

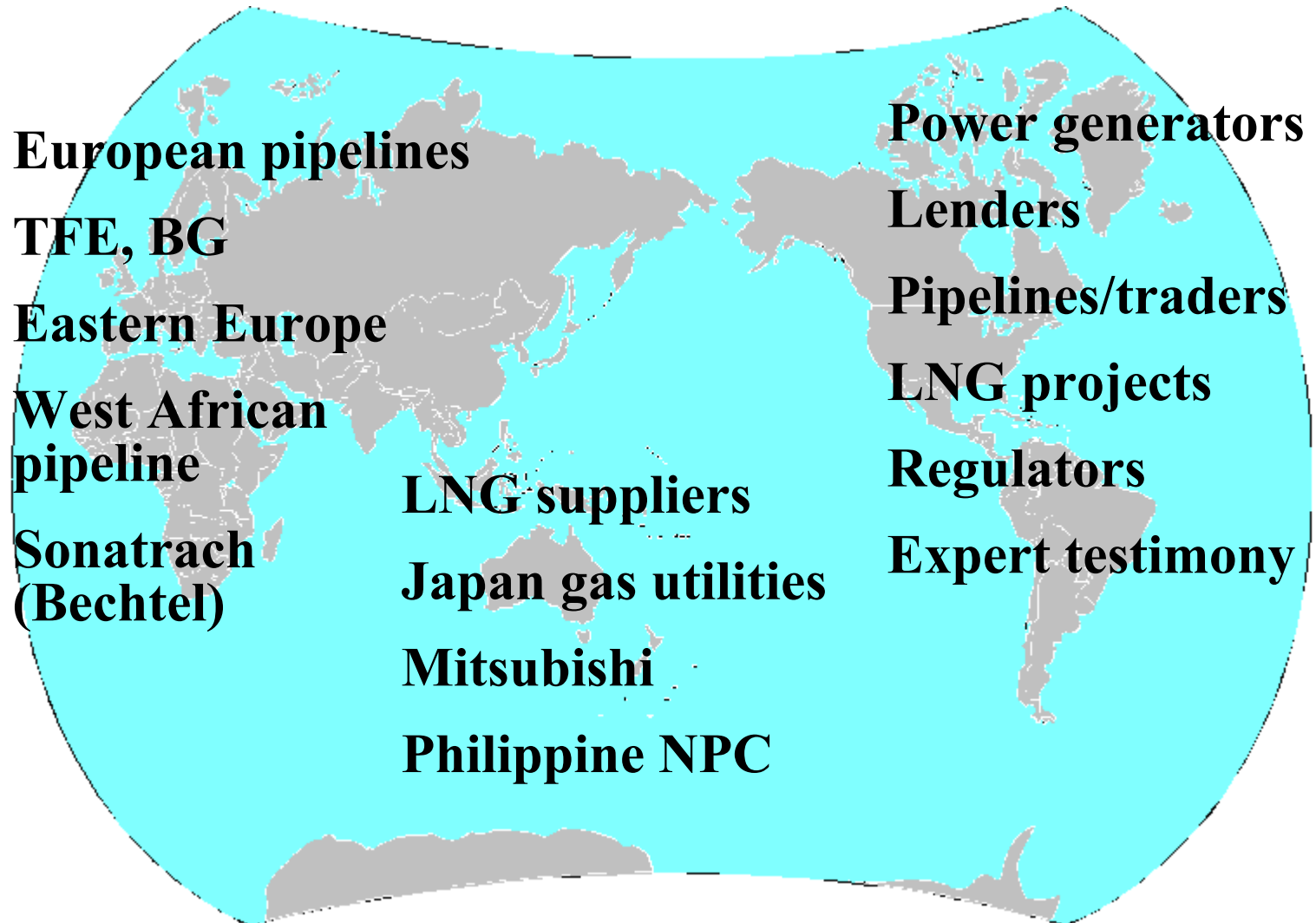


Update on North American Energy Markets

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**UNECE Working Party on Gas
Geneva - January 19, 2005**

