



## NEWS

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### Horvath Projects Continued Swings in Natural Gas Market

Houston, Texas ... “We should not mistake the calm in today’s natural gas prices as anything more than the low side of our normal business cycle,” R. Skip Horvath, President of the Natural Gas Supply Association (NGSA), said today in a speech at the Cambridge Energy Research Associates’ (CERA) annual conference. “Producers need to know both the depths and heights of the competitive marketplace in order to make proper investment decisions,” Horvath said. “Volatility is normal and we should expect it of a healthy competitive market going forward.”

Horvath spoke at CERA Week 2002, being held from February 11 – 15<sup>th</sup> in Houston, Texas. His remarks, titled “Natural Gas Growth, Market in Recovery,” focused on the business cycle of natural gas production and its volatility.

Horvath continued, “There are two features to the production business cycle that are important: first, since the early 1990’s, each price increase and decrease has been a little higher than the previous cycle. Second, the high-low price spread has increased. Neither of these two trends will necessarily continue, but both underscore the underlying volatility.

“The reason for the volatility is simple: we are a commodity market and volatility is inherent in competitive commodities. But the long-term reason for the swings is more fundamental: supply. The fields where we drill are old, yielding less and less natural gas. Today, we have to produce six trillion cubic feet per year of new natural gas supply just to stay even, much less the amount required to meet growing demand. We can produce the natural gas required to meet market demands, but we must have changes in government policy to plan for the future.

“Our industry cannot move on a dime. Producing natural gas takes time, even years when we are not using existing wells. In order to meet future market demand, we must have improved government permitting in gas-prone government lands to ensure the most economic supply; and two, we must be allowed to explore for new fields of natural gas in areas where we currently are restricted. It may sound simple, but these two issues are our industry’s biggest challenges.”

Horvath concluded, “There is plenty of natural gas in the ground. There are also plenty of tools to manage businesses during a volatile market and we have a competitive production market that works. What we do not have is a public policy for long-term supply of this fuel, and that is key to expected future growth in the natural gas market.”

*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.*