

NEWS

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Steady and Reliable Summer Outlook for Natural Gas, NGSA Says *Summer "re-run" with hurricanes, stronger industrial demand new trends to watch*

(Washington, D.C.) – The U.S. wholesale natural gas market this summer is likely to look a lot like it did last year, according to a seasonal outlook released today by the Natural Gas Supply Association (NGSA). The NGSA analysis examined individual demand and supply factors and projected their combined impact on natural gas prices for the coming summer, then further identified emerging trends to watch.

“This summer is shaping up to be a repeat of last summer, which is good news for natural gas consumers,” said R. Skip Horvath, president and CEO of NGSA.

Assessing the key factors of economy, weather, customer demand, storage and production, NGSA said that improvement in the economy is the single factor it expects to place upward pressure on natural gas prices compared to last summer, with all other factors expected to yield the same pressure as last summer. The association said that when combined, the five key factors will have an overall neutral impact on natural gas prices this summer compared to the summer of 2009.

“We expect the improving economy and rebounding industrial sector to boost demand for natural gas this summer, but that boost will be offset by more production, similar weather and comparable storage inventories,” said Horvath.

NGSA pointed to a slightly warmer than the 30-year average summer weather forecast from the National Oceanic and Atmospheric Administration (NOAA), which is similar to last summer.

NGSA also looked at expected demand from electric, industrial, commercial and residential customers this summer and predicted that overall levels of demand would be 2 percent higher than last summer, a welcome sign of economic recovery, but not quite sufficient to place pressure on prices.

Horvath said, “We expect industrial demand to continue to steadily strengthen this summer, spurred on by growth in the chemical and metal manufacturing sectors, which traditionally are leading indicators of natural gas demand. Industrial demand for natural gas is nearing its pre-recession levels.”

Although it won't impact overall demand by a significant amount, NGSA said one sector to watch is power generation, where it predicts that power generators will switch to

dispatching natural gas rather than coal due to low natural gas prices, in a summer repeat of 2009's coal-to-gas switching. Switching from coal to natural gas averaged about 2.25 billion cubic feet (Bcf) per day during the summer of 2009 and is projected to average 1.6 Bcf/day this summer.

NGSA said more natural gas is expected to go into storage this summer in contrast to last, however the amounts are roughly comparable and overall should place flat price pressure on natural gas markets.

Horvath said, "As we can see from the continued growth in natural gas storage capacity, storage is big and getting bigger in its ability to boost market responsiveness. Between 2006 and 2010, a record amount of storage capacity was added and more than half of that was high deliverability salt cavern storage."

Horvath added, "Storage is not just growing in volumes, newer storage facilities are being sited nearer to customers, enhancing the ability of suppliers to efficiently respond to changes in demand from the key electric and industrial growth markets."

NGSA relied on Energy Ventures Analysis and the Energy Information Administration's projections of natural gas production, estimating that overall production would be 58.1 Bcf/day this summer, slightly more than last summer's average daily production of 57.2 Bcf/day, but not enough to influence prices. "Natural gas rig counts have increased to almost 970 and LNG imports are up because of good LNG storage capacity in the U.S.," said Horvath.

He said, "Our wild cards are summer hurricane activity and the strength of the manufacturing sector's rally."

Horvath concluded, "The industry's supply response continues to be strong. Looking beyond this summer, there are encouraging signs for the natural gas industry, with growing demand and expanding natural gas infrastructure and production."

The NGSA analysis is based on publicly reported data; the association does not project actual cost figures for wholesale or retail markets.

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