

# Perspectives on US Gas Market



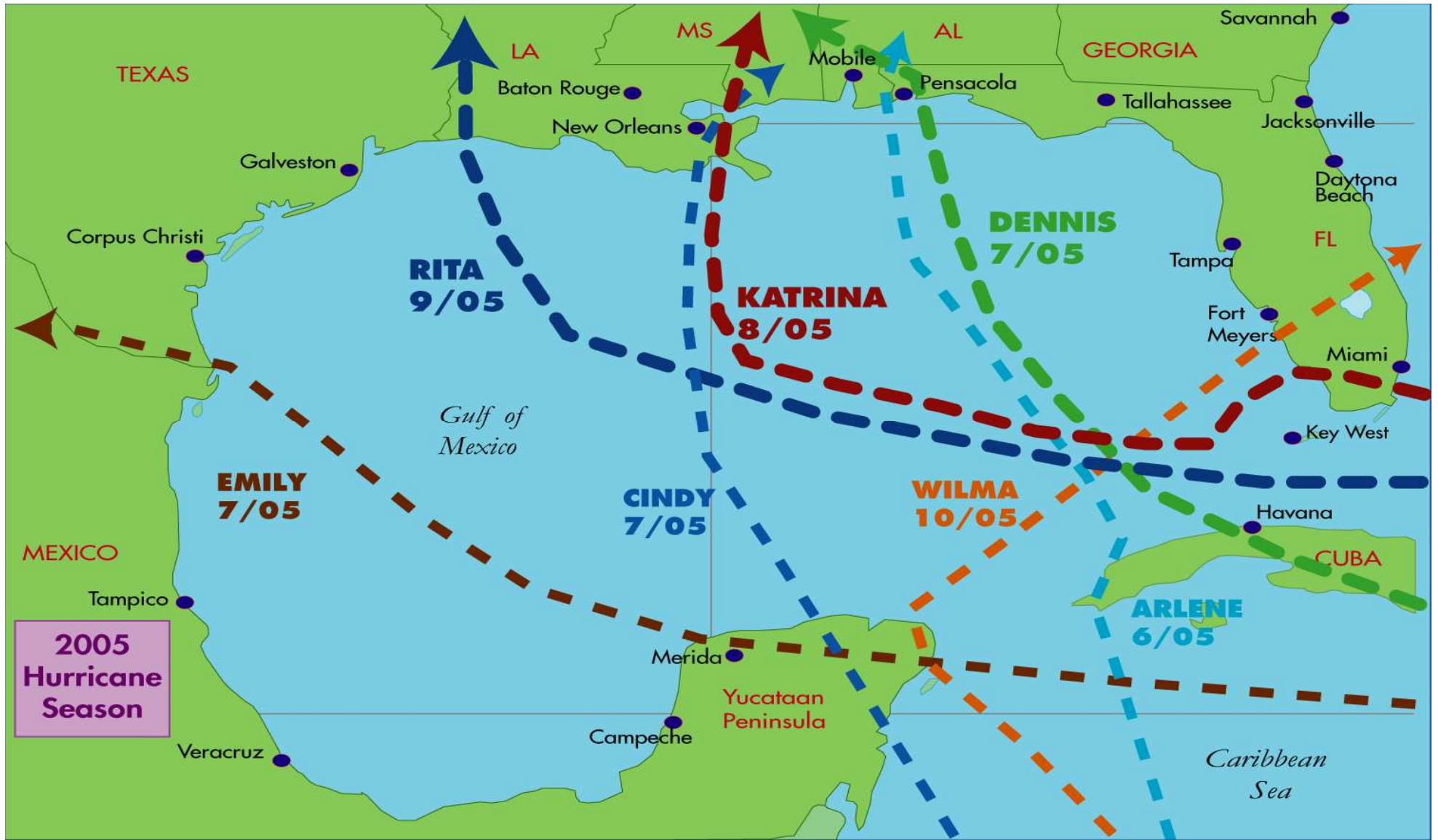
**Curtis Frasier**

Executive Vice President  
Shell Gas & Power Americas

**World Gas Conference**

**June 