

NEWS

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Pace of Fragile Economic Recovery a Key to the Outlook for Natural Gas This Winter, NGSA Says

(Washington, D.C.) –Pressure influencing natural gas prices is likely to be neutral this winter compared to last, the Natural Gas Supply Association (NGSA) today said in its ninth annual Winter Outlook assessment of the natural gas market. The NGSA analysis examined individual demand and supply factors and forecasted their combined impact on natural gas prices for the coming winter, then further identified emerging trends to watch.

Assessing the key factors of economy, weather, overall demand, storage and production, NGSA said it expects those factors will have a combined neutral impact on natural gas prices this winter compared to last. The association noted a fragile economic recovery as the only factor that is expected to place upward pressure on natural gas prices compared to last winter.

“This winter, we expect the state of the economy to potentially be the dominant factor affecting natural gas demand,” said NGSA Chairman Patrick J. Kuntz, who is also vice president of Natural Gas and Crude Oil Sales at Marathon Oil Corporation. “Winter weather remains important, but the strength and pace of any economic recovery could be even more significant than weather this year.”

NGSA pointed to a near normal to slightly warmer-than-normal winter weather forecast from the National Oceanic and Atmospheric Administration (NOAA).

NGSA also looked at expected demand from industrial, commercial and residential customers this winter and predicted that overall levels of demand would be approximately similar to last winter’s demand, creating another neutral influence on natural gas prices.

Although it won’t impact overall demand by a significant amount, NGSA said one sector to watch is power generation, where in cases that power generators have the choice, they may choose to continue using natural gas rather than coal throughout the winter if prices remain low. Switching from coal to natural gas has averaged approximately 2.7 Bcf/day and has persisted longer in the year than is typical.

NGSA also examined natural gas storage and production as supply factors that influence natural gas prices. Storage reached a record high on October 1 and has continued to grow. Large amounts of natural gas in storage are expected to place downward pressure on prices, according to NGSA.

Finally, NGSAs relied on ICF International's projections of natural gas production, estimating that overall production would be 55.7 Bcf/day this winter, very similar to last winter's average daily production. "Although drilling and well completions have slowed, NGSAs anticipates similar production to last year because of the onset of increased production from new shale resource plays and the inherent lag between drilling decline and production response," Kuntz said. He also noted that last year's production levels were negatively impacted by multiple hurricanes.

"In the short-term, the pace of shale development may well be impacted by the price environment," said Kuntz. "But the important takeaway is the long-term contribution as new shale resource plays produce more natural gas. The abundance and accessibility of shale gas -- made possible thru technological breakthroughs in drilling and completions -- have revolutionized the industry.

"Natural gas is a sustainable solution for the economy, the environment and national security. We have natural gas supply available at competitive prices. Steady production is enabled by advances in technology. Natural gas is the cleanest fossil fuel available: not only is it low carbon, but our upstream environmental footprint is minimal. And we provide roughly 4 million jobs in the U.S. alone," Kuntz said.

The NGSAs analysis is based on publicly reported data; the association does not project actual cost figures for wholesale or retail markets.

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NGSAs 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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