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2012 Summer Outlook Shows Natural Gas Breaking New Ground

Consumers to benefit from supply, storage and prices as production sets new records

(Washington, D.C.) – A newly released *2012 Summer Outlook* by the Natural Gas Supply Association indicates that record-setting U.S. natural gas production and storage are expected to benefit all consumers of natural gas this summer, from large consumers, such as electric power plants and industrial facilities, to smaller businesses and households.

The NGSA *2012 Summer Outlook* analysis examined publicly available data on individual factors that influence supply and demand, and projected their combined potential effect on natural gas prices for the coming summer. It also identified emerging trends to watch.

R. Skip Horvath, president and CEO of NGSA, said, "This summer we are witnessing the dawn of a new era for natural gas producers and consumers, with natural gas breaking new ground in many different ways. Not only is natural gas enabling new, expanded and re-opened industrial facilities, we're producing and storing record amounts of natural gas and generating increased amounts of electricity. This is good news for households, the environment and American business."

NGSA's *2012 Summer Outlook* said record-breaking natural gas production is contributing to a manufacturing renaissance as industries use the competitive advantage offered by ample supply and low natural gas prices in the U.S. to build, re-open and expand fertilizer, petro-chemical and steel facilities. NGSA listed 11 major industrial projects completed or expected to be completed by 2012 and an additional 12 projects to be built by 2017, including a natural gas-to-liquids facility.

NGSA forecasted that electric utilities will use 17 percent more natural gas (3.9 Bcf/day) this summer than last summer because of fuel-switching due to current low natural gas prices. NGSA said electric utilities will double the amount of switching from coal to natural gas-fired power plants compared to last summer, accounting for 6.1 Bcf/day of natural gas compared to last summer's 2.9 Bcf/day. This would make 2012 the fourth consecutive summer of coal-to-gas switching and the largest amount of switching yet.

Assessing the five key published factors that comprise the *Outlook*– weather, economy, customer demand, storage and production – NGSA's 2012 *Summer Outlook* said that, when combined, the five key factors will likely place overall downward pressure on natural gas prices this summer compared to the summer of 2011 when the average Henry Hub price was $4.15 per MMBtu. NGSA's analysis of individual factors showed:

Weather – Milder summer weather is expected to place downward pressure on prices compared to last summer. The trade group noted that the summer of 2011 was 13 percent warmer than the 30-year average. In contrast, the firm Energy Ventures Analysis predicts summer 2012 weather that is 2 percent cooler than the 30-year average and 13 percent cooler than last summer.

Economy – While economic indicators are encouraging, NGSA's *Outlook* expects them to place level pressure on natural gas prices and demand this summer. Positive numbers in GDP, unemployment, manufacturing and the Consumer Price Index bode well for the future.

Demand – Demand is the only factor expected to place upward pressure on prices this summer. Customer demand for natural gas is expected to increase by 8 percent overall, compared to last summer. Demand from the electric sector is projected to increase by 17 percent because of price-sensitive generators switching to natural gas. Industrial demand is expected to grow about 1 percent this summer compared to last summer.

Storage – Storage started the 2012 injection season at a record of nearly 2,500 Bcf, considerably fuller than the almost 1,600 Bcf in storage at the beginning of 2011's injection season. Although weekly storage injections are expected to be smaller summer-over-summer, NGSA still projects that storage will reach a record 4,150 Bcf by the end of the injection season, placing downward pressure on prices compared to summer of 2011.

Production – Robust production is expected to exert downward pressure on prices. The Outlook forecasted overall production at 65.8 Bcf/day this summer, compared to last summer's average daily production of 63.2 Bcf/day. Although the rig count for natural gas currently hovers around 600 compared to last summer's count of 893, production is being supported by drilling for oil and valuable liquids often found with associated natural gas.

The *2012 Summer Outlook* report cautioned that natural disasters or big weather surprises, changing fuel switching economics, manufacturing exceeding expectations or production change resulting from changes in liquids prices are all "wild cards" that could affect the summer outlook.

NGSA relied on publicly-available figures from: Energy Ventures Analysis and the Energy Information Administration for demand and production projections; IHS Global Insight for economic projections; and NOAA for weather projections. The association does not project actual cost figures for wholesale or retail markets.

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