





# ***The State of the U.S. Natural Gas Industry***

**Stephen Ewing**  
**Chairman,**  
**The American Gas Association**  
**Vice Chairman, DTE Energy**

**23rd World Gas Conference**  
**Amsterdam, The Netherlands**  
**June 8, 2006**

# Challenging Times - 2006

## Demand

- Demand for clean-burning natural gas growing

## Supply

- Access to new sources of supply constrained

## Prices

Supply-demand imbalance results in rising and volatile prices

## Customers

- Customers bearing the burden

## Regulatory Bodies

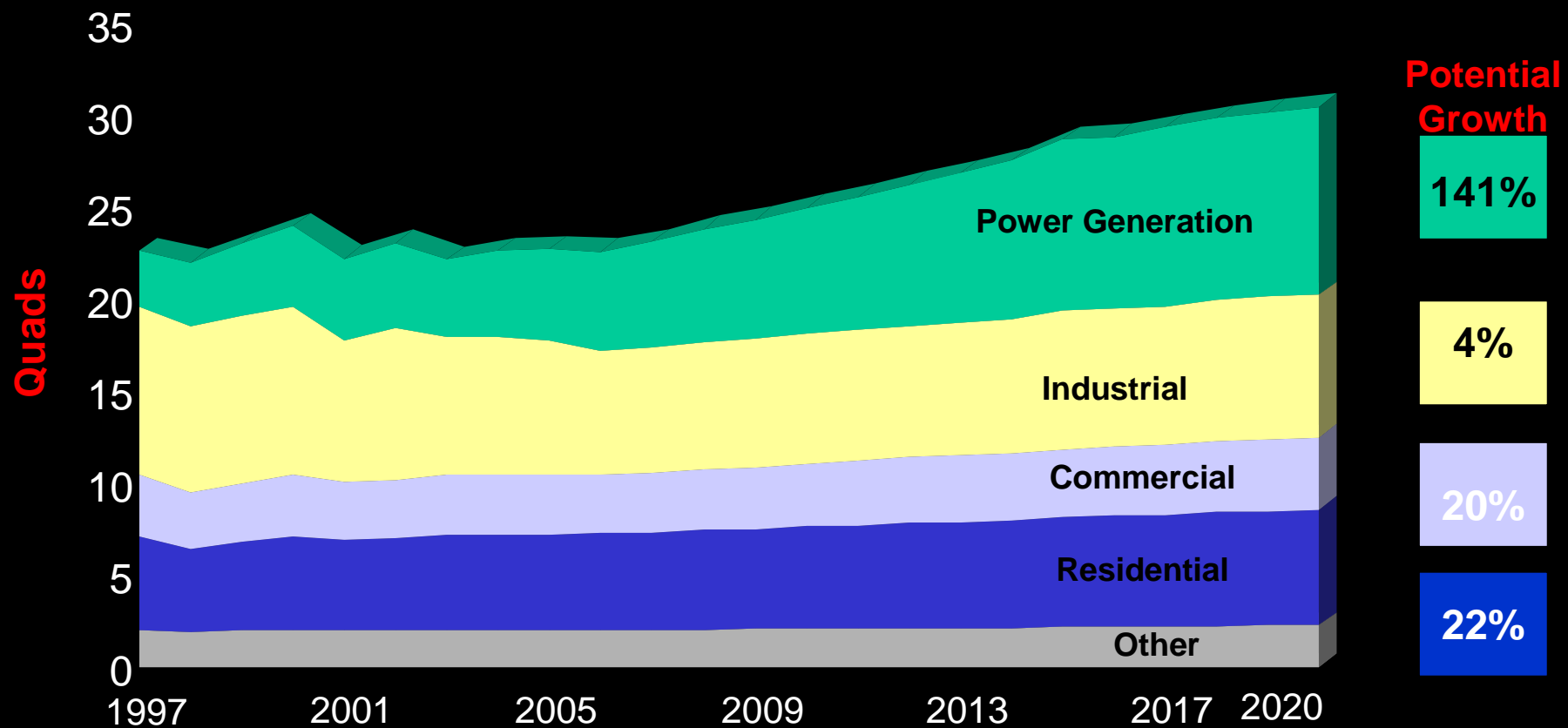
Increased regulatory scrutiny a reality

*Regulation  
and  
LNG:*

*Agents  
for  
Change*



# Domestic Natural Gas Consumption 1997 - 2020



Source: American Gas Foundation, 2005

# Meeting the Challenge

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**Increase natural gas supply to bring prices down**