6, 2006**

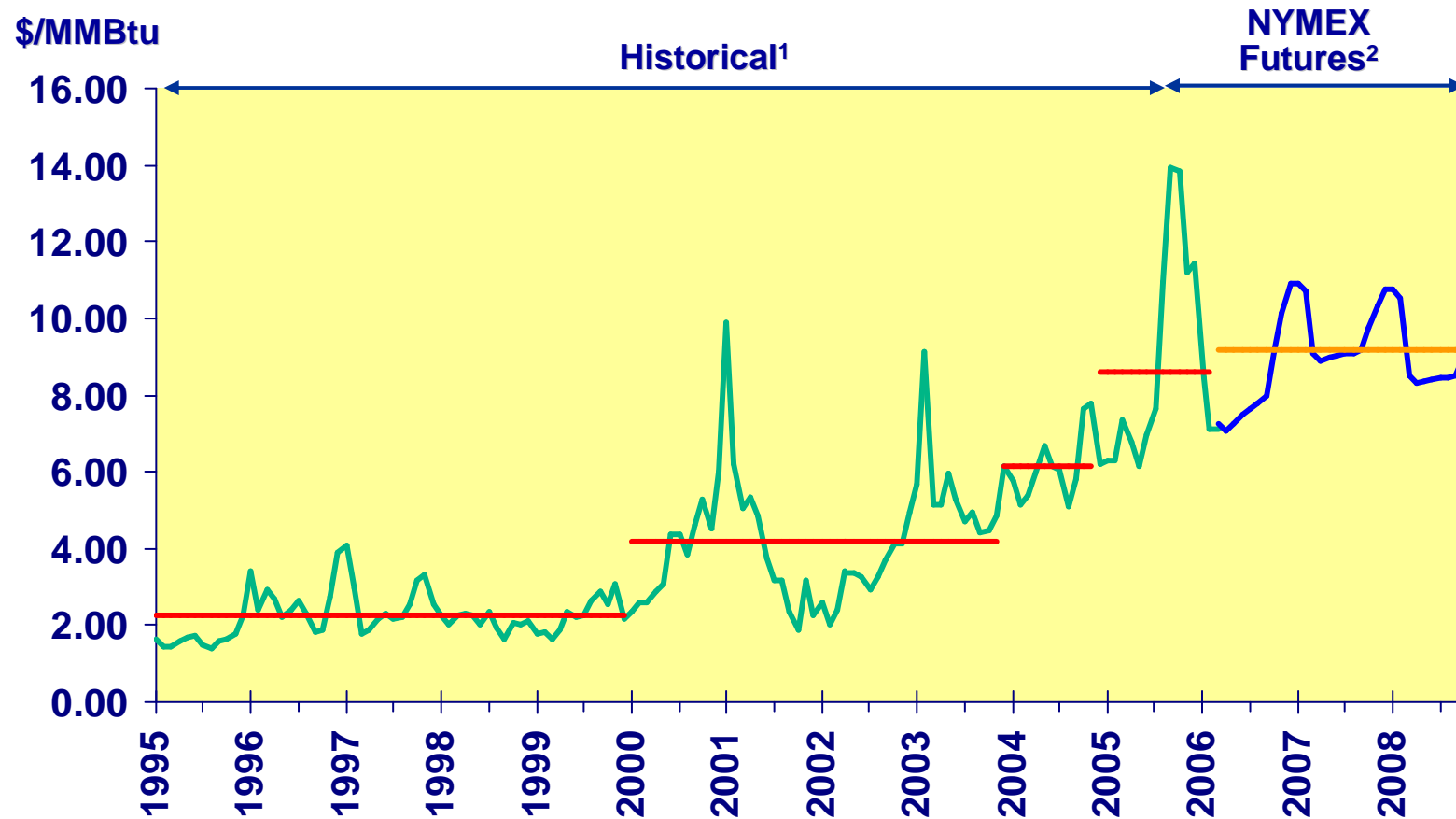
# Security Of Supply Has Been Brought To The Forefront



U.S. Gulf Coast — Highest energy infrastructure concentration in the world.



