



NEWS

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Study Finds Natural Gas Market Transparency Outperforms All Other Commodity Markets in the U.S. and Europe Widespread and Timely Reporting Makes Natural Gas Markets Extremely Transparent, Bolsters Competition

(Washington, DC)- Natural gas commodity and financial markets surpass other commodity markets when it comes to transparency, according to an analysis by William P. Albrecht, a noted economist, academic and former regulator who served on the U.S. Commodities Future Trading Commission and the International Organization of Securities Commissions.

Price Transparency in the U.S. Natural Gas Market compares the U.S. natural gas commodity market with the European market and other U.S. commodity markets. The study finds the U.S. natural gas market in every way is more transparent because of the timely and widely available amount of natural gas market data representing a significant number of physical and financial transactions at diverse locations.

"U.S. natural gas markets are the most transparent in the world, with extensive reporting of data that is timely and easily accessible to market participants to guide their decisions to buy or sell," said R. Skip Horvath, president and CEO of the Natural Gas Supply Association. "We urge regulators who are considering making wholesale changes to OTC markets to bear in mind that natural gas markets work well and avoid imposing unnecessary restrictions on natural gas that will impede market liquidity and potentially harm consumers."

Price Transparency in the U.S. Natural Gas Market contains a detailed analysis of price transparency and concludes, "The real issue is whether the level of transparency in a particular market is sufficient to provide participants with the information they need in order to make informed decisions. Are prices available in real time and do they reflect supply and demand? In the natural gas market, the answer is yes."

The report describes a U.S. natural gas commodity market characterized by thousands of participants making transactions at numerous locations, with those who report their prices to publishers accounting for one-third to one-half of all daily volumes of natural gas. The report says, "This system of index price formation and discovery is unique to the U.S. natural gas market and contributes substantially to price transparency and competitive pricing."

The study indicates the United States has made greater progress toward increased transparency of both the physical and financial markets than European natural gas markets.

The study also examines the financial markets for natural gas, which encompass diverse transactions such as futures, swaps and options, with more-standardized transactions occurring on exchanges and transactions that require more flexibility or scalability taking place on “over-the-counter” (OTC) electronic trading platforms. The two leading exchanges for natural gas financial transactions are the New York Mercantile Exchange (NYMEX) and the IntercontinentalExchange (ICE), with the largest volume of financial transactions occurring on NYMEX, where trading averages just over 153,000 futures contracts per day.

“NYMEX and ICE provide real time transparency for futures, options and a large (and growing) number of swaps,” says the report. It adds, “The ability for market participants to enter into non-standardized, non-cleared transactions [on OTC markets] is an equally important part of the market that fosters liquidity, allowing market participants an opportunity to recognize factors other than cash as collateral.”

According to *Price Transparency in the U.S. Natural Gas Market*, the market that is most comparable to natural gas is the U.S. grain market, which until recently had been considered the most transparent commodity market in the world. Like natural gas markets, the grain market has both a physical market and a financial market including futures and other derivatives. However, because the grain market reports data on an aggregated regional basis rather than by individual locations, the natural gas market remains more transparent.

“To sum up, the critical point with respect to transparency is that there are many thousands of market participants and they have prompt access to prices in the physical market and real time access to prices in the financial markets.” The combination of transparency of the physical and financial markets make the U.S. natural gas market unrivaled in its transparency, the report concludes.

Price Transparency in the U.S. Natural Gas Market is available at <http://www.ngsa.org>.

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