Today’s Policy and Business Decisions About Natural Gas Supply, Infrastructure and Efficiency Will Influence Future Prices, New Study Finds

Washington, D.C. – A study that sets forth various directions that elected officials, energy companies and communities may wish to take in order to meet customers’ natural gas demands, then projects what the outcomes of those choices might be, was released here today by the American Gas Foundation. The report, titled *Natural Gas Outlook to 2020*, was released here today during a news briefing held at the National Press Club.

“One thing is crystal clear: the business and public policy decisions made today about the supply, delivery and use of natural gas will have a tremendous impact on the future cost of natural gas,” said David Biegler, chairman of the American Gas Foundation. Biegler is also managing partner of Dallas-based Estrella Energy.

He noted, “Failure to act swiftly, decisively and positively on issues such as constructing liquefied natural gas terminals, building an Alaskan natural gas pipeline, diversifying the mix of fuels used to generate electricity and increasing access to domestic supplies of natural gas will prolong the negative effects on all natural gas customers.”

*Natural Gas Outlook to 2020* analyzed the effects of three alternate public policy scenarios on the U.S. natural gas market. Each scenario included five key variables: natural gas production from the lower-48 states, construction of a pipeline to transport natural gas from Alaska to the lower-48 states, imports of Canadian natural gas, imports of liquefied natural gas (LNG) via tanker ships and use of natural gas to generate electricity.

For example, the study’s “status quo” Existing Policy scenario demonstrates what may occur if the United States does little to address natural gas market conditions. It found that wholesale natural gas prices would increase by 70 percent -- from today’s $5 or $6 per million British thermal units to more than $13 (in nominal dollars) -- if an Alaskan natural gas pipeline is not operational by 2020, if no new LNG terminals are built, if the proportion of U.S. electricity generated with natural gas rises from 15 percent to 40 percent and if restrictions on producing natural gas on federal lands remain in place.
In contrast, under the Expanded Policy scenario, diversifying the electric-generation fuel mix, ensuring that the Alaskan natural gas pipeline is operational in 10 years, boosting LNG imports, expanding producers’ ability to work in the Intermountain West and allowing natural gas production in the Eastern Gulf of Mexico and off the East Coast could yield a wholesale natural gas price of $5.47 per MMBtu (in nominal dollars) by 2020, the study found.

The third alternative -- “Expected Policy” -- assumes that domestic natural gas drilling opportunities will change little during the next 15 years. As a result, imports of LNG would play a more dominant role in America’s natural gas supply mix, meeting 22 percent of total U.S. natural gas demand in 2020 (up from 3 percent today).

The study found, “Increased unemployment, plant closings and the movement of some industrial operations overseas have occurred during the past four years, partly because natural gas prices have risen. Manufacturers and other industrial customers will remain the most sensitive sector to tight natural gas supplies and high prices.”

Biegler said, “By taking steps beyond where existing policy seems to be taking us, to a more aggressive approach, customers are more likely to enjoy even lower prices and the U.S. economy would benefit.”

Even under the best of circumstances, the surplus natural gas supply and low, stable natural gas prices that prevailed during most of the 1980s and 1990s are not going to return, the study warned. “Due to the amounts of natural gas being used to generate electricity, and the likelihood that a ‘not in my backyard’ mentality will exist among many elected officials, it appears that an era of higher natural gas prices is here to stay. It must be managed intelligently,” Biegler said.

In essence, the American Gas Foundation study formalizes many of the “what if?” scenarios that elected officials, energy providers and customers often kick around, Biegler said.

The executive summary and full text of Natural Gas Outlook to 2020 can be downloaded from www.gasfoundation.org. For a hard copy, call Kelly Batte at (202) 824-7026.

On Feb. 15, the American Gas Foundation is scheduled to publish Safety Performance and Integrity of the Natural Gas Distribution Infrastructure. Later in the year, its study on Public Policy and Real Energy Efficiency will be released.

Founded in 1989, the American Gas Foundation is a 501(c)(3) organization that focuses on being an independent source of information research and programs on energy and environmental issues that affect public policy, with a particular emphasis on natural gas. Overseen by a Board of Trustees composed of executives from the natural gas industry, the AGF has delivered key public policy reports such as Fueling the Future: Natural Gas and New Technologies for a Cleaner 21st Century, (February 2000); Meeting the Gas Supply Challenge of the Next 20 Year (December 2002); and Natural Gas and Energy Price Volatility (December 2003). For additional information, visit www.gasfoundation.org.

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