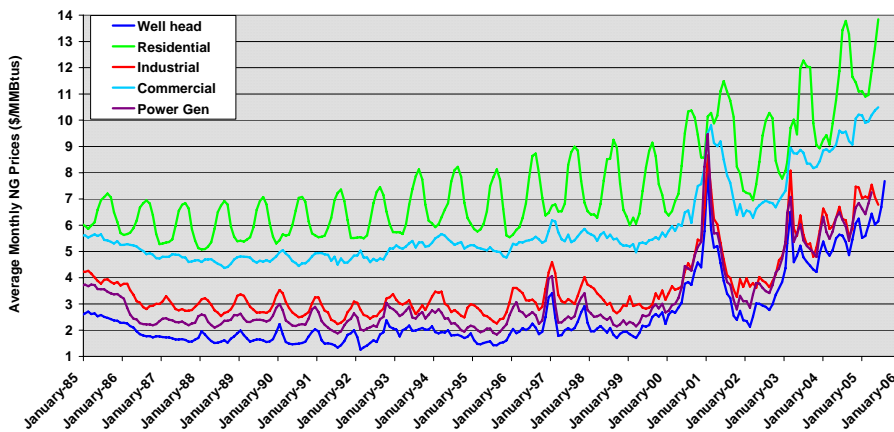


# North American Natural Gas Markets – Responding to the Perfect Storm

R. Neal Elliott, Ph.D., P.E.  
Industrial Program  
Director  
**ACEE**  
Washington, D.C.



## Retail Natural Gas Prices

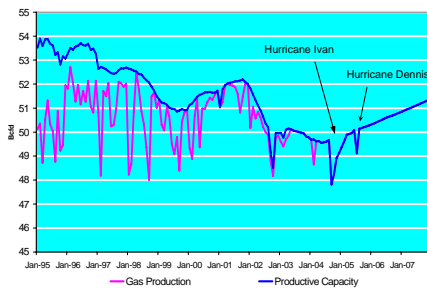


Source: EIA 2005



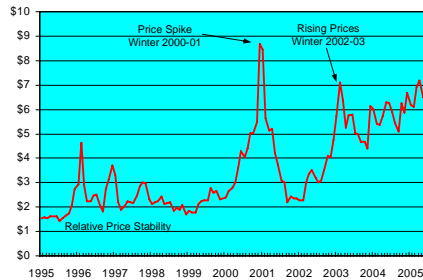
# The Changing Gas Balance

Lower-48 Dry Gas Production vs. Dry Gas Capacity (BCFD)



Source: Energy and Environmental Analysis, Inc., 2005

Historical Gas Price at Henry Hub (\$ per MMBtu)



Source: Platts Gas Daily

Divergent trends in gas supply and demand have led to a tight balance between supply and demand, higher gas prices, and increased price volatility.

**TIGHT BALANCE EXPECTED TO CONTINUE**

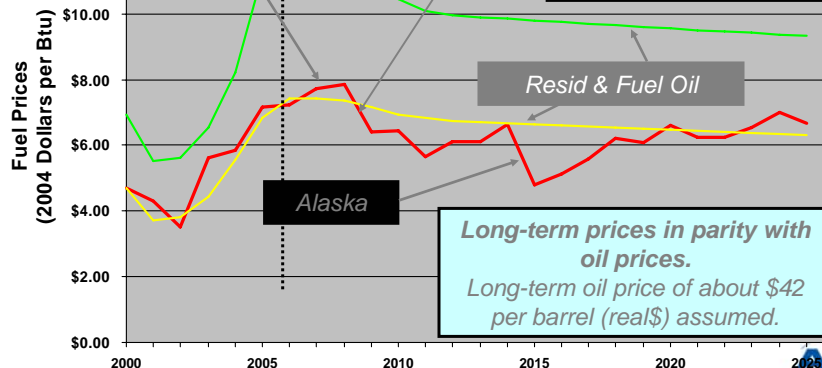
Slide Used Courtesy of EEA



# Projected Annual Average Henry Hub Gas Price

Continued price pressure likely to persist for next few years.

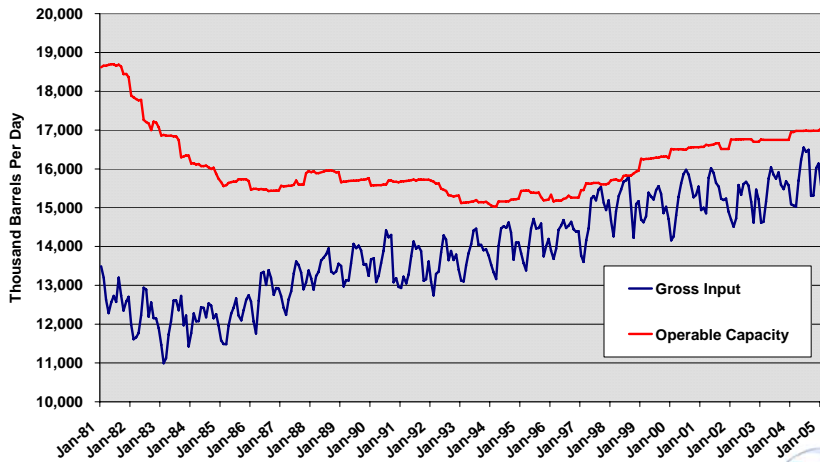
Henry Hub gas prices will average between \$5 and \$9 per MMBtu - 1990 levels will not return.



Sources: Historical data from Platts Gas Daily, Projection by Energy and Environmental Analysis, Inc.



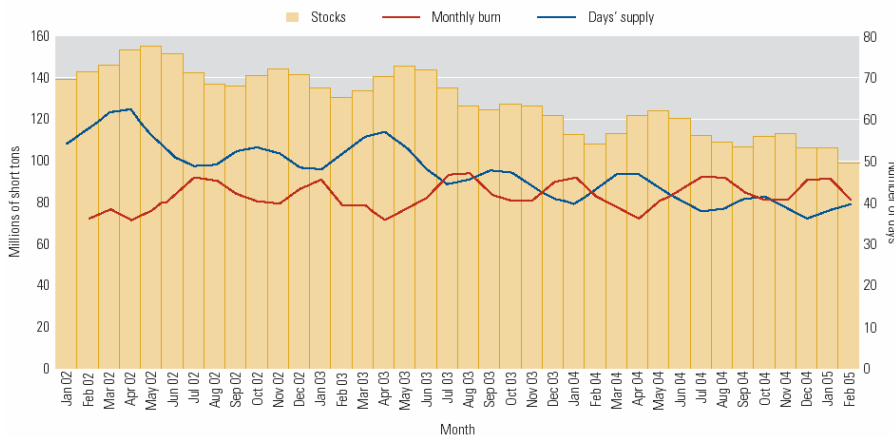
# Refining Capacity vs. Production



Source: EIA 2005



# Coal Markets Tightening



Source: Platts Power, June 2005



## Outlook for Energy

- Weather a major factor
- Tight markets will continue – U.S. in “deliverability” straight-jacket
- Economic impact disproportionately on lower economic sectors – impact felt on retail sales (“cross-elasticity”)
- Strain on Government Budgets – energy purchases & low-income bill assistance



## Roll of Energy Efficiency

- Quickly deployable
- Cost effective
- Reduces expenditures – helping budgets
- Reduces prices
- Sustains manufacturing
- Restrains inflation

