

NEWS

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Good News for Natural Gas Consumers This Winter, NGSA Says *Highest industrial gas demand since '90s, record production and milder winter predicted*

(Washington, D.C.) -Pressure on this winter's natural gas prices is likely to be downward compared to last winter, the Natural Gas Supply Association (NGSA) today said in its 14th annual *Winter Outlook* assessment of the natural gas market. Using published data and independent analyses, NGSA evaluated the combined impact of production activity, storage inventories, economic growth, customer demand and weather on the direction of natural gas prices for the 2014-2015 winter compared to November through March of last winter, when Henry Hub prices averaged \$4.67 per MMBtu.

"When NGSA weighed all the different pressure points, the picture that emerged for the upcoming winter is one of remarkable growth in supply and steady underlying growth in demand that will be moderated by the forecast for a warmer winter than last year's," said Greg Vesey, Chairman of NGSA and Vice President of Gas Supply and Trading for Chevron. "The abundant supply of natural gas is great news for consumers," said Vesey. "When all key supply and demand factors are combined, we anticipate downward pressure on prices compared to last winter."

Demand

Combining demand from all the major customer sectors - industrial, electric, residential and commercial -- Energy Ventures Analysis (EVA) projects lower overall demand than last winter because of the forecast for a warmer winter than last year's extremely cold weather.

The weather-sensitive residential and commercial sectors are expected to be the only sectors to decline; however they represent more than 40 percent of customer demand in the winter. Lower residential and commercial demand will mask growth in the other sectors this winter.

Notably, the industrial sector is forecasted to increase its winter demand by six percent compared to last winter.

"We anticipate industrial demand for natural gas to return to the highest levels since the 1990s," said Vesey.

Finally, demand from the electric sector is expected to increase very slightly compared to last winter, primarily due to more "fuel switching," when utilities temporarily switch to using gas-fired power plants due to lower fuel costs.

"The historic trend of coal-to-gas switching is expected to continue for a seventh consecutive winter," Vesey said.

Supply

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Turning to this winter's natural gas supply fundamentals, the *Outlook* projects another winter of strong production. Vesey said, "The shale revolution has ushered in a remarkable era, as evidenced by dramatic growth in production over the last six years. This winter's supply is expected to be even more robust than last year because of abundant shale and numerous new pipeline projects coming online to move natural gas out of producing shale areas."

Vesey said, "New infrastructure and improved drilling efficiencies are not the only reasons for abundant production. A solid seven percent of this winter's production is expected to come from 'associated' gas that is produced from oil wells. We expect associated gas to continue to be a key component of winter supply as oil drilling in the Bakken and Eagle Ford continues."

According to Vesey, "The important takeaway is the strength and responsiveness of natural gas supply. Since the onset of shale production on a large scale, we've had winter after winter of stability for consumers."

In brief, the NGSAs 2014-2015 *Winter Outlook* says:

Weather -Anticipated return to normal winter weather compared to last winter's extreme cold. *Downward pressure.*

Economy -Average growth in GDP similar to last winter is expected. *Neutral pressure.*

Overall Demand - Overall demand expected to be less than last winter. Warmer winter weather is expected to decrease demand from the **residential and commercial** sectors.

Industrial sector demand is projected to increase a strong six percent compared to winter 2013-2014, while slight growth is expected in the **electric** sector, mostly due to the likelihood that utilities will dispatch gas-fired power plants instead of coal-fired plants ("fuel switching") more than last winter. *Downward pressure.*

Supply - Continued robust domestic production is projected to provide ample supply; despite fewer imports from Canada and growing exports to Mexico. *Downward pressure.*

Storage - Adequate but lower inventory of natural gas in storage than last winter. *Upward pressure.*

NGSA used data from Energy Ventures Analysis (EVA) for its demand and supply projections and IHS Economics and Country Risk for its economic projections. **The NGSAs analysis is based on publicly reported data; the association does not project actual cost figures for wholesale or retail markets. Weather is the most difficult factor to predict. Should winter weather differ significantly from this forecast, it will affect the other factors and the projection for pressure on prices.**

For more information, please see NGSAs *Winter Outlook 2014-2015 Executive Summary* and NGSAs *Winter Outlook 2014-2015 PowerPoint* presentation at www.ngsa.org.

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NGSA represents major integrated and independent companies that supply natural gas. Established in 1965, NGSAs encourages the use of natural gas and promotes the benefits of competitive markets as they ensure reliable and efficient delivery of natural gas and increase the supply of natural gas to customers.

More information at www.ngsa.org and www.naturalgas.org

Clean Natural Gas: Smart, Secure and Essential