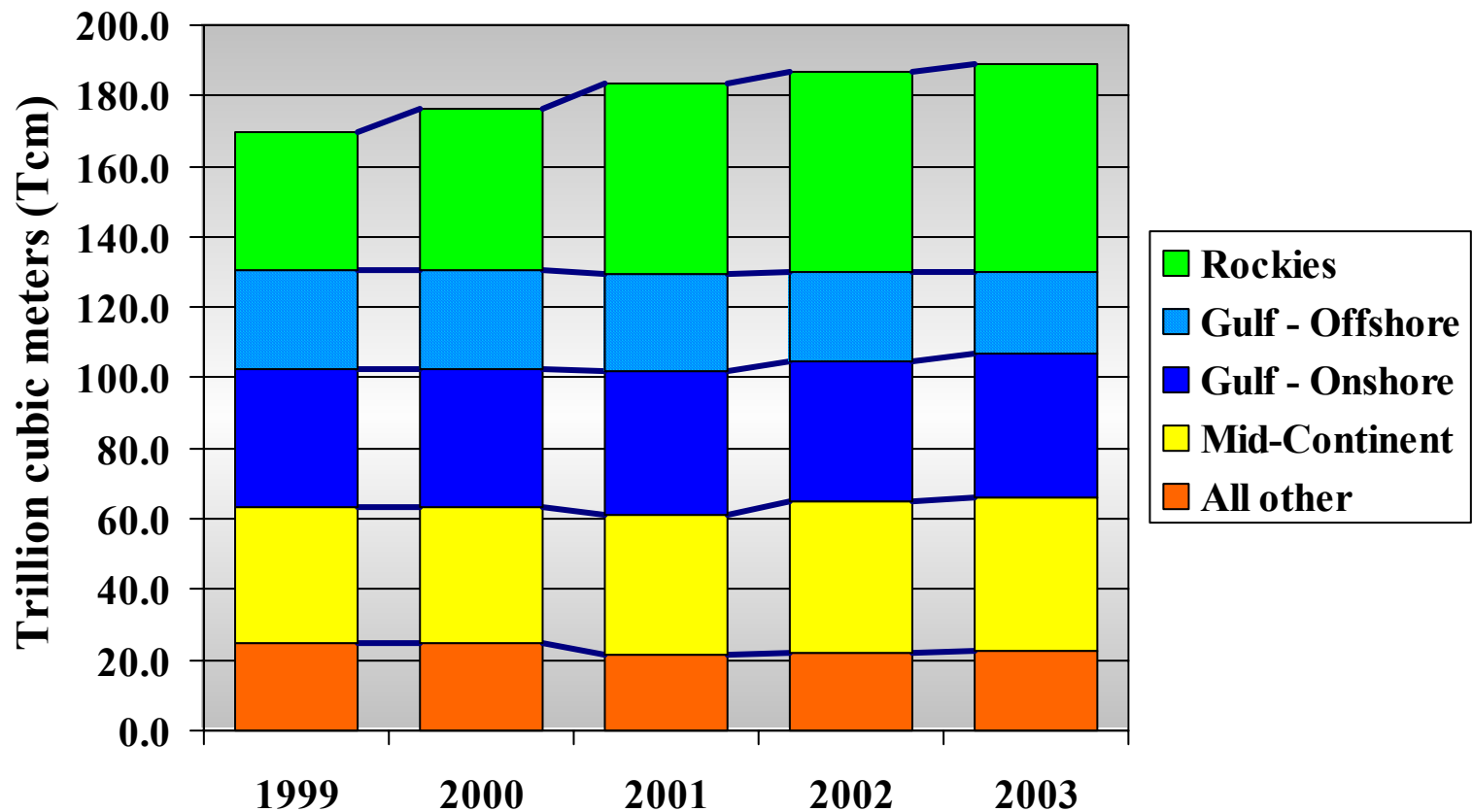
BSA's client areas



Snapshot of the US gas market.