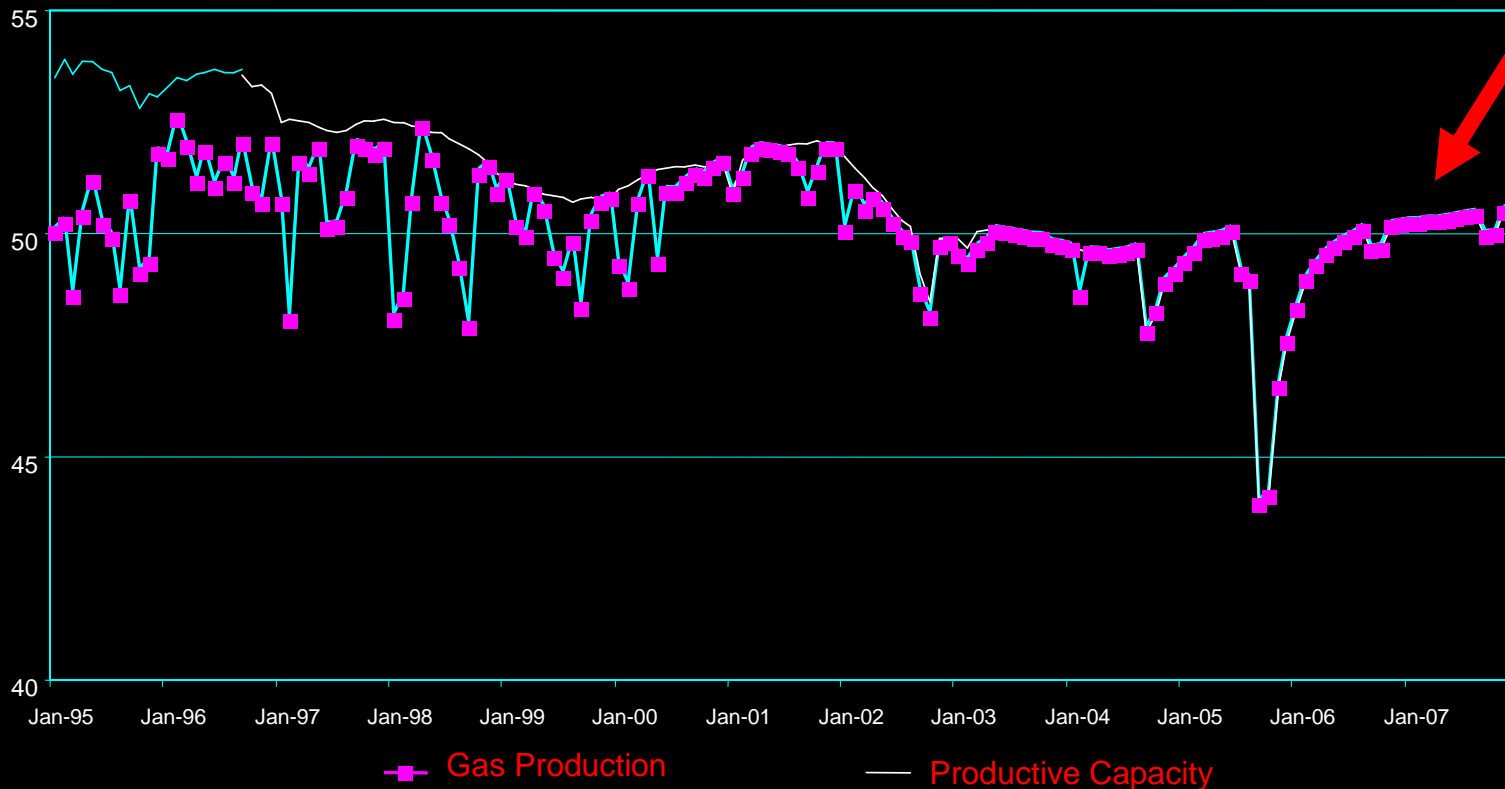
**Work with our customers to manage their energy costs**

