



25th world gas conference  
"Gas: Sustaining Future Global Growth"

# World Gas Supply & Demand

## The North American View

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Venue: 25<sup>th</sup> World Gas Conference



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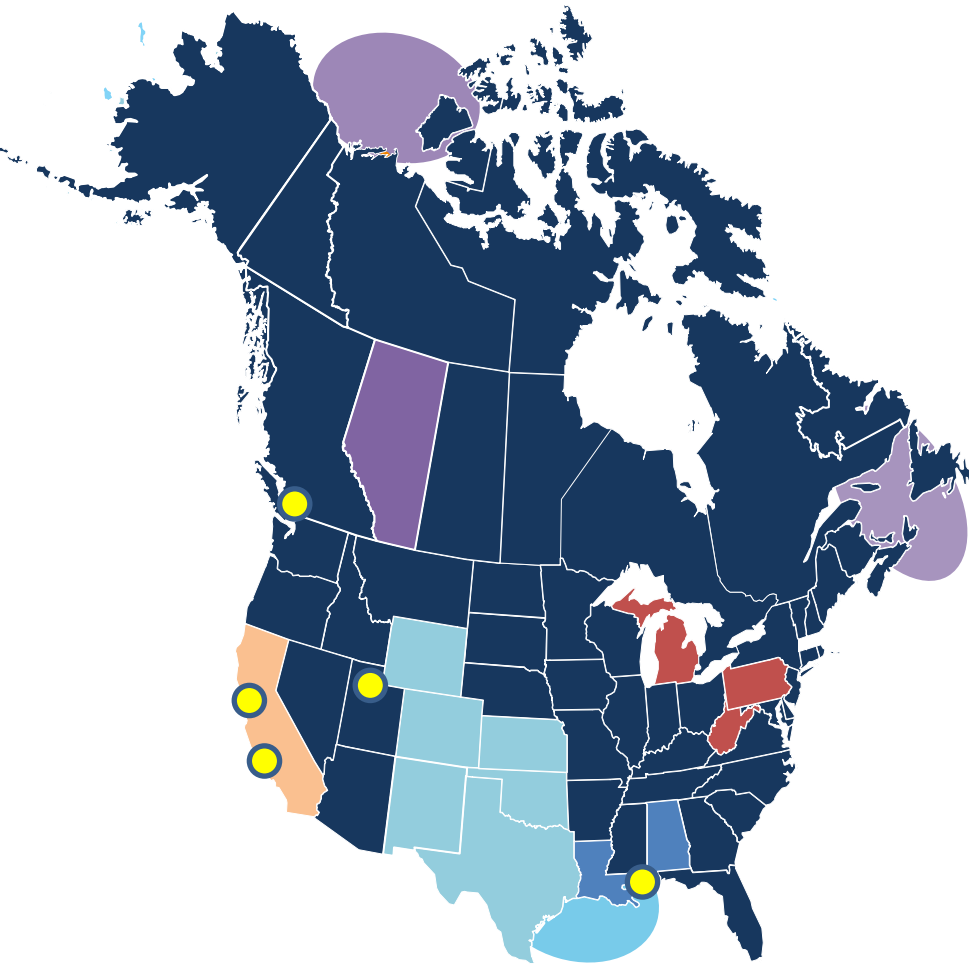


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# Chevron's North America Position: A Strong Business



No. 1 in U.S. upstream earnings\*

No. 1 producer in California

No. 2 oil producer in the Permian Basin

No. 3 producer in the U.S.

● Five refineries

# Chevron Natural Gas

## Role

- Maximize value of Chevron's equity gas
- Provide optimal supply and transportation services
- Sustain Chevron's competitive North America & European natural gas position