# U.S. Henry Hub Spot Natural Gas Price



**Market tightness driving price and volatility**

<sup>1</sup> Henry Hub spot prices 1995 – March 2006 (Inside FERC)

<sup>2</sup> NYMEX monthly futures as of April 5, 2006 (Gas Daily)



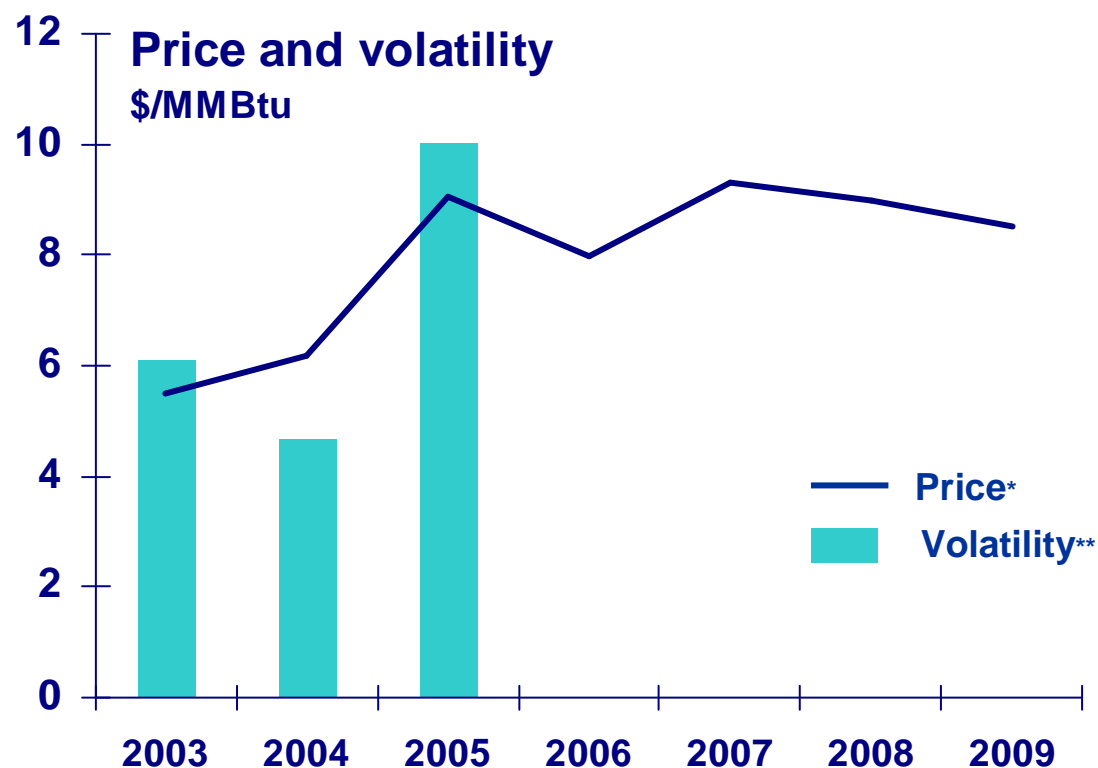
# Factors Driving Pricing Trend Likely to Continue