**Promote innovative regulatory approaches to mitigate the effects of high and volatile natural gas prices**

**Increase infrastructure investment to help tame price volatility**

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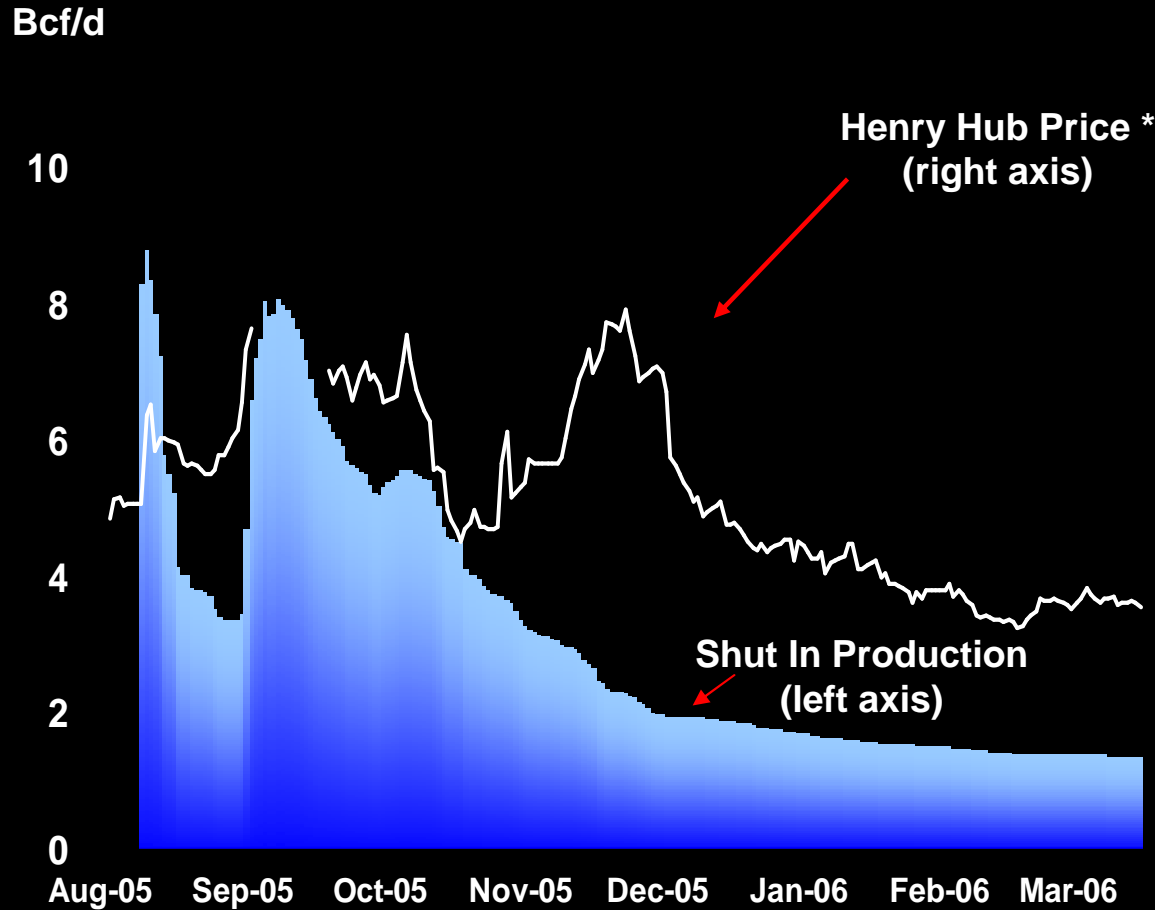
# Lower-48 Dry Gas Production Vs. Dry Gas Productive Capacity



Source: Energy and Environmental Analysis, Inc.

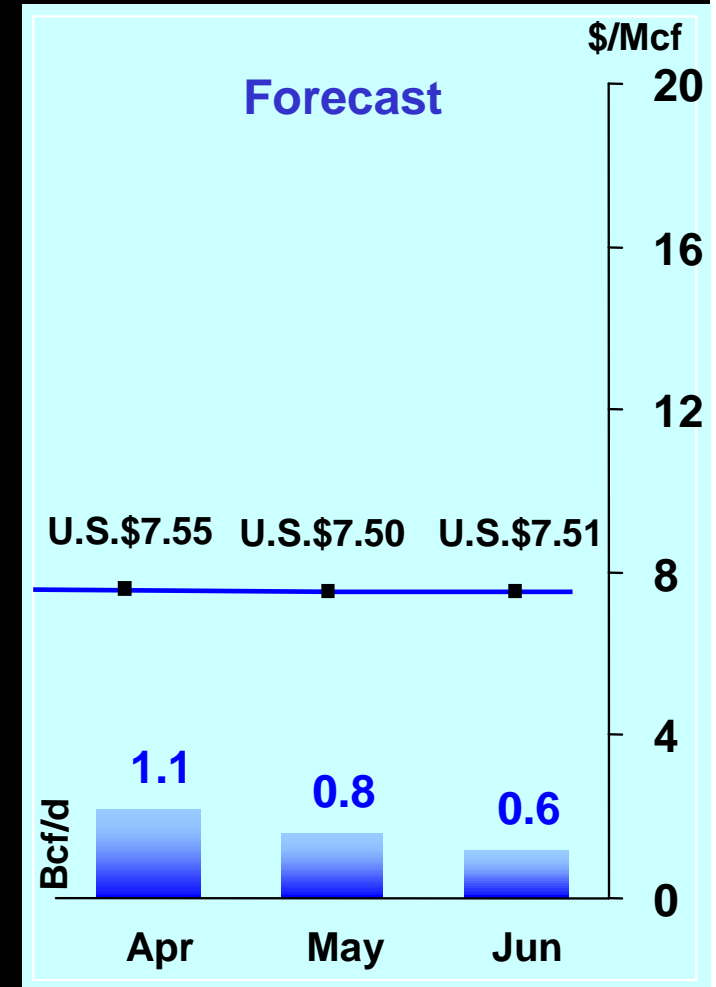
# Shut-In Federal Offshore Gulf Natural Gas Production

(EIA, April 2006)