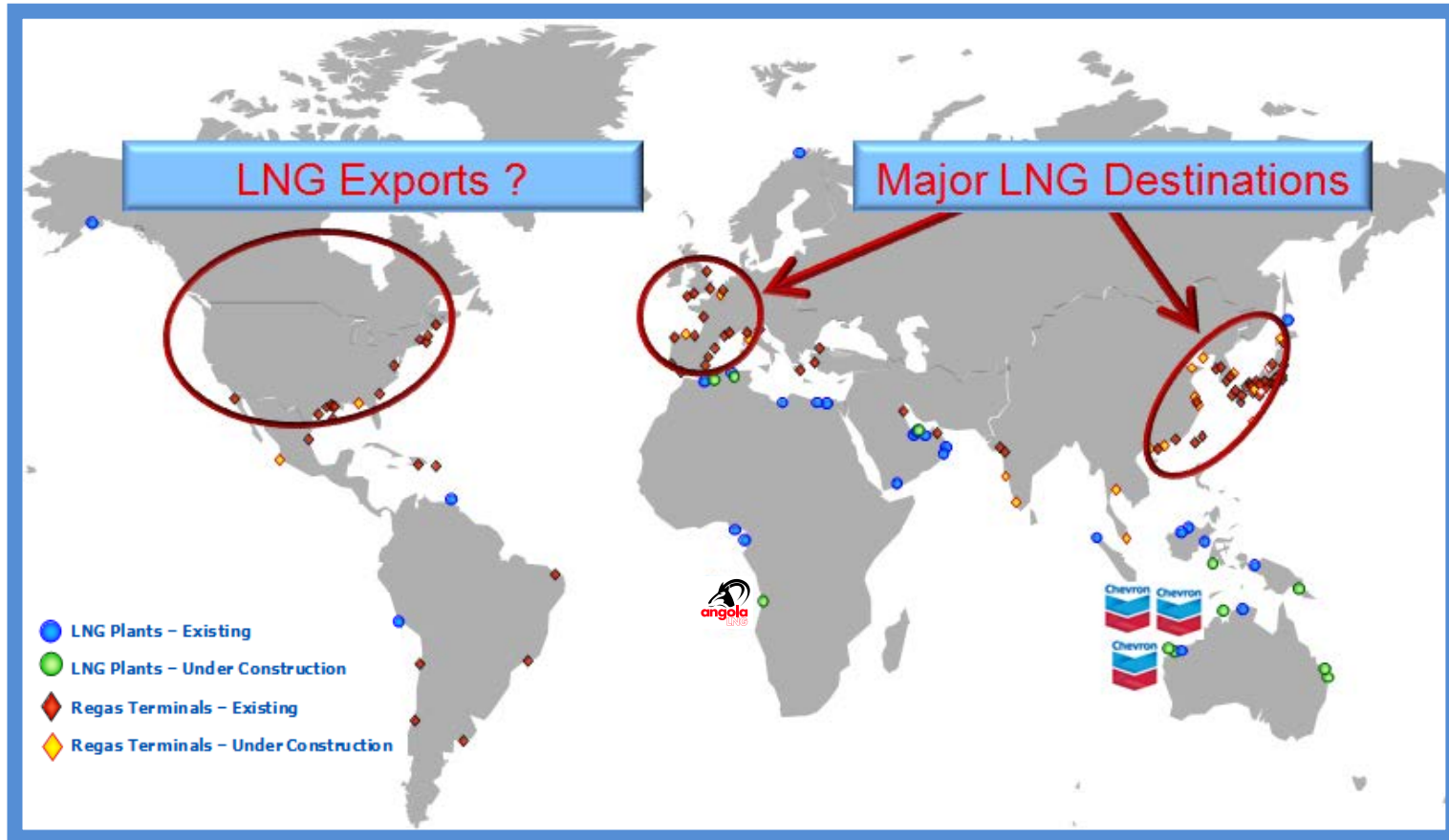
## Quick Facts

- Gas Sales ~70 Bcma
- Storage capacity ~4.5 bcm
- Wholesale customers ~600



# North America – Largest Natural Gas Market

## Potential for More