## Factors driving higher price

Oil geopolitical uncertainty

Modest supply growth

Increasing demand from power generators



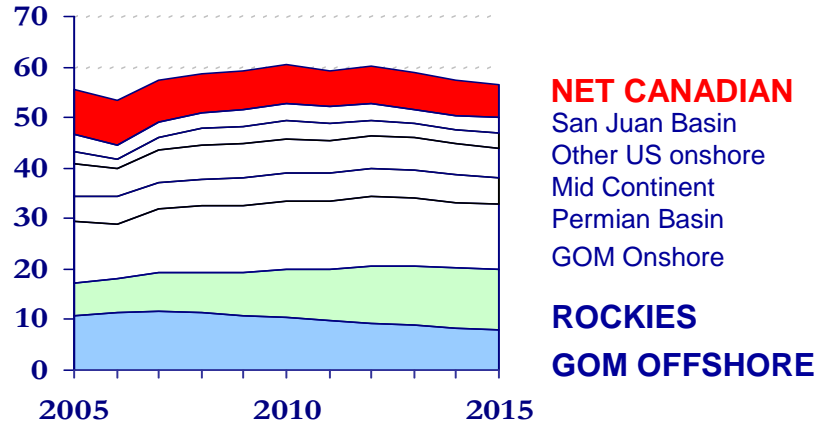
Source: Shell Trading indicative prices

\*Actual through March 2006, forward prices thereafter

\*\*Spread between max. and min. price for the year

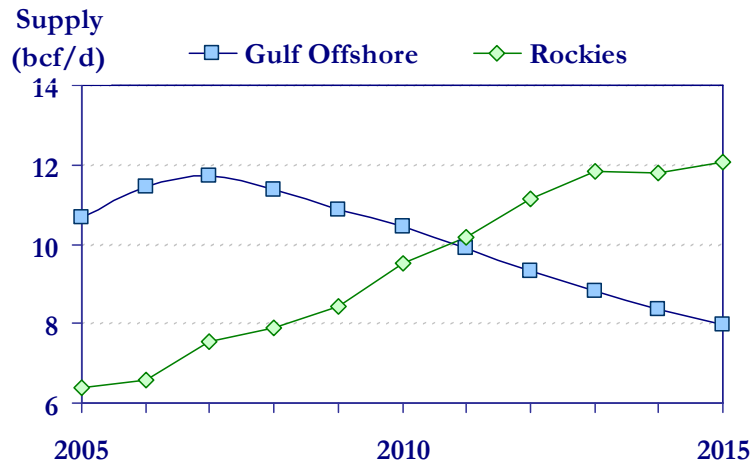


# North American Gas Supply



- Supply forecasts contingent on:
  - Sustained drilling at record levels
  - Prevailing field decline rates & costs
- Potential for production decline is high

## Marked Shift in Gas Origin



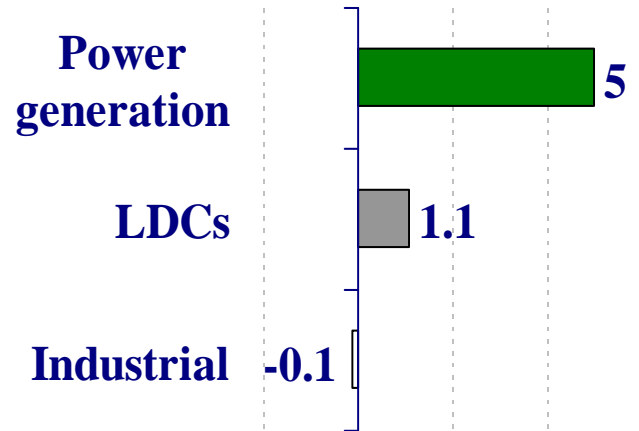
- By 2015
  - Rockies rivals GOM Onshore as #1 NA Source
  - GOM Offshore is in structural decline; releases pipeline capacity for Gulf LNG arrival