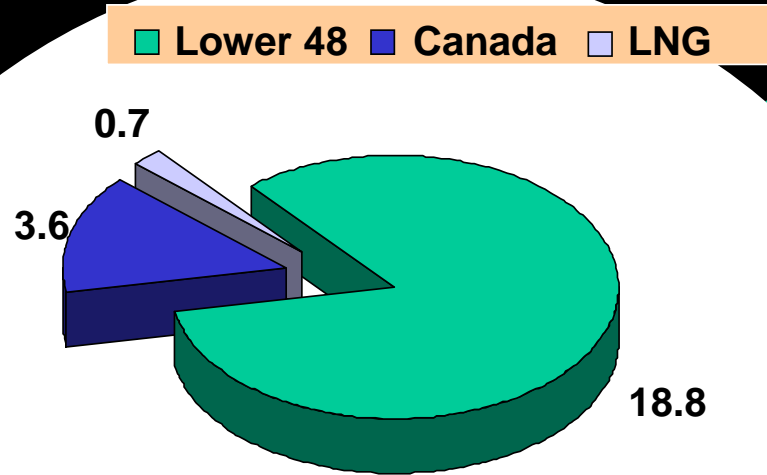


Trading on Henry Hub suspended from 9/23 - 10/6

Bcf/d = Billion cubic feet per day, \$/Mcf = Dollars per thousand cubic feet



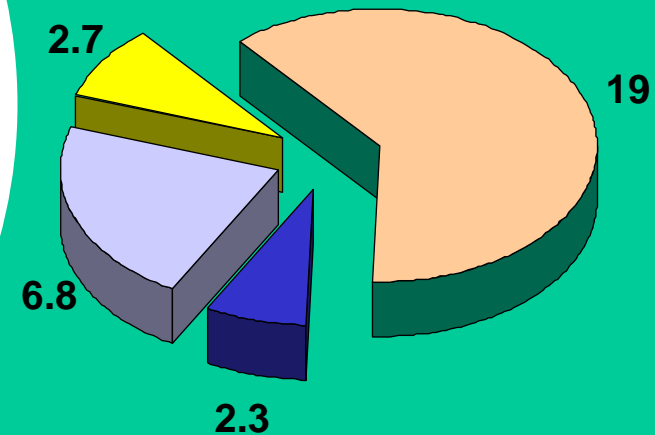
# Supply Outlook



23.1 Quadrillion Btus

Sources of U.S. Natural Gas Supply

Expected Sources of U.S. Natural Gas Supply 2020

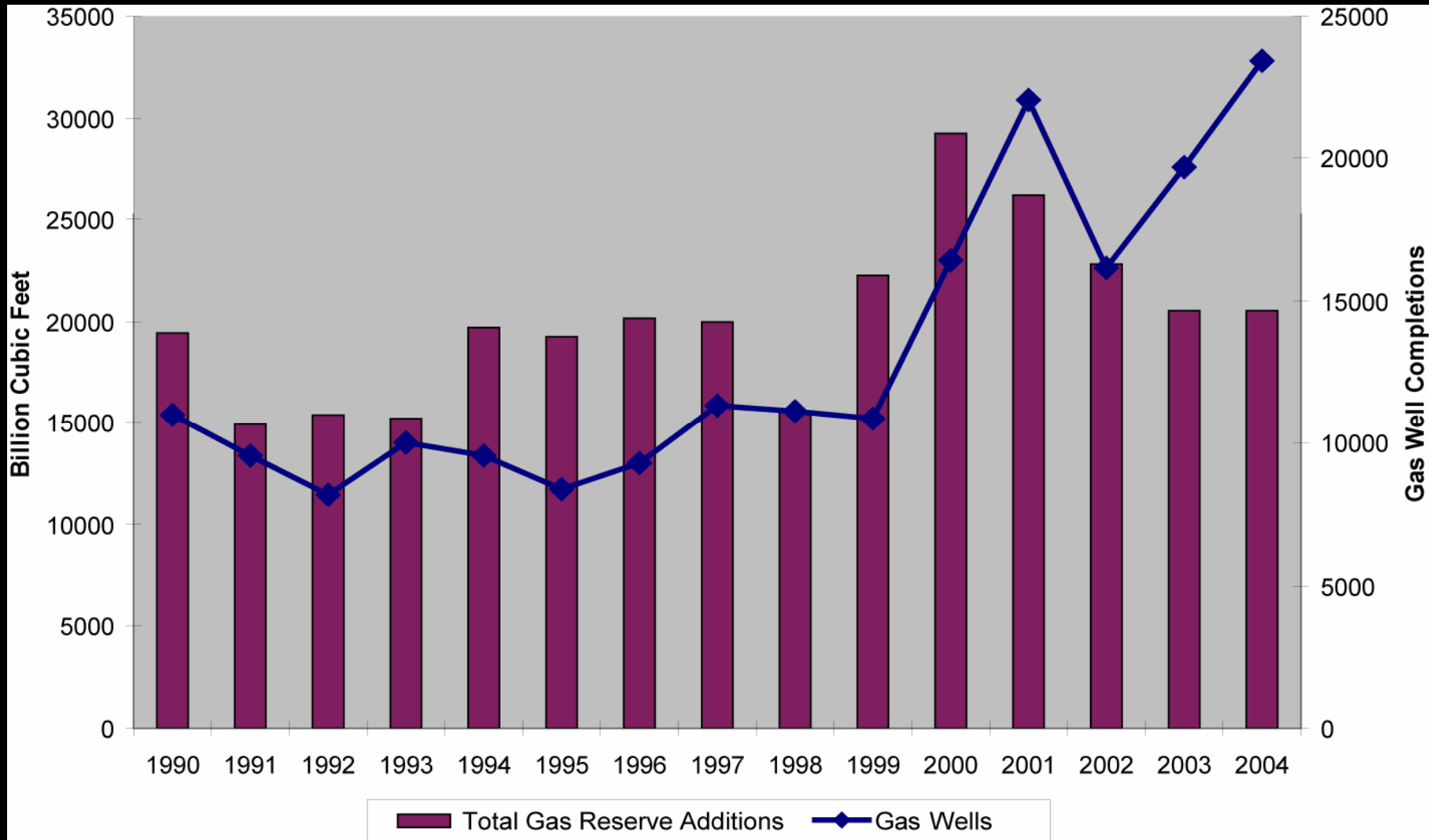


30.7 Quadrillion Btus