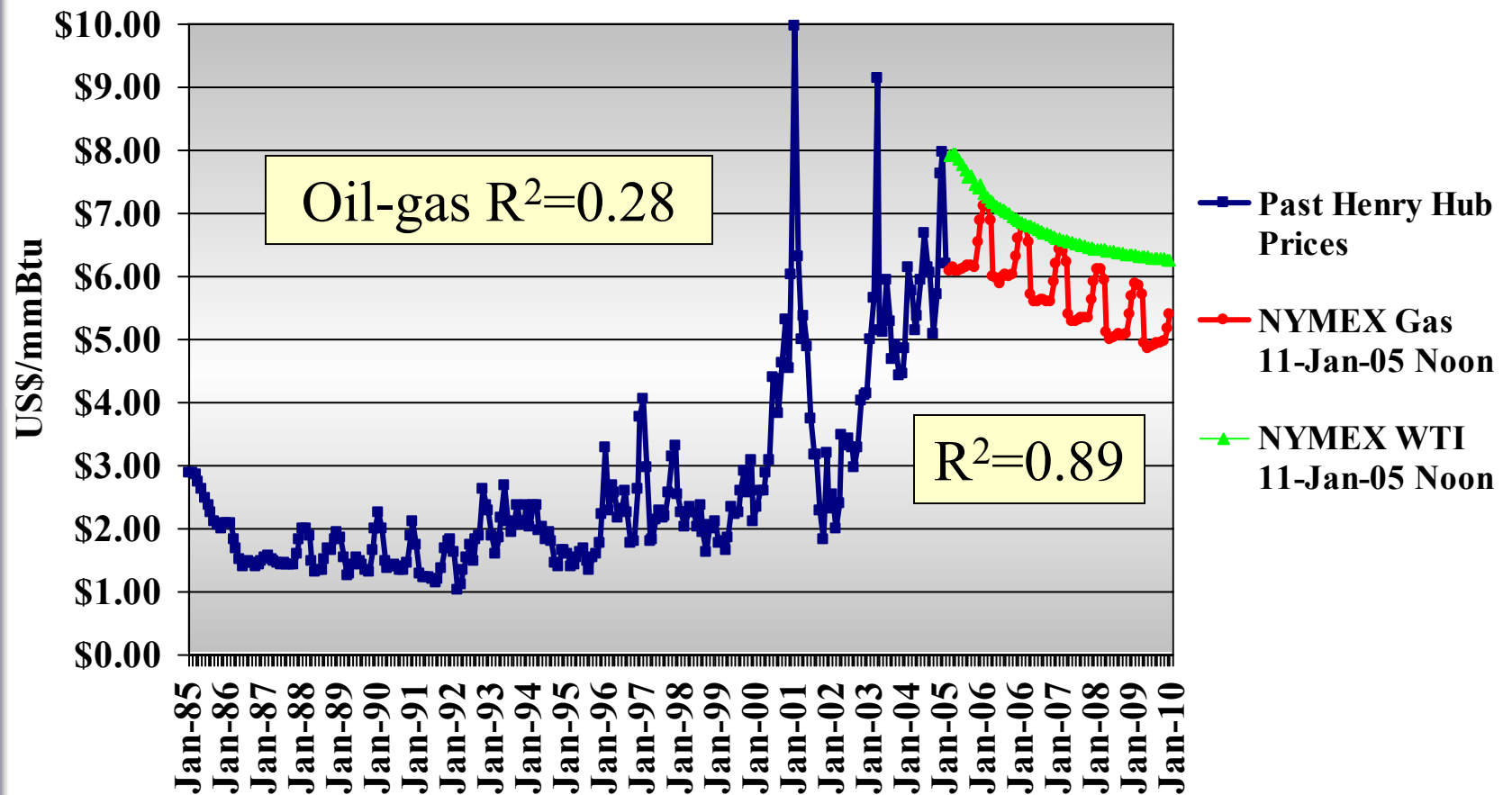
- ◆ Natural gas meets 22% of all US primary energy use (lower %-age since prices rose).
- ◆ 74% of US gas production is non-associated.
- ◆ Domestic production serves 81% of the U.S. market; most of the rest is imported from Canada.
- ◆ LNG supplied 3% of the US market in 2004.