Inter-Regional Trade



**Size: 800 BCMA**  
**LNG: <5%**

**Size: 600 BCMA**  
**LNG: 10-15%**

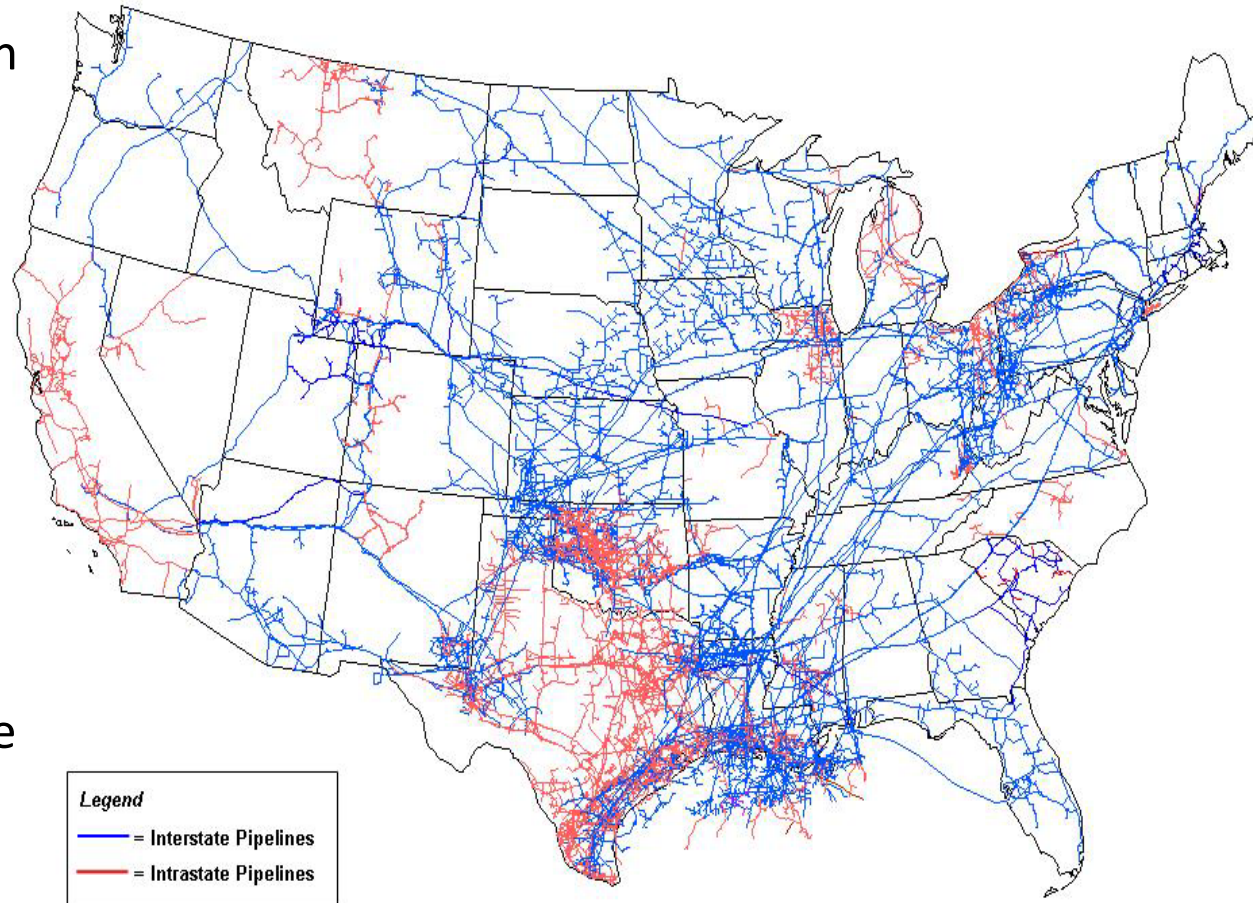
**Size: 350 BCMA**  
**LNG: Japan & Korea ~95%,  
China & India ~10%**