NA Gas Supply at best ~60 Bcf/d

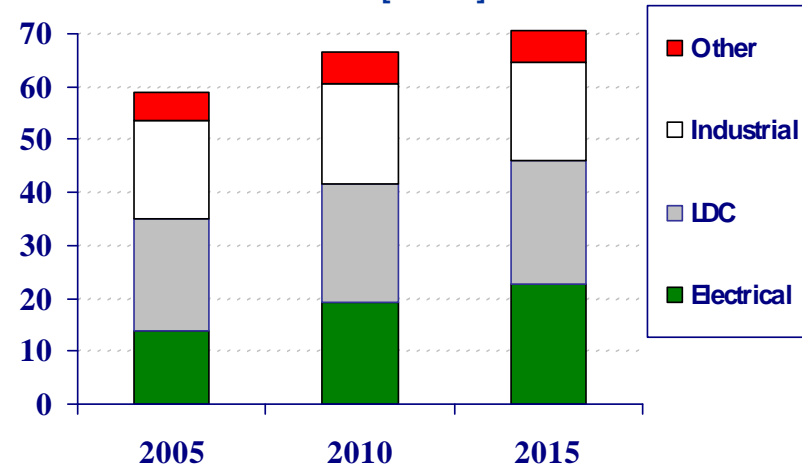


# What is Total US Gas Need?

**US Demand Growth Rates**  
[CAGR vs '05]



**US Gas Demand**  
[Bcf/d]



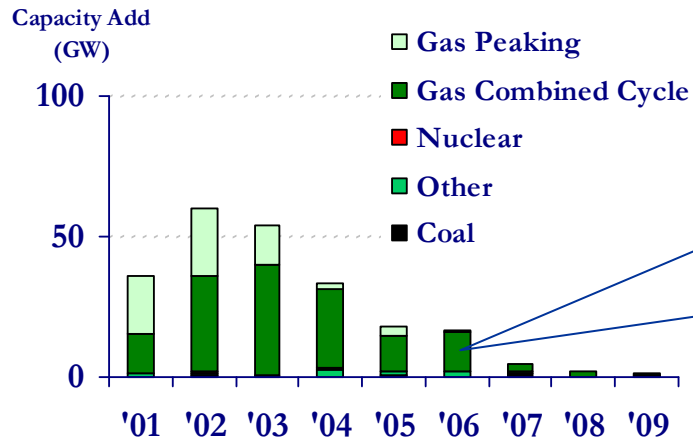
- LDC demand in line with population growth
- US Industrial demand is flat
- Power becomes ~1/3 of Gas Demand

US Gas Demand : 70 Bcf/d by 2015



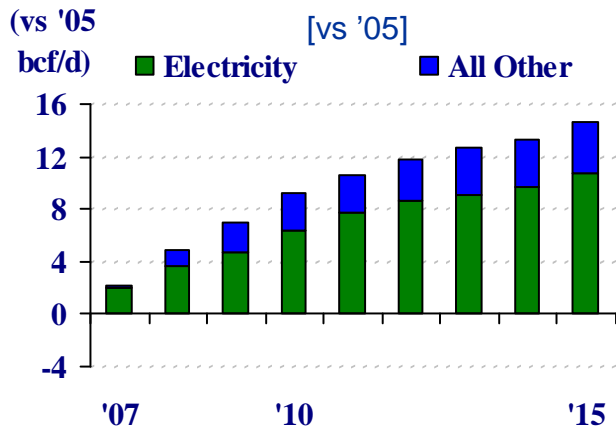
# Why so Much Gas in Power?