The Rockies hold 31.1% of US proven gas reserves.



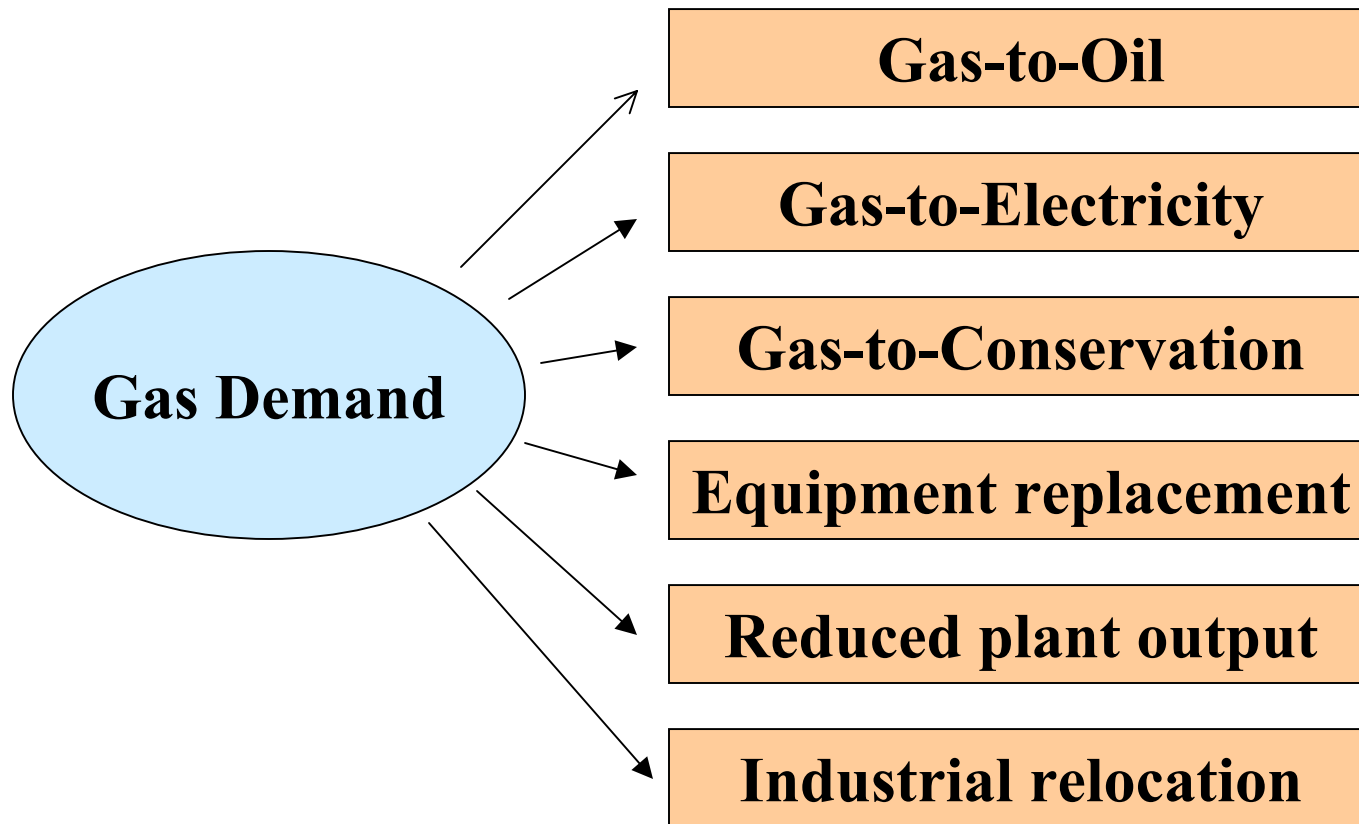
Source: BSA 2004, from USEIA.

With the gas surplus ended, Henry Hub prices are high and volatile.