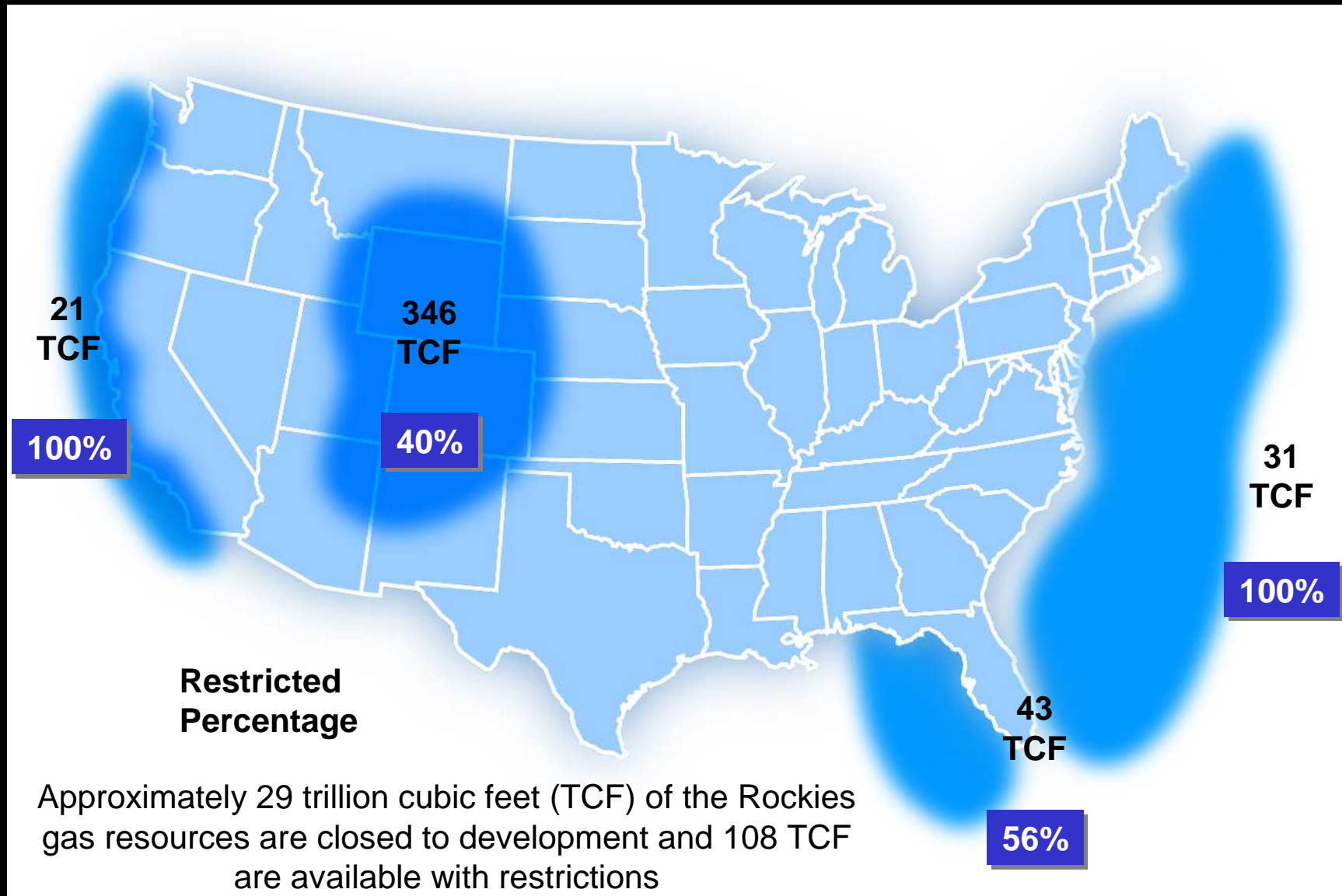
Lower 48 Canada LNG Alaska



# Maturing Resource Base



# Major Portions of the Gas Resource Base Are Not Accessible



# ALASKA

- Potential supply from existing reserves
- Recent legislation passed included tax credits, depreciation provisions, loan guarantees and expedited approval processes to construct a pipeline from Alaska to the Lower-48