Source: Chevron

# Key Feature of U.S. Natural Gas Market

*Extensive Pipeline & Storage System, Expanding at Record Pace*

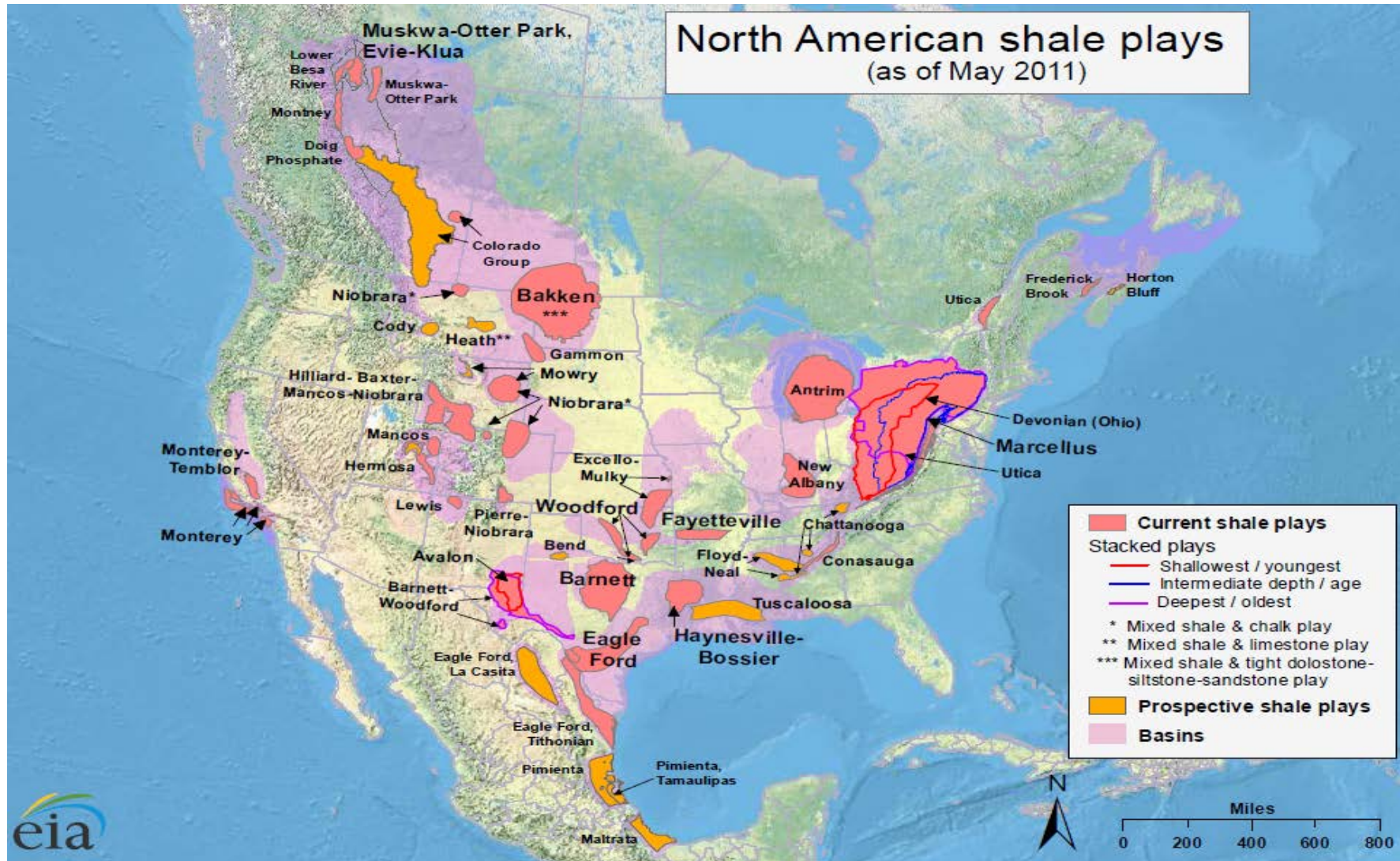
- Over 150 regulated “open access” interstate pipelines
- Pipeline system connects US, Canada and Mexico
- System continuously expanded to respond to market
- Free flow between regions allows for rapid Supply/Demand response
- 116 BCM of Storage provides liquidity and supply certainty



