



NEWS

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NGSA.org or NaturalGas.org

Supplies of Natural Gas are Strong in U.S., Industry Spokeswoman Says

(Washington, DC) Current U.S. supplies of natural gas are strong and expected to remain that way for the foreseeable future, a leader in the natural gas industry said Thursday.

"The storage of natural gas is on track to meet this year's expected winter demand and the overall short term supply picture should help place downward pressure on the market price," said Jenny Fordham, director of energy markets and government affairs for the Natural Gas Supply Association.

In 2006, 3.45 trillion cubic feet of natural gas was in storage for use in the winter. This year an estimated 3.6 trillion cubic feet is expected to be in storage by the start of the withdrawal season, an important point if weather forecasts prove accurate.

"A report by Energy Ventures Analysis (EVA) indicates that the U.S. should expect a cooler than normal summer, which should keep demand for natural gas in check until September and October, when cooler than normal temperatures are expected to cause a slight increase in demand for natural gas at the end of the summer season," Fordham said.

She delivered her comments in Chicago during a gathering of the Process Gas Consumers Group, a national trade association which represents the industrial users of natural gas.

Industry is a large user of natural gas and consumed approximately 31 percent of the nation's natural gas last year. Natural gas provides the base ingredients for plastics, fertilizer, anti-freeze, and fabrics, and is consumed during the manufacturing of pulp and paper, metals, chemicals, glass and more.

"Electric utilities have been building more natural gas plants in recent years, which has increased the demand for natural gas in that sector, but demand has been relatively flat in the residential sector and declining in most of the industrial

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sector,” Fordham said. “The only demand growth we see in the industrial sector this summer is from ethanol production.”

Natural gas demand for ethanol processing tripled from 2000 to 2006. A report issued last year by Cambridge Energy Research Associates indicates that the use of natural gas to produce ethanol is expected to double or triple again by 2012.

Fordham said that while natural gas production from the Gulf of Mexico has been dropping in recent years, natural gas producers have met consumer demand by developing new gas finds in unconventional shale fields in Texas. The natural gas industry is also beginning development of the Marcellus shale field, which stretches from New York to West Virginia.

Fordham said the United States has been increasing its capacity to import liquefied natural gas (LNG), but high worldwide prices have prevented the U.S. from importing to capacity. In Japan and other parts of the world, LNG is going for nearly twice the price Americans are paying.

“LNG accounts for approximately two percent of U.S. natural gas supplies. Competition from world demand will continue to keep us from importing more in the near term, but expectations are that LNG imports will increase significantly in future years,” Fordham said.

She noted that the price of natural gas in the United States has increased approximately 45 percent in the past year – up from approximately \$7.60 per million BTU’s in May of 2007 to roughly \$11 today.

“Our industry firmly believes that if we had more access to supplies of natural gas in areas currently off limits, price pressure would be reduced,” Fordham said. “A change in federal laws opening up access to natural gas development would send a positive shockwave to the financial markets.”

Current U.S. government policies restrict access to approximately 250 trillion cubic feet of recoverable natural gas, or enough natural gas to heat more than 100 million homes for 30 years.

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NGSA represents integrated and independent companies that produce and market domestic natural gas. Established in 1965, NGSA 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. consumers.