

NATURAL GAS:

Clean Energy to Keep America Going Strong

The Natural Gas Market

Natural gas is a clean, safe, efficient, and reliable fuel. It is those qualities that make natural gas the fuel of choice for more Americans for heating and cooling our homes and offices, cooking our meals, fueling our industries and powering our electricity-generating plants. In short, natural gas has given Americans the freedom to retain our quality of life while contributing toward a cleaner environment.

The U.S. Energy Information Administration projects that U.S. demand for natural gas will increase by another 1.9 percent in 2001; the Department of Energy's National Petroleum Council projects that gas demand over the next decade may grow by more than 30 percent.

- Natural gas producers are responding to the higher prices resulting from increased demand by increasing their drilling activity by approximately 160 percent since April 1999.

The amount of natural gas that lies deep in the earth on the North American continent, and off its shores, is adequate to supply the growing demand if it can be developed and brought to market. Forecasts project ample natural gas for many years to come.

- Since more than one-third of the gas produced in the United States comes from multiple-use government lands, expanded access to lands would greatly enhance industry's ability to continue providing customers with a reliable supply of natural gas. The National Petroleum Council estimated that some 46% of the nation's future natural gas resource base lies under government lands.
- In addition to supply, reliability is affected by storage management, delivery systems, industry structure, market forces and the ability of companies to supply their customers with the gas for which they contracted.

Market forces responding to the laws of supply and demand determine natural gas prices.

- In the past, free markets haven't always been allowed to work for natural gas -- from the mid-1950s to the late 1970s, the federal government controlled most wellhead gas prices -- and consumers have suffered the consequences.
- During the 1980s, Congress and the Federal Energy Regulatory Commission began moving toward a more market-oriented approach to the regulation of natural gas and in 1989, Congress enacted the Natural Gas Wellhead Decontrol Act, which phased in the removal of price controls on natural gas at the wellhead.
- Since the industry was restructured, all natural gas customers have benefited from lower wellhead prices.

Natural gas producers are committed to providing reliable service to customers and to working with customers and federal and state officials to resolve questions about natural gas supply, demand and deliverability.