



NEWS

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Contacts:

Melissa Marion, (mmarion@ngsa.org), (202) 326-9300, cell - (201) 486-1871
Stephen Ewart, CAPP, (ewart@capp.ca), (403) 267-1146, cell - (403) 542-0293

NGSA and CAPP Emphasize Need for More Natural Gas Imports to Meet Growing U.S. Demand

Washington, D.C. (May 6, 2004) . . . The Natural Gas Supply Association (NGSA) and the Canadian Association of Petroleum Producers (CAPP) stressed the importance of policy-maker support for natural gas imports to meet growing U.S. demand, according to remarks during a media briefing today at the Canadian embassy.

“As an industry, we are concerned that policy-makers have not fully understood the ramifications of not embracing all new sources of supply, which increases the importance of, and market opportunities for, such resources as non-traditional Canadian gas and liquefied natural gas (LNG),” said NGSA Chairman Joseph Blount, president of Unocal Midstream and Trade.

For its part, CAPP stressed Canada’s enormous gas potential as the number one exporter of natural gas to the U.S. “Canada tripled its U.S. gas exports from 1988 to 2003 and while that meteoric growth has stabilized, there are vast untapped resources remaining in Canada, such as natural gas from coal and northern gas – that will ensure we play a leading role in U.S. gas supply for many years to come,” said CAPP Chairman Roger Thomas, president and CEO of Nexen Canada.

Representing major North American producers, the chairmen of both associations encouraged the embracement of all new, non-traditional forms of natural gas to meet energy demands, including Canadian coal-bed methane and an expanded LNG infrastructure here in the U.S. This message underscores last October’s Natural Petroleum Council’s (NPC) recommendations for a balanced energy future, a message that has been often repeated, with few policy-maker actions to date.

While traditional North American producing areas today supply almost 100 percent of U.S. and Canadian demand, these same areas are expected to provide 75 percent of U.S.

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natural gas needs in 20 years, according to the NPC, creating a strong need for more imports added to the U.S. supply picture.

In 2003, Canada supplied 87 percent of U.S. imports (14 percent of total supply) and LNG comprised 2 percent of the supply portfolio. However, analysts estimate that LNG will increase to about 11 percent of U.S. supply by 2015. This summer, in fact, NGSA expects LNG imports to nearly double, up from 1.4 billion cubic feet per day (Bcf/d) to 2.6 Bcf/d. This increase is due to the fact that all four import terminals are on-line and functioning. However, these four terminals alone cannot meet growing demand.

“In order to have a secure energy future, more LNG is not only necessary but critical. The NPC says this, the industry and our customers say this, and now policy-makers need to say it. A balanced energy future must include expanding our LNG infrastructure,” said Blount.

Record Canadian drilling for gas in 2003 is resulting in rebounding production and export levels for 2004. And an application for a Mackenzie Delta pipeline is expected this year, which would provide the needed infrastructure to open up access for northern gas, CAPP reported.

“In addition, natural gas from coal (NGC, or coal-bed methane) is a promising resource just emerging in Canada,” said Thomas. “NGC provides almost 10 percent of the U.S. domestic gas supply, and there is 167 Tcf of NGC in Western Canada. Fewer than 800 NGC wells were drilled in Canada in the last 20 years, but in 2004 there are likely to be 1,000 NGC wells drilled.”

Although Canadian gas and LNG can be expected to compete in certain regional markets, they will, more importantly, complement each other during unexpected slumps in domestic natural gas production in either the U.S or Canada. The bottom line – according to both associations – is that North America will need all natural gas resources to meet growing demand expectations.

NGSA represents integrated and independent companies that produce and market natural gas 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.

The Canadian Association of Petroleum Producers (CAPP) represents 140 companies that explore for, develop and produce natural gas, natural gas liquids, crude oil, oil sands, and elemental sulphur throughout Canada. CAPP member companies produce more than 97 percent of Canada's natural gas and crude oil. CAPP also has 125 associate members that provide a wide range of services that support the upstream crude oil and natural gas industry. Together, these members and associate members are an important part of a \$65-billion-a-year national industry that affects the livelihoods of more than half a million Canadians.