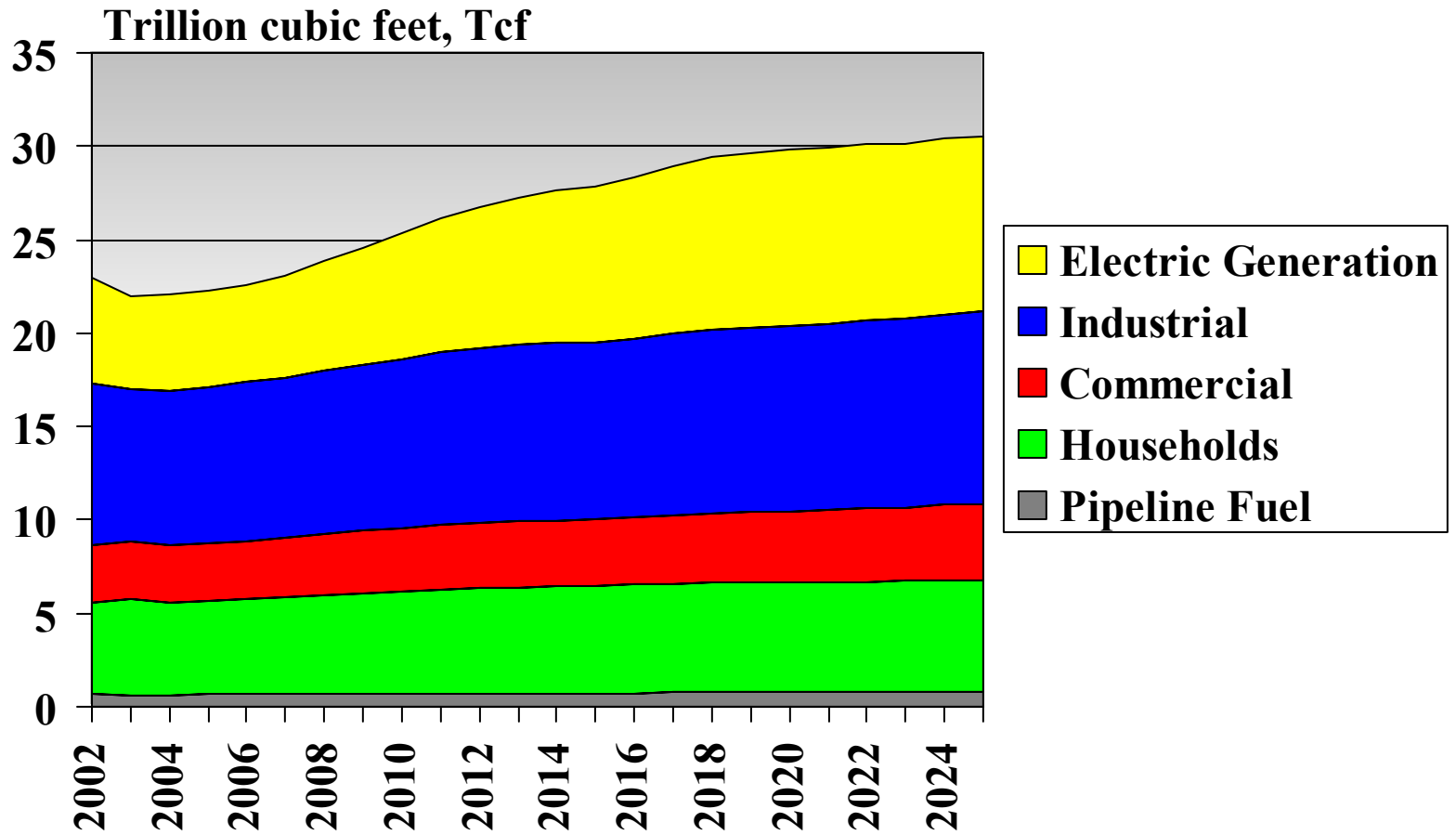


Source: BSA 2005, from Platt's Gas Daily, NYMEX.

Permanent gas demand losses after 1977 went in many directions.