Potential

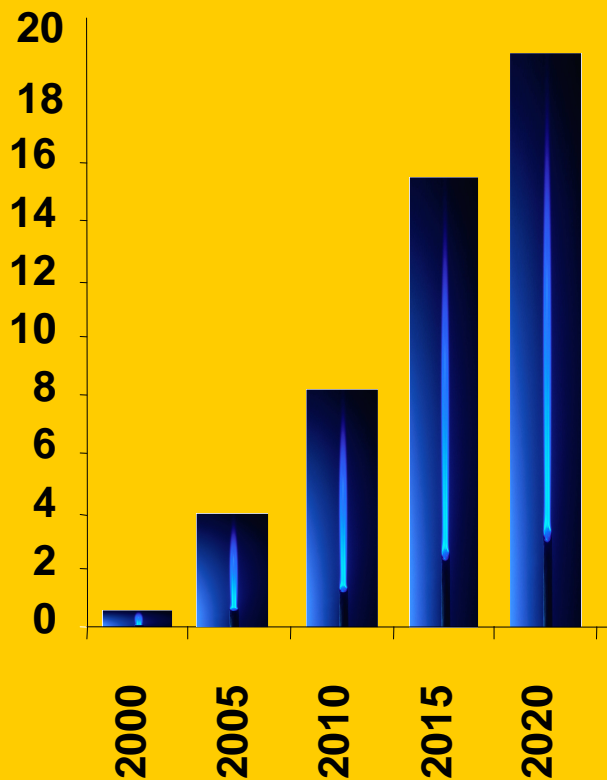
251

TCF

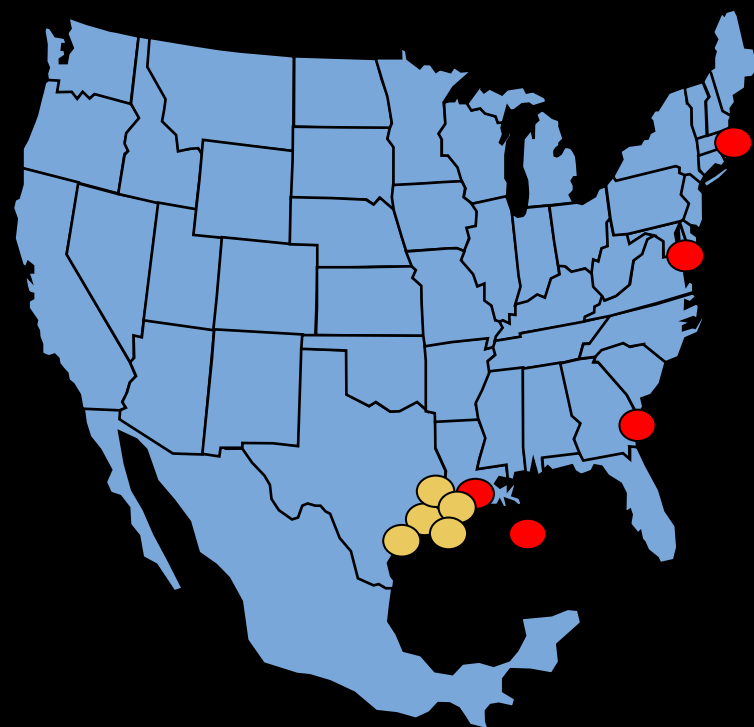
Lower-48

# Challenges for the Emerging LNG Market

Projected Imports  
BCFD



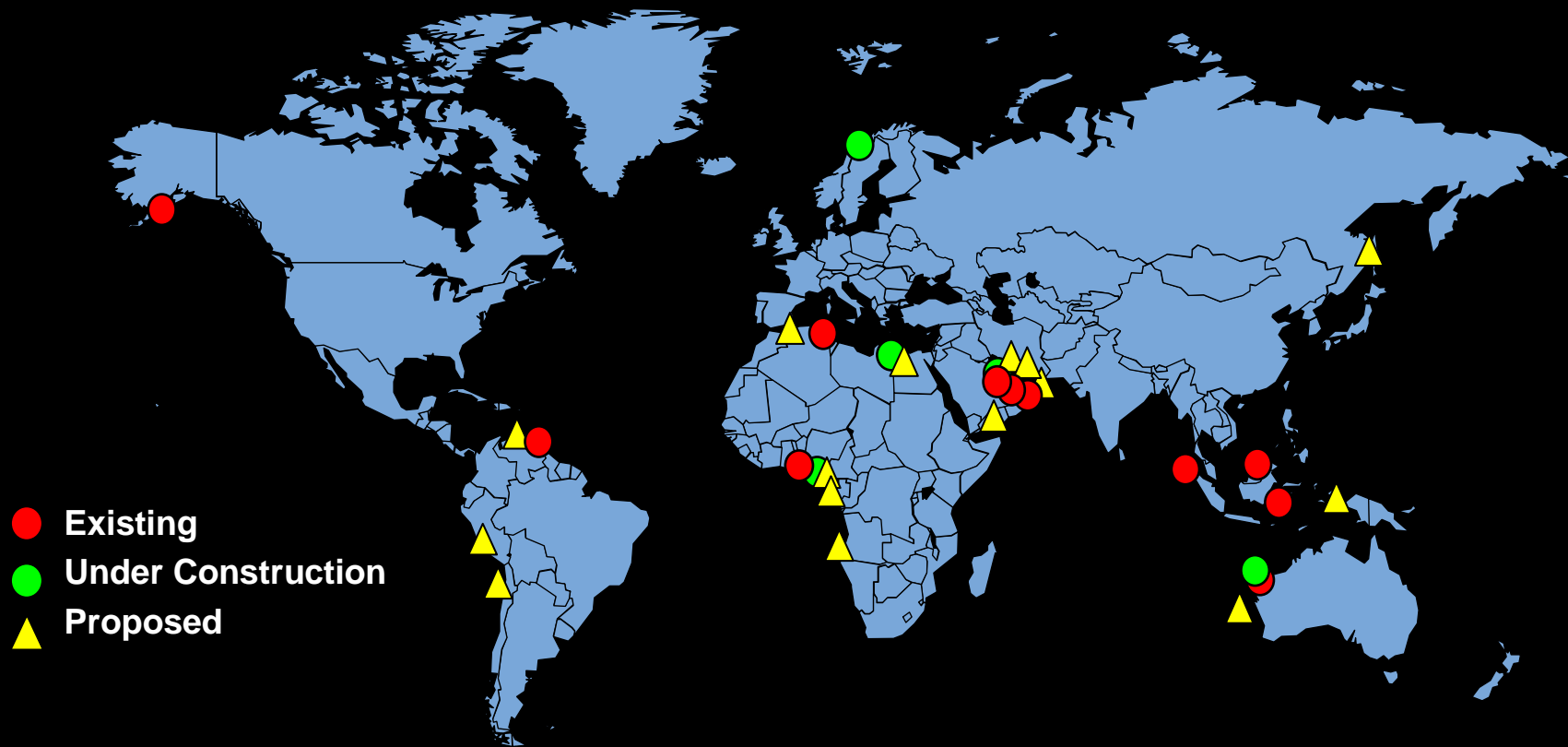
Import Terminals



● Existing (5)

● Under Construction (5)

# Existing and Potential LNG Terminals Worldwide



Annual Global Consumption  
< 2% of World Proved Reserves