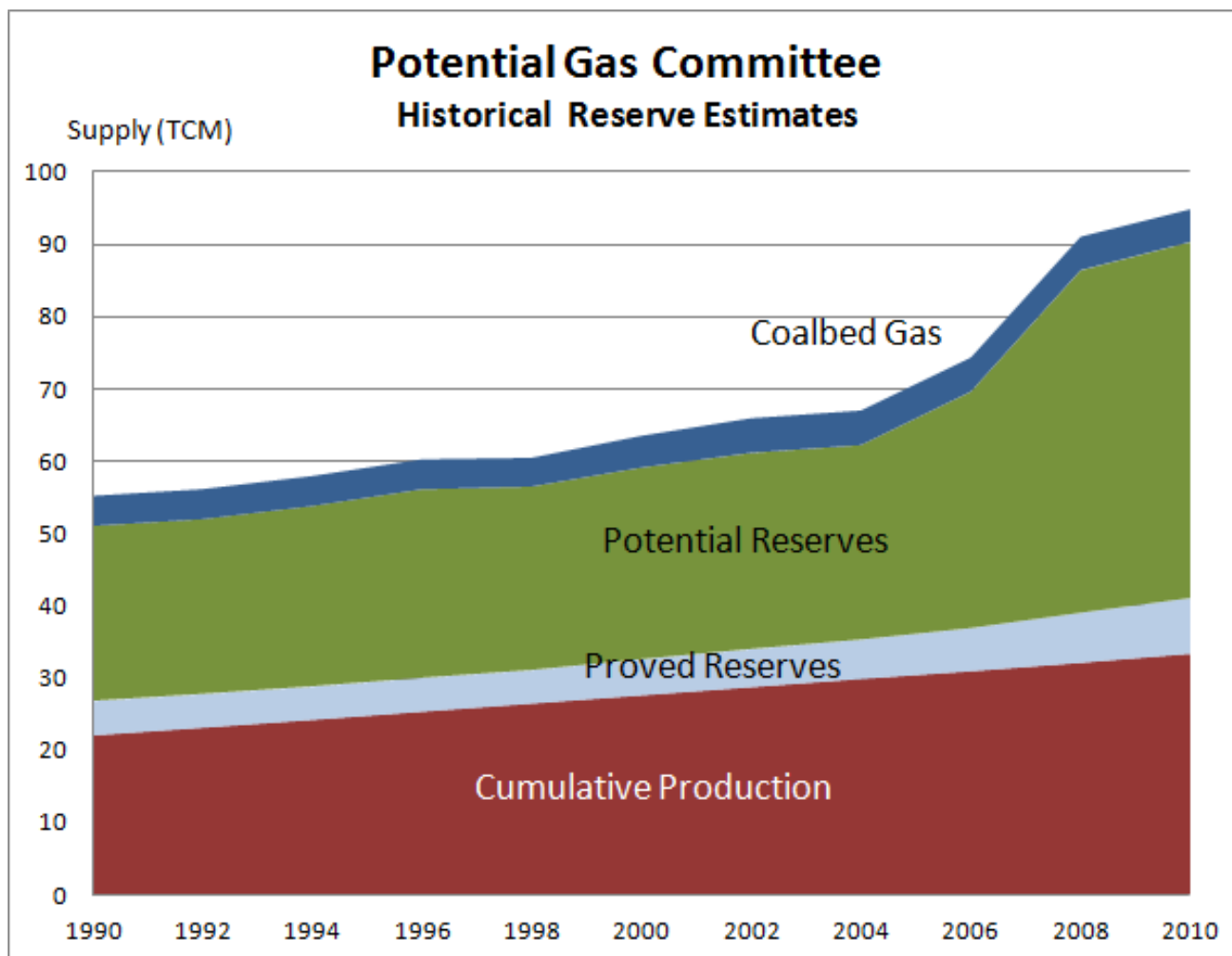
Source: Energy Information Administration, Office of Oil & Gas, Natural Gas Division, Gas Transportation Information System

# Major Natural Gas Developments – “Supply