

NEWS

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Stable Outlook for Natural Gas Consumers This Winter, NGSA Says

(Washington, D.C.) –Pressure on natural gas prices is likely to be flat this winter compared to last winter, the Natural Gas Supply Association (NGSA) today said in its 11th annual Winter Outlook assessment of the natural gas market. Using published data and independent analyses, NGSA evaluated the combined impact of the economy, weather, customer demand, drilling activity and storage inventories on the direction of natural gas prices for the coming winter.

“When we weighed and combined all the different influences on supply and demand, the big picture that emerged for the coming winter appears to be a stable outlook for natural gas consumers,” said R. Skip Horvath, president and CEO of NGSA. “Compared to last winter, we expect to see flat pressure on natural gas market prices.”

NGSA expects the economy and the weather, two factors that most influence winter demand, to place subtle downward pressure on natural gas market prices this winter. At the same time, supply and storage data suggest a mix of moderate downward pressure and flat pressure on natural gas prices, according to the association.

Horvath said, “All the factors we use to derive this analysis are interrelated and a change in any one of them can often influence all of them. This year, we see the weather as the most influential factor. Of course, it’s also the most difficult to predict.”

NGSA said demand from residential and commercial customers is expected to modestly decrease relative to last winter because of NOAA’s forecast for comparatively warmer temperatures. Last winter was the coldest in 10 years. “If the winter turns out to be colder than NOAA’s forecast, the demand picture could be considerably stronger,” said Horvath.

In contrast, NGSA projected that demand from customers less sensitive to weather will stay level or grow. Demand from the industrial sector is expected to be comparable to last winter.

And demand from the electric sector is expected to modestly increase, as the historic three-year trend of electric utilities and generators dispatching natural gas before coal-fired electricity continues for economic reasons.

“Last winter, we witnessed a doubling of fuel switching to natural gas and we expect to see fuel switching continue at last winter’s historic levels this winter,” said Horvath.

“Not only has coal-to-gas switching continued for an unprecedented three straight years, but published NYMEX prices suggest that it will continue through 2014.”

NGSA said customers will likely benefit from the strength and stability of natural gas this winter and for the foreseeable future. Horvath said, “Production is anticipated to set a record this winter, as producers concentrate on liquids-rich shale formations. In fact, the data shows that shale wells are yielding ever greater amounts of natural gas.”

Horvath said, “Since the onset of shale production on a large scale, we’ve had three straight winter forecasts for level price pressure. Natural gas customers are definitely benefiting from shale gas.”

According to the NGSAs 2011-2012 Winter Outlook:

- **Economy** is sluggish, but projections for manufacturing and GDP suggest some winter-over-winter growth. Unemployment remains stubbornly above 9 percent. *Slight downward pressure.*
- **Weather** is forecast to be a little colder than normal, but still warmer than last year’s very cold winter. Weather is the most influential factor this winter and an unexpected cold snap could impact price pressure. *Downward pressure.*
- **Overall demand** combining all customer sectors is projected to decrease about 2 Bcf/day this winter because of projected warmer winter temperatures. However growth is expected in electric generation and industrial demand will stay level. *Slight downward pressure.*
- **Production** is expected to increase about 5 percent to a record 63 Bcf/day, driven by onshore activity in shale plays. LNG and Canadian imports are forecast to decrease. *Slight downward pressure.*
- **Storage** is projected to be similar to last year. *Flat pressure.*

NGSA used data from Energy Ventures Analysis (EVA) for its demand projections and data from ICF International for its supply projections. **The NGSAs analysis is based on publicly reported data; the association does not project actual cost figures for wholesale or retail markets.**

For more information, please see NGSAs Winter Outlook 2011-2012 Executive Summary and NGSAs Winter Outlook 2011-2012 PowerPoint presentation.

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NGSA represents integrated and independent companies that supply natural gas. Established in 1965, NGSAs encourages the use of natural gas within a balanced national energy policy, and promotes the benefits of competitive markets to ensure reliable and efficient transportation and delivery of natural gas and to increase the supply of natural gas to U.S. customers. For more information, please visit www.ngsa.org, www.naturalgas.org and www.bluejobs.org

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