# LNG Challenges

# LNG Solutions



Advocacy program

Public safety

Environmental

Education initiative

Community outreach

Safety awareness

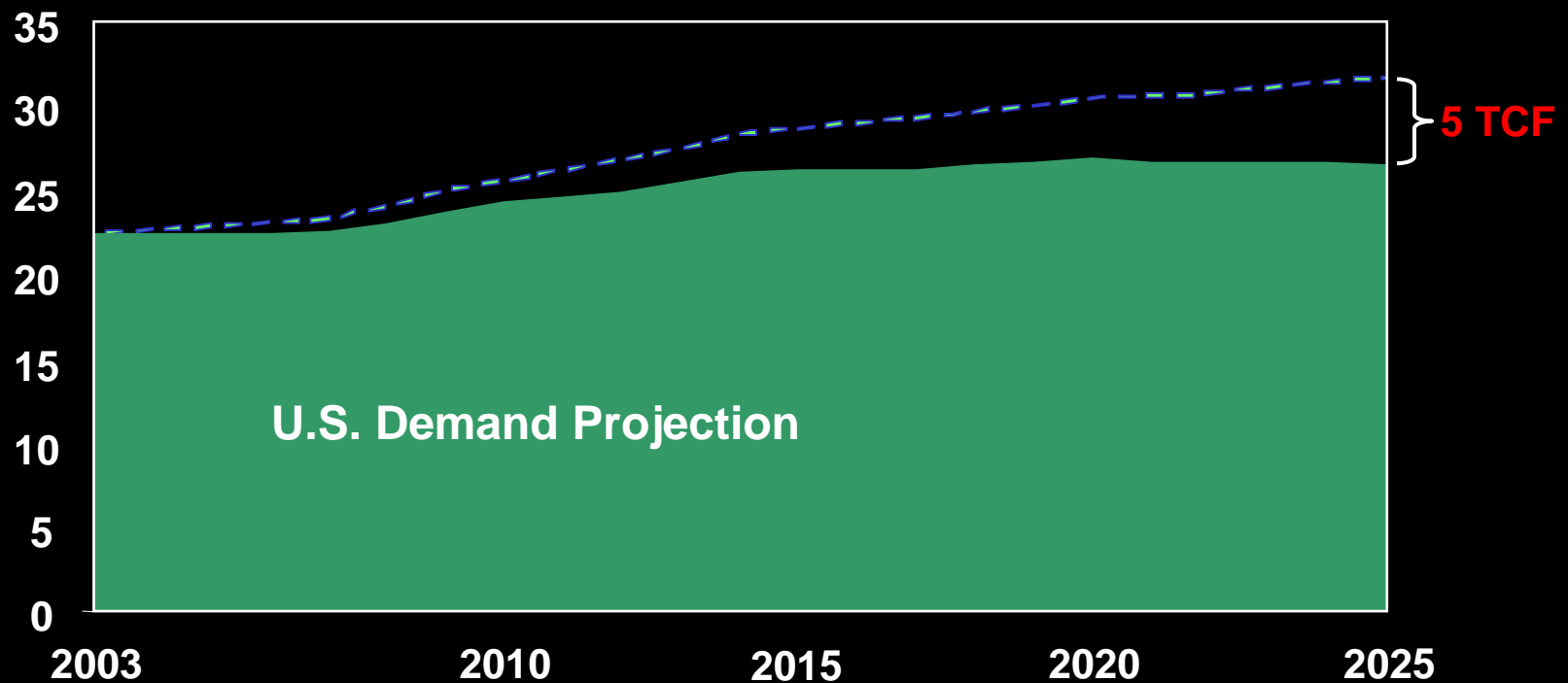
NIMBY

Legislative

Regulatory streamlining

# Continued Energy Efficiency Is Critical

Encourage increased efficiency and conservation through market-oriented initiatives and continued consumer education



