



# ***Rodney's Take***

December 12, 2022

## **Baby, It's (Getting) Cold Outside**

There must be more than a thousand versions of that Christmas dinner party song. All of them make me smile, including the one by Zooey Deschanel and Will Farrell in the movie *Elf*, but my favorite is the one by Norah Jones and Willie Nelson. I might be humming this as I walk around my neighborhood as Christmas approaches, but that's not the point today. As we near the end of the year, it really is getting cold outside, especially in Europe, and that's about to be a problem.

Through November, Europe enjoyed a mild winter, allowing the nations to store almost 100% of their natural gas allotment. But the gas in storage is not enough for the winter; it must be replenished throughout the season. The temperature determines how fast or slow the countries will use the gas and, therefore, how much of a bind they put themselves in without Russian supplies as time goes on. The latest weather forecasts show that next week could be quite chilly.

The average temperature across Northwestern Europe this time of year is just below 40 °F. Today, it's about 35 °F, and by the middle of next week it should be below 30 °F. The temperature should move back toward the average by the end of the week, but the flow already has shifted from filling storage to draining it. Now it's just a matter of time.

This summer, Dutch front-month natural gas contracts jumped from around \$100 per contract to around \$340 on the uncertainty before falling back. Prices are edging higher and have eclipsed \$150 as traders get nervous.

The problem is that everything has to go right for Europe to make it through this winter without hardship. The weather must remain mild, the natural gas import terminals being built at a lightning pace must be finished on time, and French nuclear reactors must be brought back up to speed without a hitch. Every part of the energy picture is considered potentially catastrophic today, which leaves European leaders looking outside nervously.

Baby, it's getting cold outside.

Rodney

*Got a question or comment? You can contact us at [info@hsdent.com](mailto:info@hsdent.com).*