## NA Generation Build\*



\$120 billion invested in ~200 GW of gas fired generation since 2001

## Incremental NA Gas Demand



CAGR

0.6%

5.1%

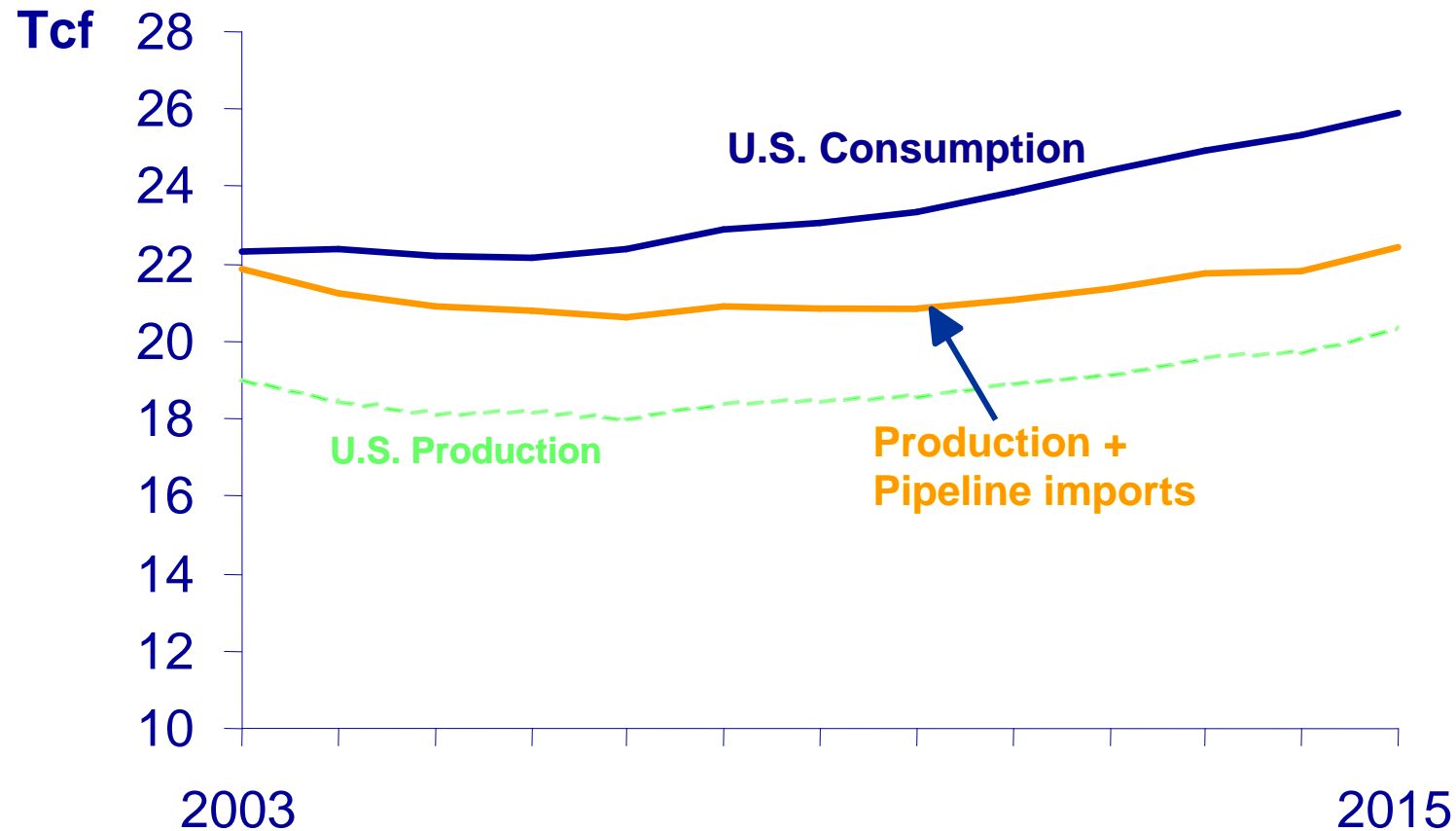
## Consequences of an Asset Investment Bubble

- Significant gas fired capacity available
- Nukes, coal and hydro already at maximum capacity (and building more takes time)
- Gas usage in power generation will grow at 5%
- Modest growth in other gas demand sectors

Gas Demand Growth is Primarily a Power Story.