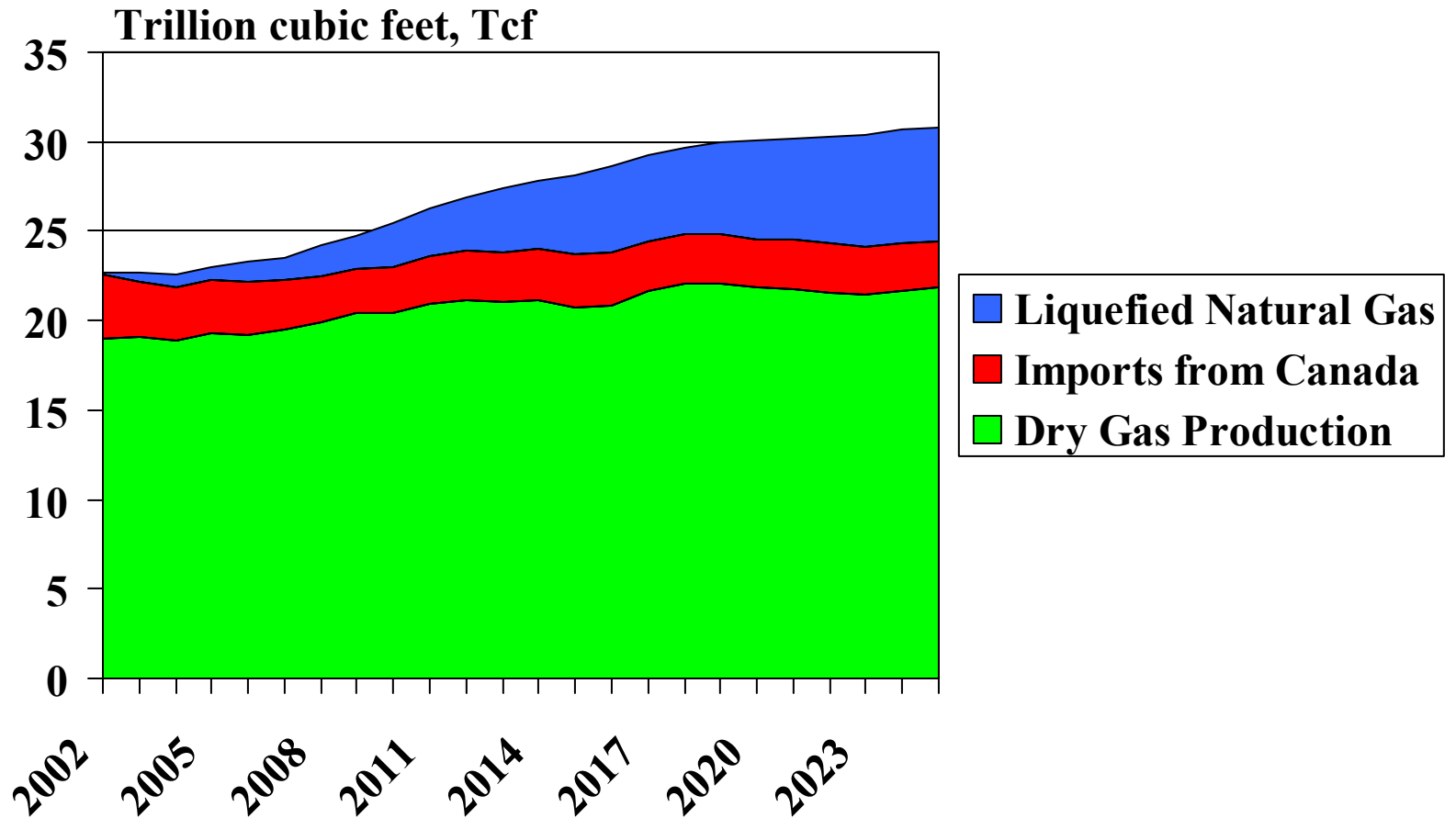


Gas demand is forecast to rise, but then level out.



Source: USEIA Annual Energy Outlook, 2005.

Growth in supply will depend on LNG and Arctic gas supplies.

