



EMBARGOED
FOR JUNE 4,
2015

2015 SUMMER OUTLOOK

MARKETS MATTER

WWW.NGSA.ORG

About NGSA

- Represents major producers and suppliers of domestic natural gas
 - Integrated and independent companies: 16 members
- Promotes benefits of competitive natural gas markets, resulting in reliable and efficient transportation and delivery, increased supply and demand
- Celebrating 50th Anniversary in 2015

2015 Summer Outlook: **Outline**

- Looking ahead to Summer 2015
 - *Market pressure points: demand, economy, weather, storage and production*
 - *Wild card factors*
 - *Summer expectations*
- Summary

Understanding the Symbols



Upward market pressure



Flat market pressure



Downward market pressure



MARKET PRESSURE POINTS

2015 Summer Outlook

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Weather Demand: Summer Season

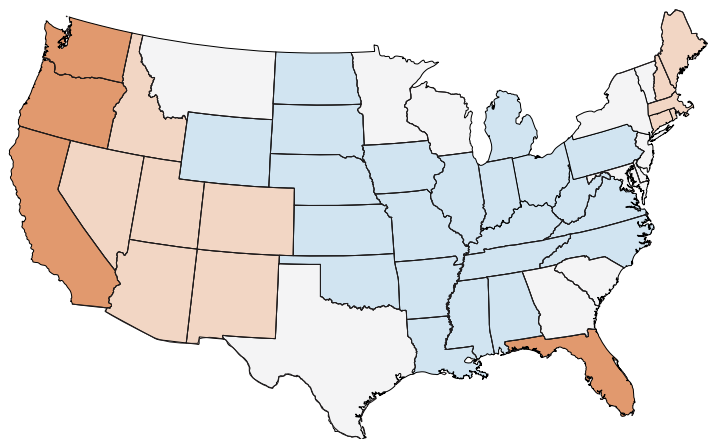
Last Summer

2014 ACTUAL

Actual season:

4% colder than 2013

Similar to 30-year average



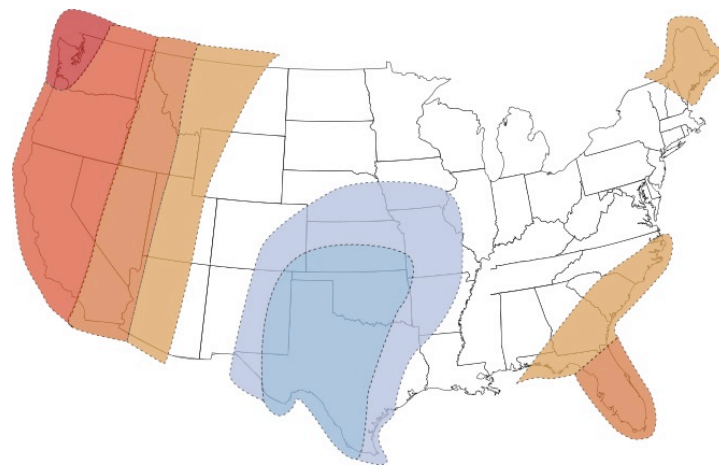
1,247 Cooling degree days

This Summer

2015 FORECAST

3% warmer than last year,

4% warmer than 30-year average



1,286 Cooling degree days

Summer-to-summer pressure
on natural gas prices



Pressure Point: Economy/Demand

Summer Season Period-to-period change <i>Data source: IHS Global Insight</i>	Last Summer 2014 ACTUAL	Summer 2015 FORECAST
Economy	Moderate expansion	Weaker growth
GDP growth	2.6%	2.1%
Unemployment rate	6.1%	5.4%
Manufacturing	3.9%	1.6%
CPI	1.9%	-0.4%
Consumer Sentiment Index	82.9	97.5