Push”

*N.A. Gas Reserves Increased 21% (2006 to 2010)*



# North American Gas Reserves – “Supply Push”



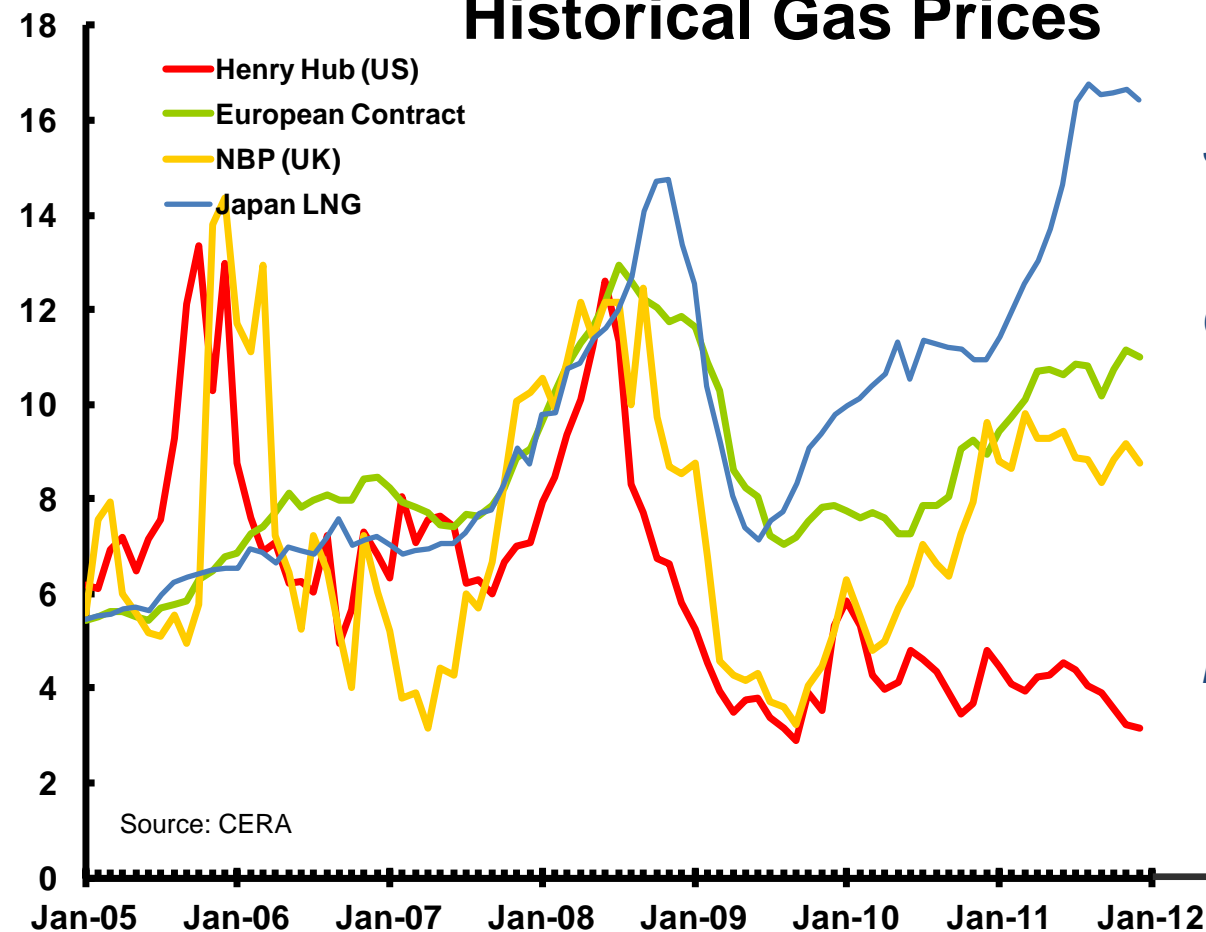
Source: Potential Gas Committee Biennial Report - 2010