# Gas Consumption Outpacing Production



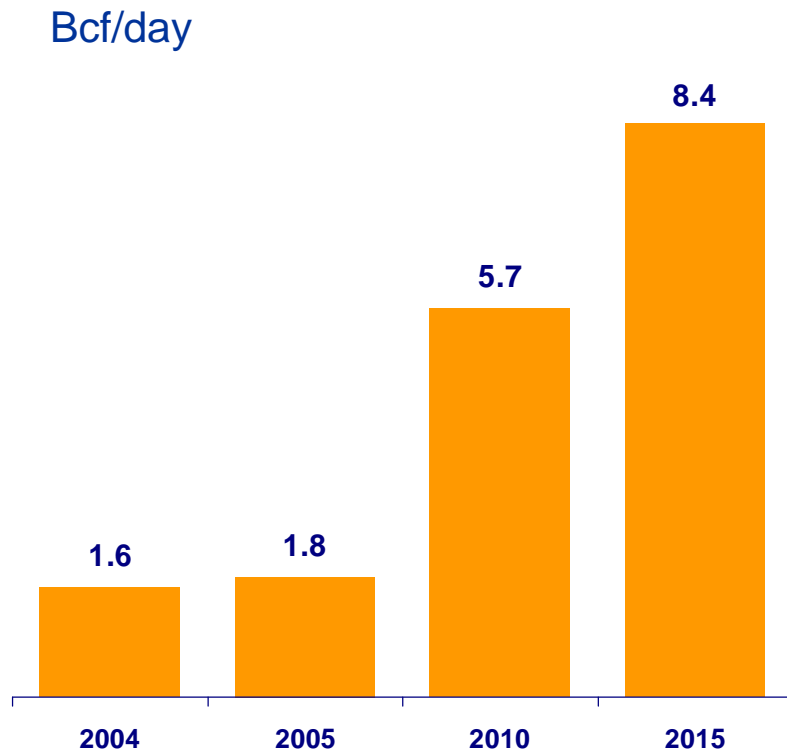
Source: EIA 2006



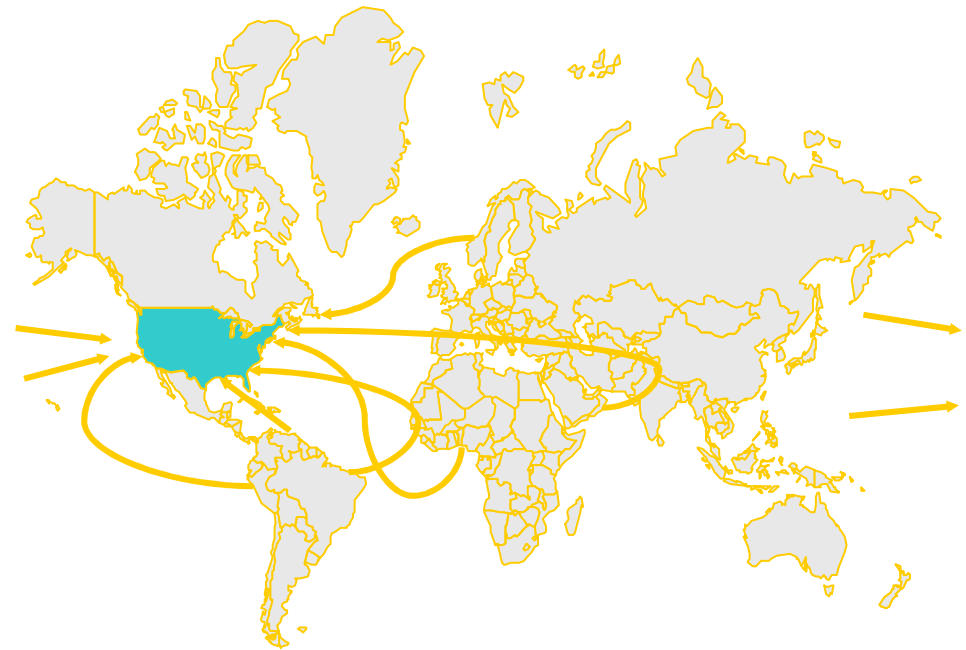


# LNG Will be Key to Balancing Market

## Expected LNG imports ...



## ... as a result of market globalisation



Potential LNG flows into North America 2020

Source: EIA 2006