Summer-to-winter pressure
on natural gas prices

Data source: IHS Global Insight, May 2015

Overall Gas Demand/Consumption

Summer Season

Period-to-period change

Data source: U.S. Energy Information Administration, EVA

Last Summer

2014

ACTUAL

Summer

2015

FORECAST

Total Demand

- Electric demand
- Industrial demand
- Residential/commercial

61.6 Bcf/d

24.0 Bcf/d

19.9 Bcf/d

11.4 Bcf/d

64.8 Bcf/d

26.0 Bcf/d

20.8 Bcf/d

11.4 Bcf/d

Change from previous year

+5.2%

Growth sector

Industrial

Electric and
industrial

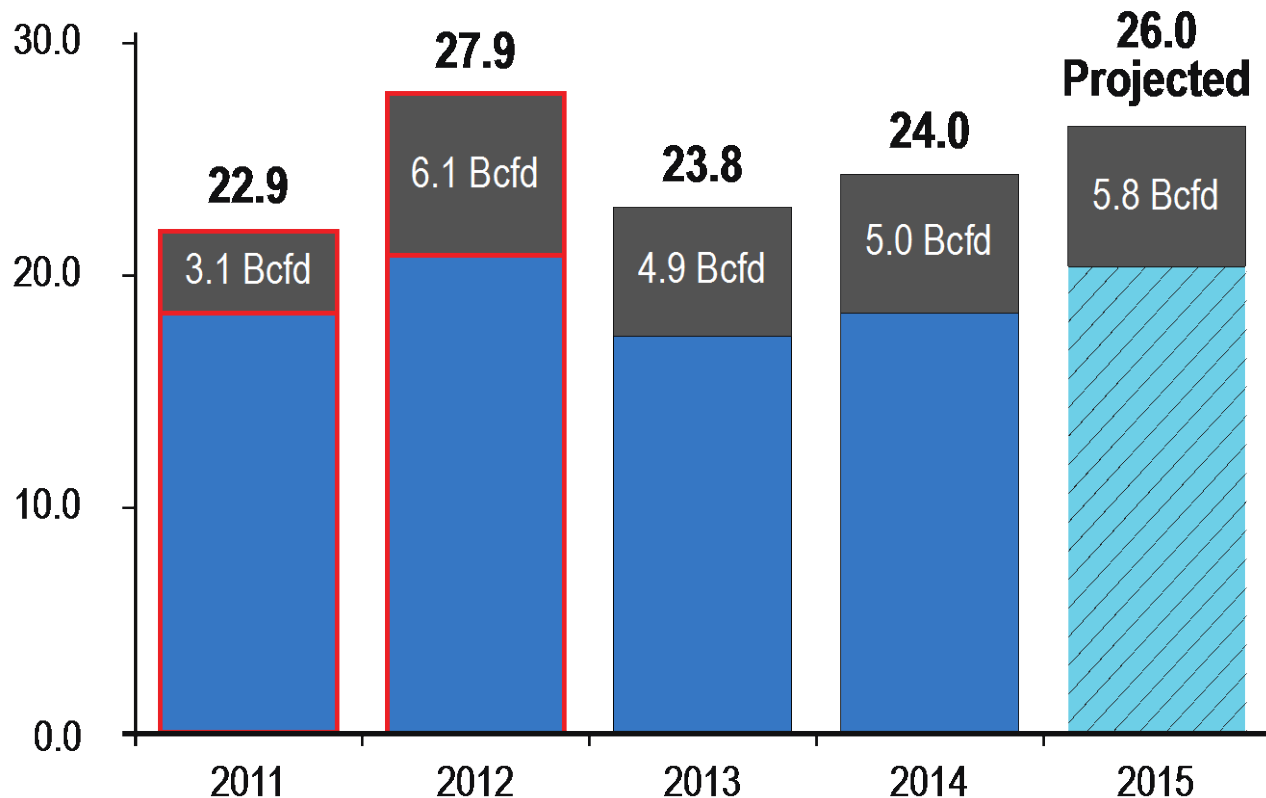
Summer-to-summer pressure
on natural gas prices



FOCUS ON ELECTRIC DEMAND:

Summer Coal-to-Gas Switching

Average Bcf/day ■ Actual ■ Hot Summer ■ Coal-to-Gas Fuel Switching



Note: 2011 and 2012 denote very hot summers. Coal-to-gas switching in 2015 is forecasted.