# Global Gas Market – The Future is Clear, Right?

\$/MMBtu

## Historical Gas Prices



Source: CERA

*Shale Gas*

*Nuclear*

*Carbon*

*Politics*

*Technology*

*Security*

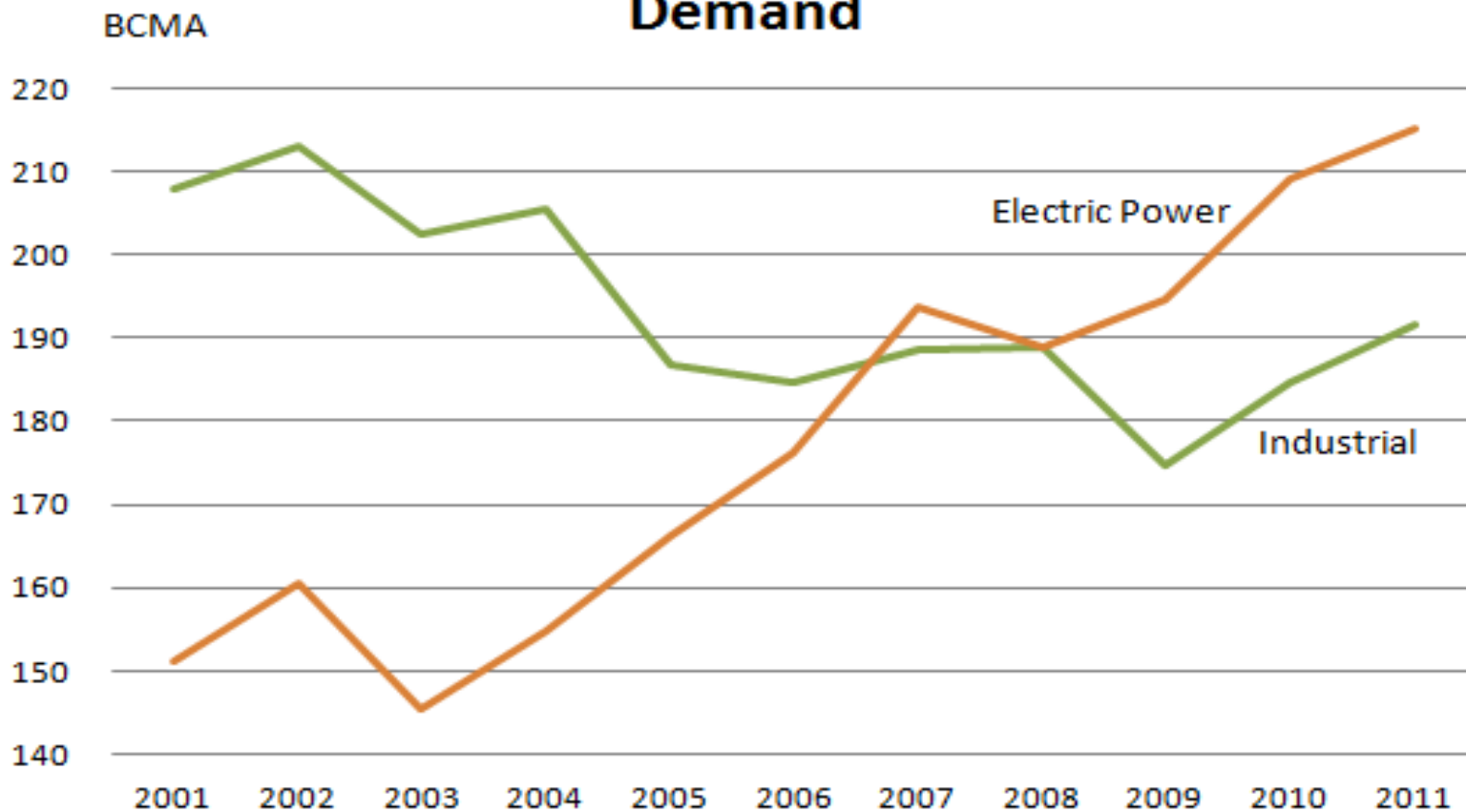
*New Markets*

*Coal*

# North American Gas – “Demand Pull”

Power Generation and Industrial Demand make up about 50% of 800 BCM market

## US Industrial and Power Generation Demand



Source: EIA

## Electric Power



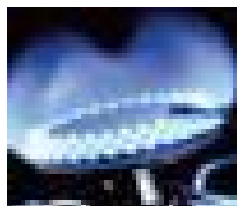
- Southern Companies CEO (Art Beattie): “Five years ago [we] were dispatching 70% coal and 12% natural gas. This year, our dispatch is 47% natural gas while coal has been cut in half to 35%”.

## Industrial



- Centerpoint Energy (LDC): Installed more gas interconnects with new customers along US Gulf Coast during 1Q'12 than all 2011.

