



NEWS

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NGSA Testifies to Congress that Producers are Responding to the Market And that Natural Gas Will Meet Winter Demand

(Washington, D.C.) R. Skip Horvath, President of the Natural Gas Supply Association (NGSA), today told a Senate Committee that, “thousands of producers are vigorously responding to higher prices by increasing their drilling in order to increase production and get more natural gas to the market. We are confident that natural gas will meet winter market demand.”

Horvath testified to the Senate Agriculture, Nutrition and Forestry Committee. The purpose of the hearing, according to the Committee, was to “assess our national energy policy and determine if amendments are in order to address energy supply shortfalls, distribution problems, and to further the development of renewable sources of energy.”

In his testimony, Horvath said, “There has been a fundamental shift in the natural gas market. Natural gas is a clean, safe, efficient and reliable fuel, which is why the market is demanding it. This increased demand for natural gas, along with a strong economy driving up all energy use, is resulting in a paradigm shift.

“It’s important to note that natural gas prices are determined in a competitive, free marketplace and that it works to everyone’s advantage.

History has shown that over the long term, customers benefit from a competitive natural gas market through lower prices and reliable service. During the past 15 years, since Congress opened the market to competition, demand for natural gas has grown while the

prices paid for natural gas service declined in real terms from \$4.10/MMBtu in 1983, when the government regulated natural gas prices, to \$3.05/MMBtu in 2000 under competition (1998 dollars).

“The industry is gearing up from a low time. According to Energy Information Administration (EIA) and other public data, the price of natural gas and oil collapsed in 1998 and 1999, resulting in the industry allocating less capital to exploration and production activities. Now that continued strong demand has resulted in the increase in natural gas and oil prices, the industry is able to invest more in production.

“Today, producers are individually responding to the market. The number of active natural gas drilling rigs is up 90 percent from April 1999. Seventy-five percent of the active U.S. drilling rig fleet is engaged in drilling for natural gas. Thus, the supply of natural gas is expected to slowly increase.

“However, there is a lag between the time producers begin to drill and the time it takes to get that gas to market. It can take anywhere from a few months to several years to bring supply to market, depending upon the geographic location and point in the exploration and development cycle at which producers begin the process.

Horvath concluded, “The U.S. Congress has already done what was necessary when it released competitive force on the producing industry. Government intervention in the form of price controls will only harm consumers by creating the very gas shortage we all seek to avoid. In short, the best approach when dealing with natural gas supplies is to let the competitive market work to benefit all of our citizens. “

NGSA represents integrated and independent companies that produce and market the majority of the natural gas produced in the United States. NGSA is actively involved in pursuing regulatory and legislative issues that affect the association's members. Established in 1965, NGSA encourages expanded use of natural gas and supports regulatory and legislative actions that foster competitive markets. (www.ngsa.org)