What If Your Company Is Opposed to Hedging Against Price Risk?**

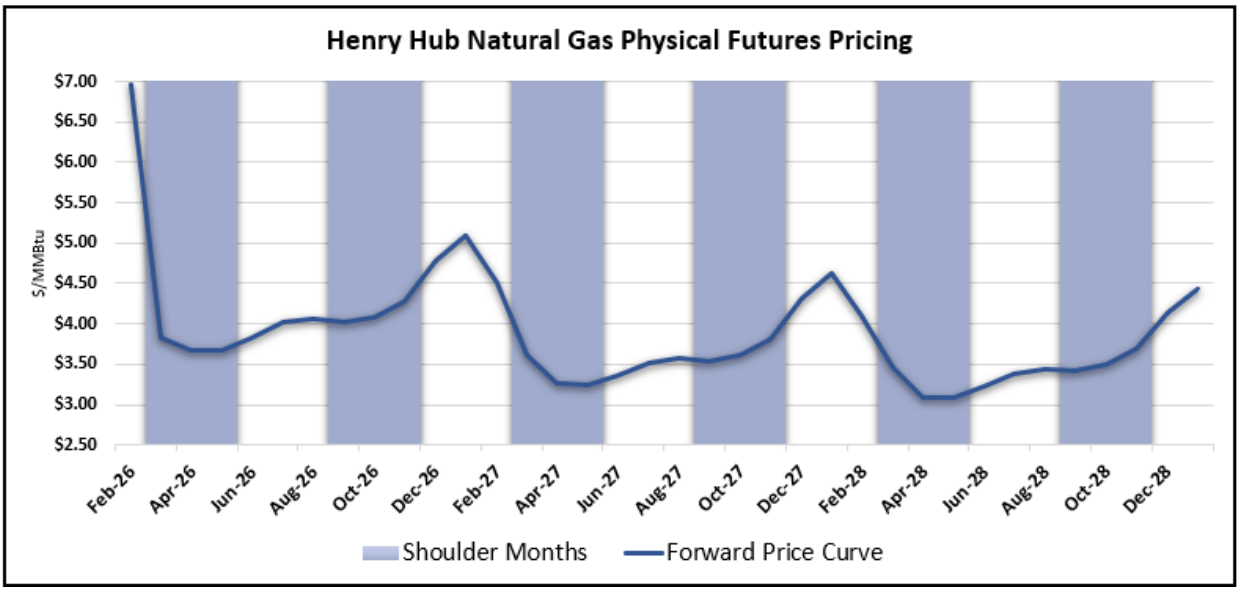
One of the basic tenets of risk management is to *never make a decision based on what you think the market is going to do*. **That is speculation – not risk management**.

Occasionally we meet end users that are opposed to hedging in the forward market. The claim is that they are not willing to take a position in the market. But if I may be so bold: that is nonsense. There is no such thing as not taking a position. ***By not hedging you are taking a position – you are short natural gas and/or electricity.*** And that is the most dangerous place to be.

There are certainly potential benefits to having partial exposure to natural gas or electricity index markets. Over a long-enough time period, variable rates tend to yield lower total costs; **however, that potential comes with nearly unlimited risk to the upside**. Over the past weekend, natural gas prices at the Algonquin City Gate in New England averaged $50 per MMBtu. If a company had budgeted for $5 per MMBtu, it doesn't take long before the natural gas bill becomes a major liability.

**Misconceptions around "Shoulder Season"**

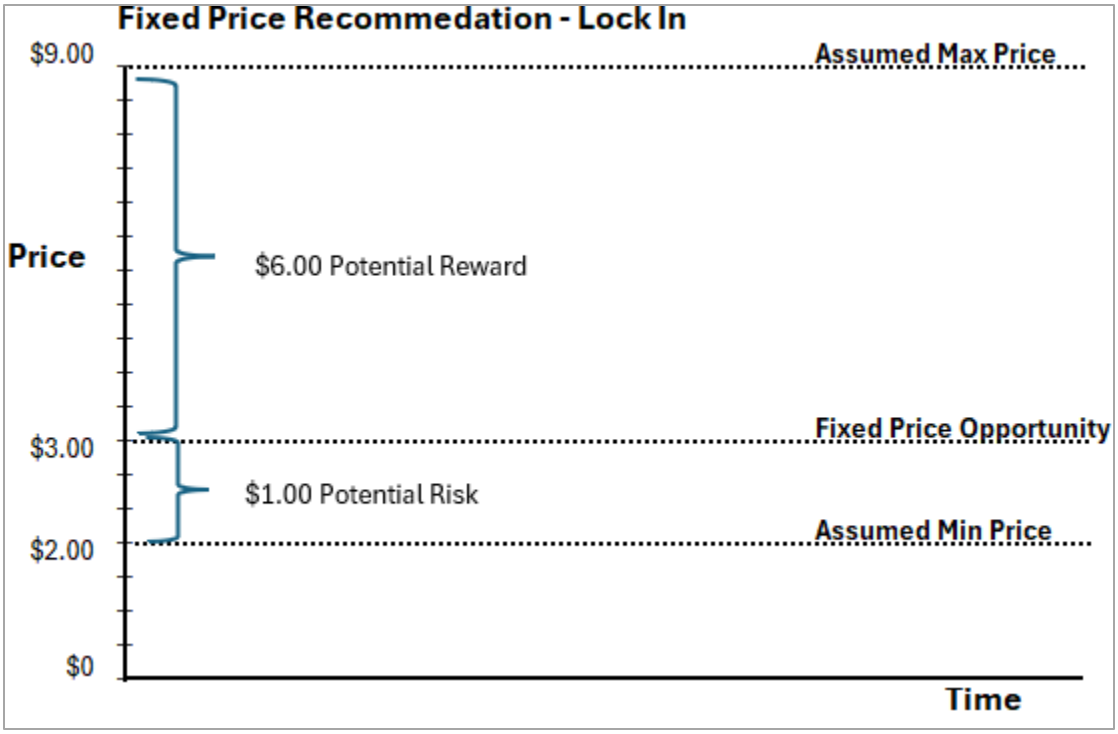
The forward natural gas price curve shows us that year after year, prices are lowest during the shoulder seasons, which is defined as non-winter and non-summer months:



