



NEWS

For Immediate Release: April 3, 2014

Contact: Daphne Magnuson dmagnuson@ngsa.org 202-326-9314

NGSA to CFTC: Don't Treat Flexible Physical Forward Contracts as Swaps *Volumetric Optionality Enables Market Efficiency, Smooth Settlement* *Despite Changes in Underlying Supply and Demand*

(Washington, D.C.) -- The Natural Gas Supply Association (NGSA) urged the Commodity Futures Trade Commission today to ensure that forward contracts for physical delivery of natural gas with "embedded volumetric optionality" not be treated as swaps.

In advance of the CFTC's Public Roundtable on End-User Issues today, NGSA Vice President for Markets Jenny Fordham said, "These physical forward contracts preserve a degree of flexibility in the final amount of the commodity to be delivered so that market participants can seamlessly respond to unforeseen changes in supply and demand at the time of delivery. The intent to physically deliver natural gas remains, despite the variability in the final volume."

According to Fordham, "Including flexibility about precise volumes in forward contracts allows commercial uncertainties to be accommodated up front. This provides a process for orderly physical delivery and settlement even in the absence of precision in the delivery volume at the time of contracting."

She said, "The CFTC should remedy the current regulatory uncertainty surrounding use of volumetric flexibility in forward contracting and provide commodity producers and consumers with the regulatory confidence they need in order to make sound investment, physical contracting and risk management decisions."

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NGSA represents integrated and independent companies that supply 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. customers. For more information, please visit www.ngsa.org.