# Helping our customers lower their natural gas bills



Educate them about home weatherproofing through better insulation

Set up payment programs to cushion price hikes— including levelized billing

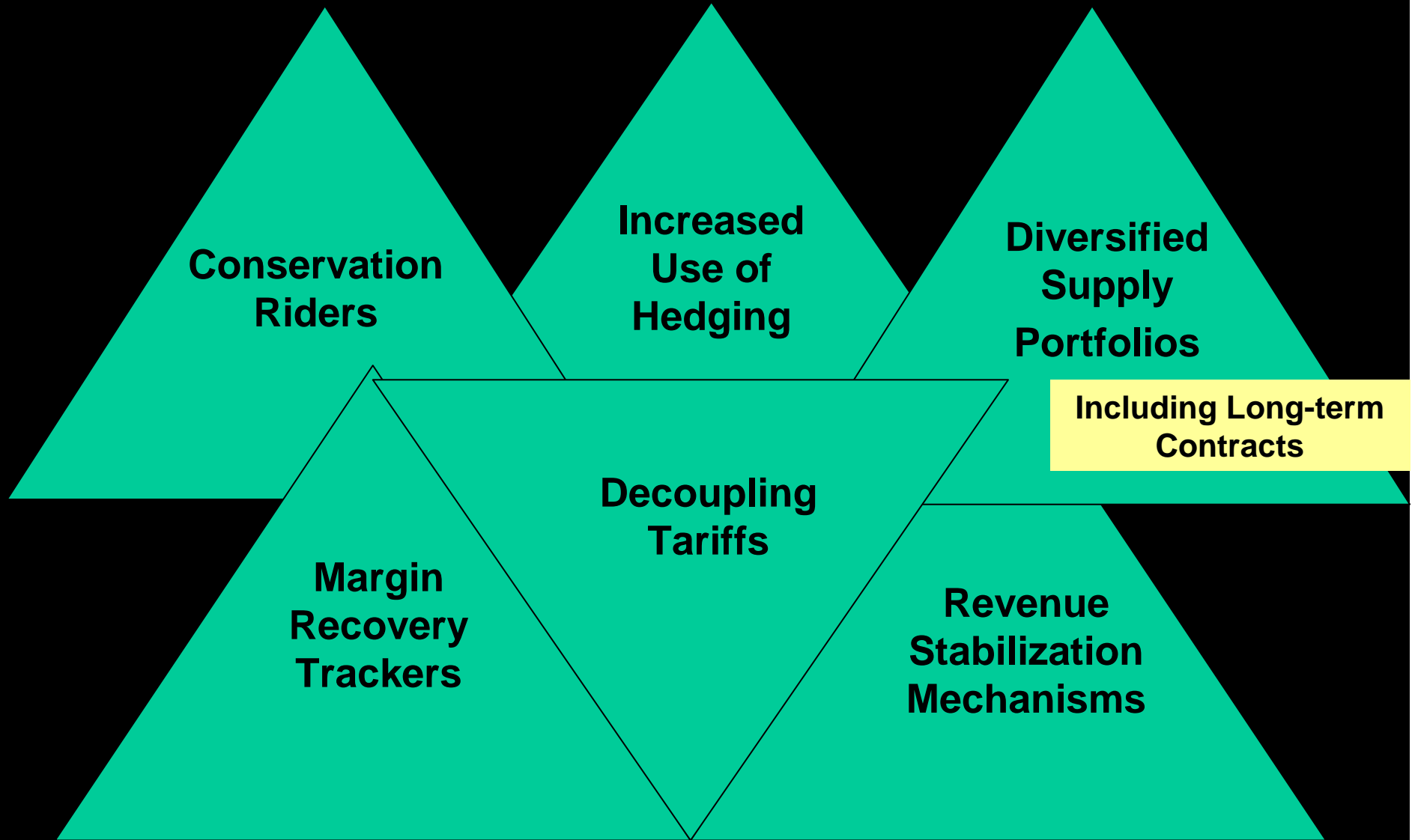
Help with purchase plans for more efficient gas appliances

Better energy management for homes and businesses





# Regulatory Strategies in a High Price Environment



# Industry Investment

More allowance of market-based rates for new storage would increase storage projects and mitigate price volatility



*The Energy Policy Act of 2005 has made it more economically attractive to invest in new natural gas facilities.*



To meet projected natural gas demand, 255,000 miles of new distribution infrastructure must be built, costing \$100 billion

# Natural Gas Industry In Brief

**Growing demand, but price forecast and market growth depend on public policy outcomes**

**Growing dependence on LNG, but community outreach and public education are critical**

**Future bright, but integration into the global natural gas industry is essential**



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