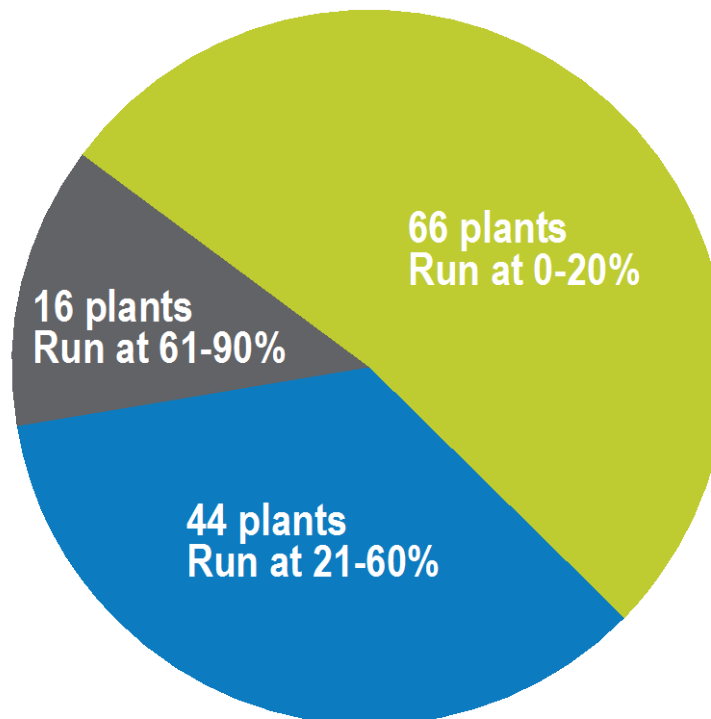
Source: Energy Ventures Analysis *2015 Summer Outlook*, June 2015

FOCUS ON ELECTRIC DEMAND

Summer 2015 Structural Increase in Electric Demand for Natural Gas Small

**20 GWs Coal-fired Generation Retires; BUT
One-Half Retiring Plants Run Under 20% Capacity**

Summer 2015:
Natural gas
demand up **0.5**
Bcf/day due to
coal retirements



**126 Retiring
Coal Plants**

Source: Energy Ventures Analysis 2015 Summer Outlook, June 2015

FOCUS ON INDUSTRIAL DEMAND

Natural Gas Spurring 98 Major Industrial Projects 2010–2020

\$110-\$120 Billion Investment to Build

Increase of 4.2 Bcf/d

60

New Projects

- 36 Petrochemical
- 14 Fertilizer
- 8 Steel
- 1 Gas-to-liquids
- 1 Paper and pulp

29

Expansions

- 9 Petrochemical
- 19 Fertilizer
- 2 Steel

9

Restarts

- 5 Petrochemical
- 4 Fertilizer



Pressure Point: Storage/Demand

Summer Season Period-to-period change <i>Data source: EIA, EVA</i>	Last Summer 2014 ACTUAL	Summer 2015 FORECAST
Season starting point (billion cubic feet)	857 Bcf	1,471 Bcf
Average weekly injections	90 Bcf	77 Bcf projected
End-of injection season	3,590 Bcf	3,840 Bcf projected
Summer-to-summer pressure on natural gas prices		▼