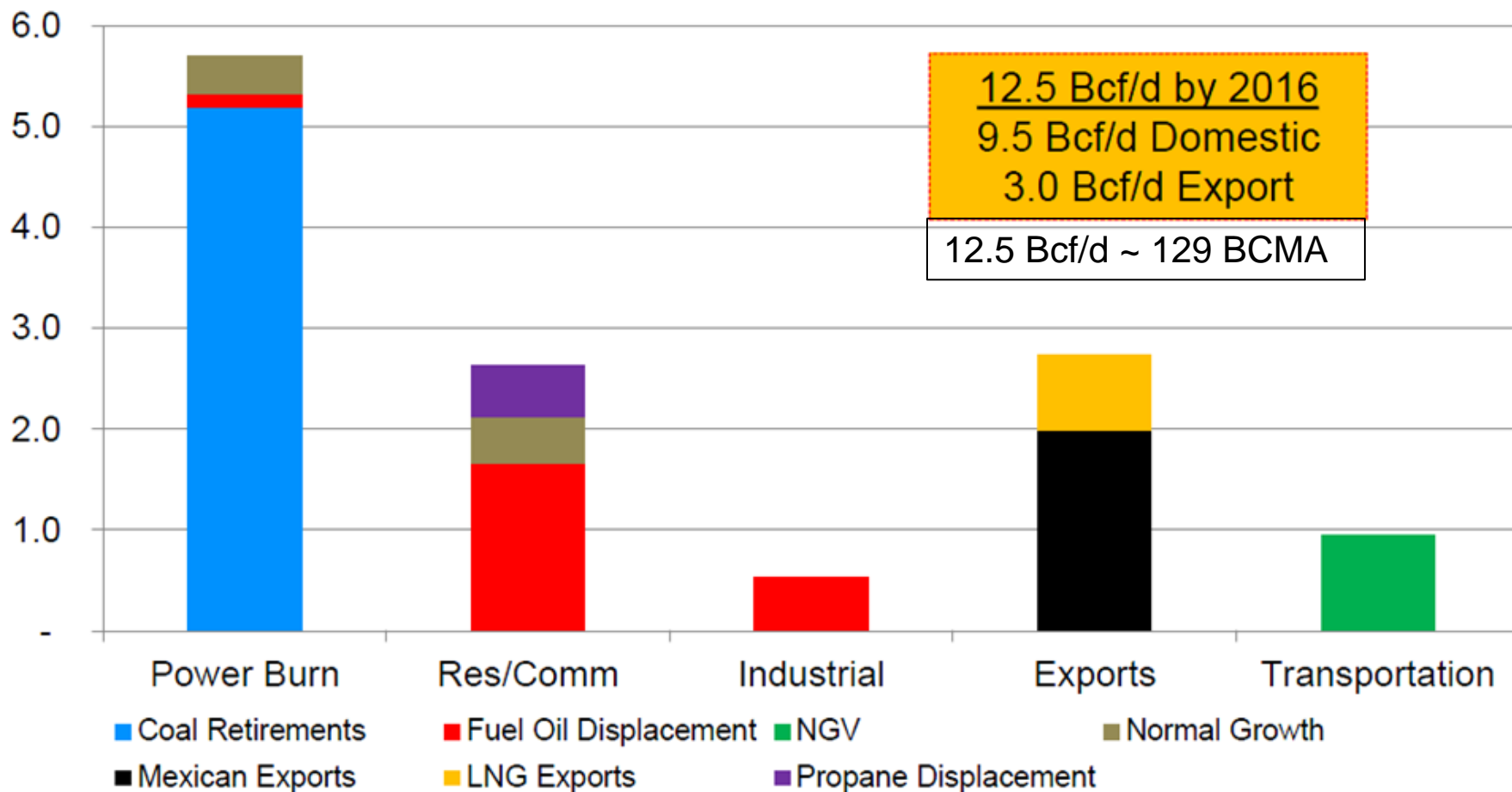
## Residential/Commercial



- Consolidated Edison: Switching 50% of multi-story customers from #6 oil to natural gas could boost peak demand 1.1 BCFD

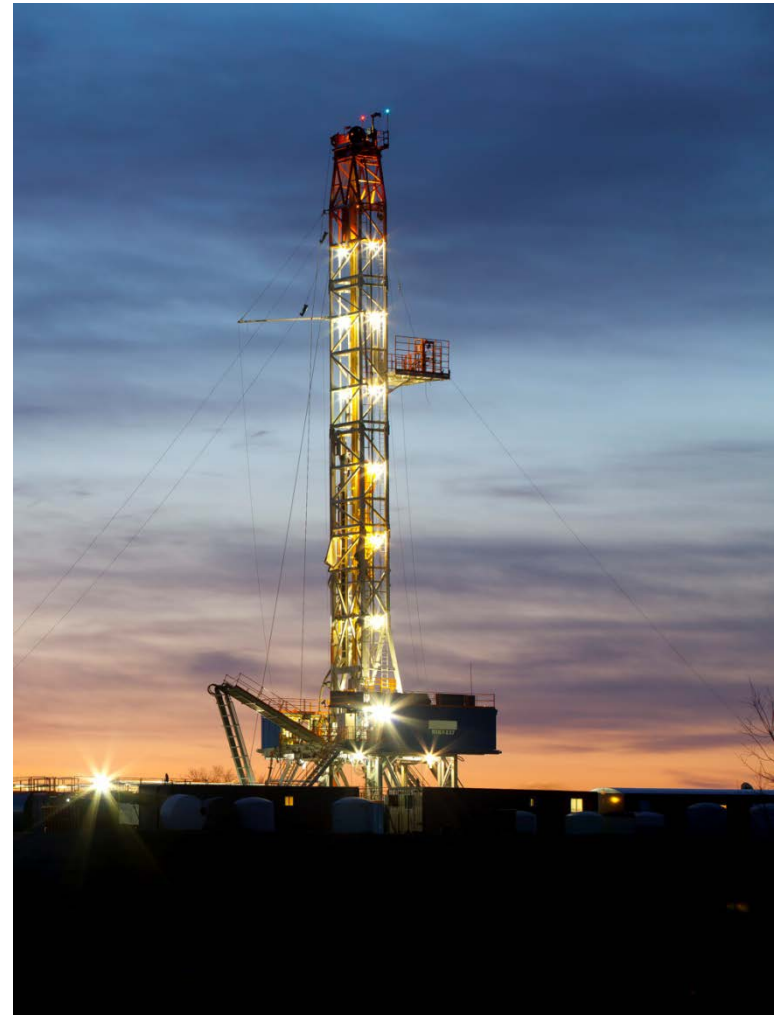
# Future U.S. Gas Demand Growth One Consultant's View (Bentek)

## Incremental Demand by 2016 (Bcf/d)



## In Conclusion

- North American supply is real and increasing
- Demand growth utilizes the supply, with potentially enough for LNG export
- Market factors work – companies are continuously pursuing supply and demand solutions
- Asia, Europe & North America are all outstanding gas markets



# Discussion