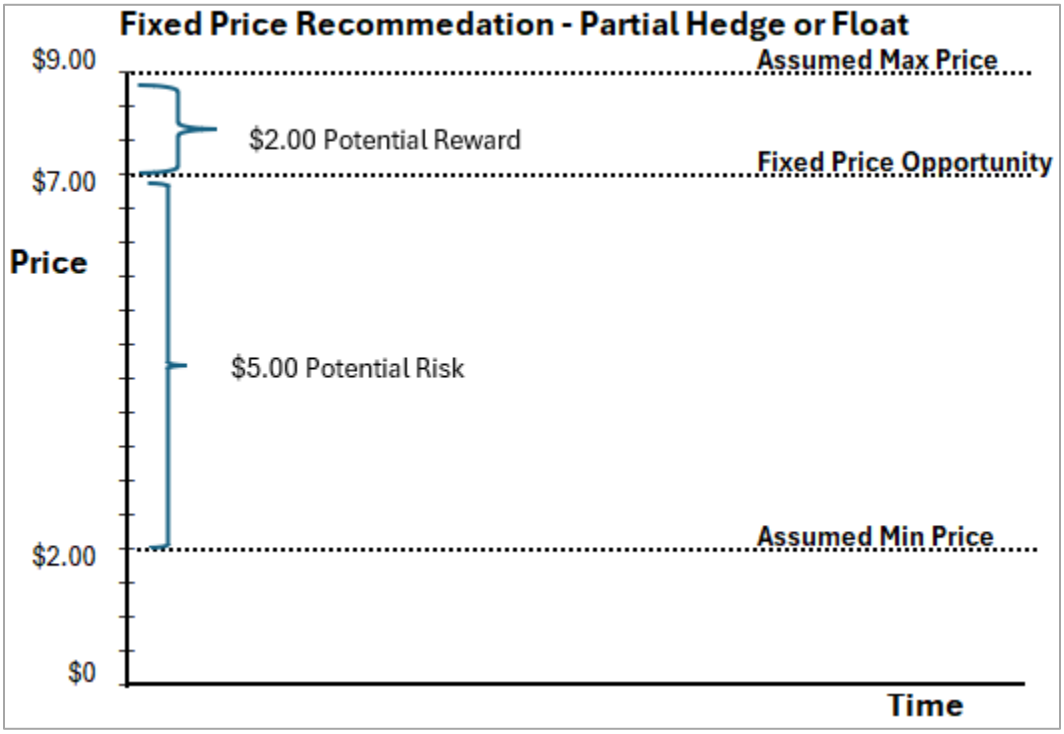

Forward prices are lower during shoulder months because that is when demand typically subdues – there is less need for heating or cooling during these times of the year.

**<u>Yet, this does not mean that shoulder months are the best time to sign energy contracts</u>** – fixed or variable. In fact, variable-rate contracts can and should be executed at ***any time of the year***, and the best way to do so is to engage in a competitive auction process to drive down supplier margins and the premiums associated with non-energy components (ancillary services, clean energy standards, transmission, etc.) While volatility in these costs is minimal, energy suppliers often include premiums to protect themselves should non-energy components rise. This buffer is reduced through the competition of a live online auction.

Fixed rates (hedges) should also be implemented at any time of the year. The key is situational awareness. When prices approach the low end of the historical trading range, that means it is an ideal time to lock in a fixed rate. Opportunity cost to the downside is minimal, and the upside risk is extremely high as shown in the graphic below:




On the other hand, when forward prices are higher, it is not typically advisable to lock in at a 100% long-term fixed rate. A better strategy would be to implement a partial hedge (maybe 20-25%) and wait for an opportunity for prices to reverse lower. The graphic below is an example indicating the risk of locking in a rate when prices are high:

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In either scenario, **the time of year is irrelevant**: it's all about managing risk. Forward energy prices are in constant motion, and opportunities arise based on a multitude of factors.

**Now that the Market Has Reset Higher, What Should I Do?**

Fortunately, most of the upward price action has been focused on the front of the curve. Now that February 2026 has expired, the balance of 2026 is trading at $4.30 per MMBtu. Calendar years 2027 through 2037 are all currently below $4 per MMBtu. As we've noted in the past, changes are ever-present in the energy markets, and a slew of factors could send prices moving in either direction. Current conditions suggest that there is a price bottom for natural gas somewhere between $2-3 per MMBtu.

**We strongly recommend evaluating your current position in the market and looking forward a minimum of 12 to 18 months.** Even if your current energy contract expires in December 2027, it is not too early to assess pricing options beginning in 2028. The advantage is that you will know the cost of those future rates and have the benefit of time to track the market, set up price triggers, and avoid being a price taker as the clock ticks towards contract expiry. **The goal is to capture value and avoid massive price spikes, both of which are unpredictable and can be incredibly fleeting.** The team at Transparent Energy is uniquely adept at understanding your business' needs and collaborating with your team to strategically implement a risk-management strategy that will optimize performance across the energy spectrum.

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*If you are interested in implementing a long-term and agile energy-procurement strategy that maximizes your opportunities and limits your cost and risk, contact Transparent Energy at* **LetsTalk@transparentedge.com**.