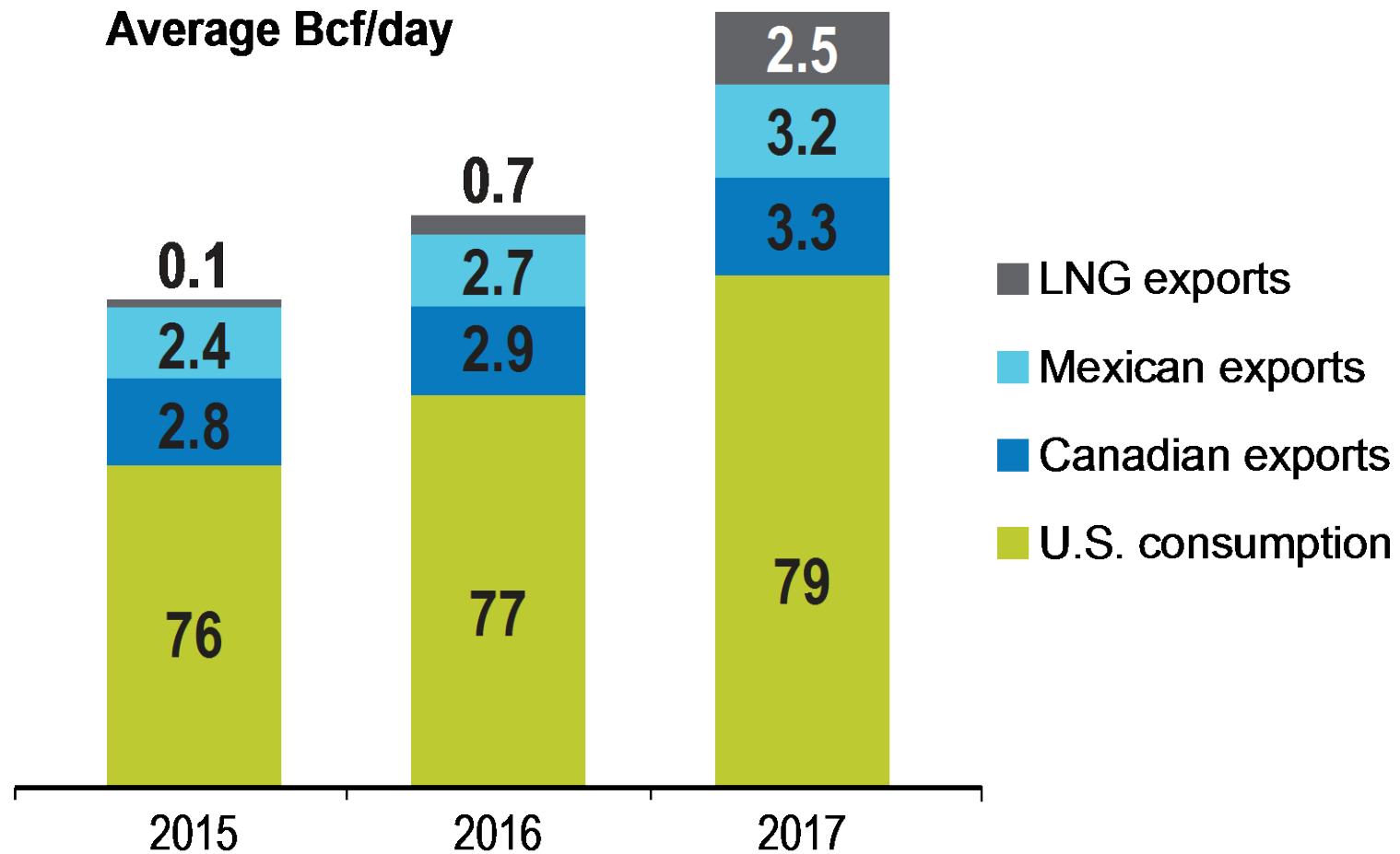
Pressure Point: Production/Supply

Summer Season Period-to-period change <i>Data source: EIA, EVA</i>	Last Summer 2014 ACTUAL	Summer 2015 FORECAST
Summer average production	70.6 Bcf/d	75.0 Bcf/d
Canadian imports (net)	4.8 Bcf/d	4.8 Bcf/d
LNG imports (net)	0.1 Bcf/d	0.1 Bcf/d
Mexican exports (net)	-2.1 Bcf/d	-3.2 Bcf/d

Summer-to-summer pressure
on natural gas prices



U.S. LNG Exports to Grow – Yet Remain Small Slice of Demand



Source: Energy Ventures Analysis, 2014 Longterm Outlook Fuelcast

Summer Outlook: **Wild Cards**

- Hot summer could increase electric demand
- End to California drought/mild summer could decrease electric demand
- Very active hurricane/storm season

This Season's Summer Outlook

Summer Season
Period-to-period change

This Summer
2015 FORECAST

Weather



Economy



Overall demand



Storage



Overall supply



Summer-to-summer Pressure on
natural gas prices



Summer Outlook: **Summary**

- Record high demand
 - Robust increases from electric and industrial sectors
- Electric sector increase driven by short-term fuel switching and long-term coal retirements
- Very strong continued production
- Flexible, responsive natural gas market



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