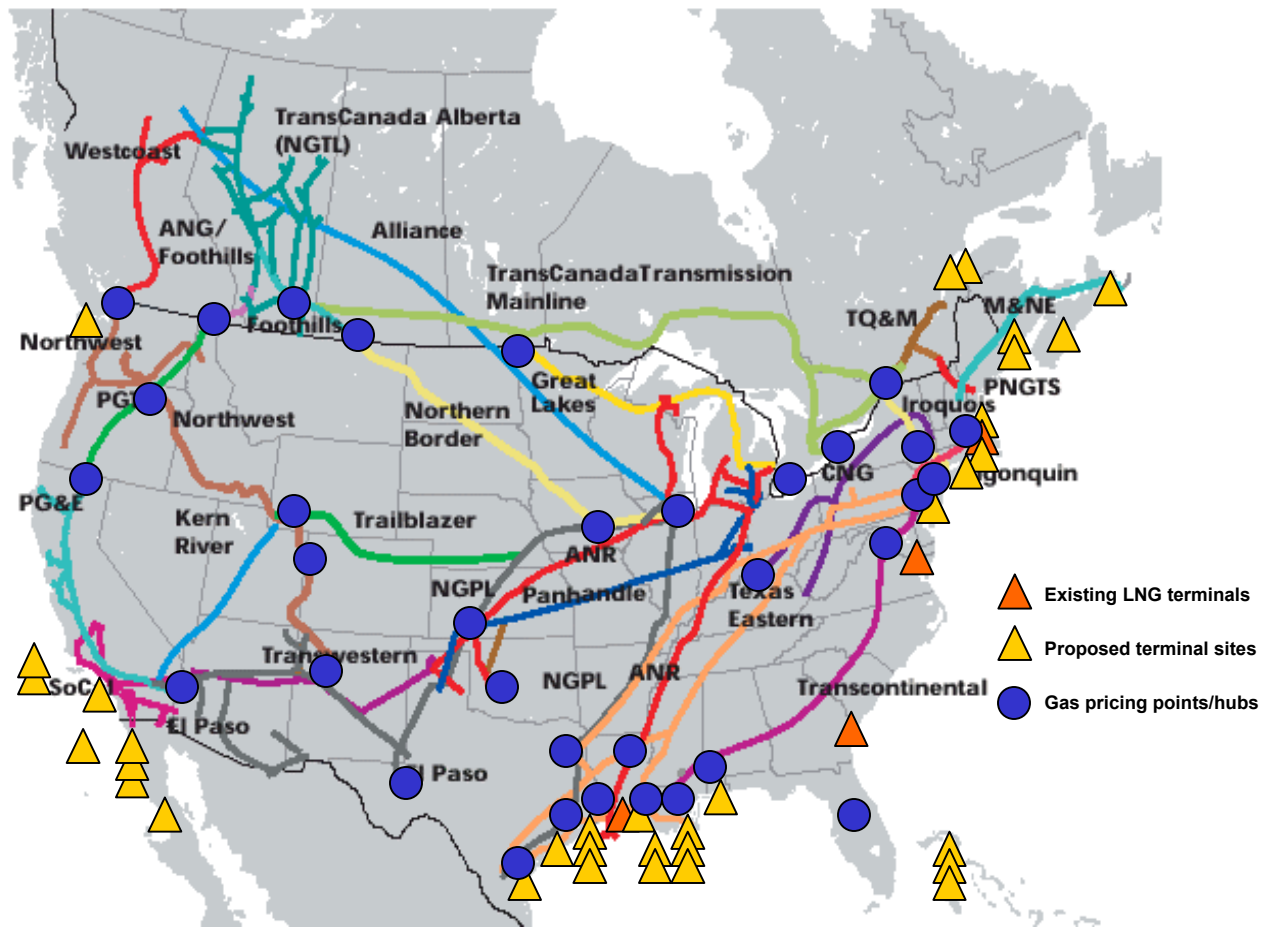


Source: USEIA Annual Energy Outlook, 2005.

The North American gas industry is finally going global.

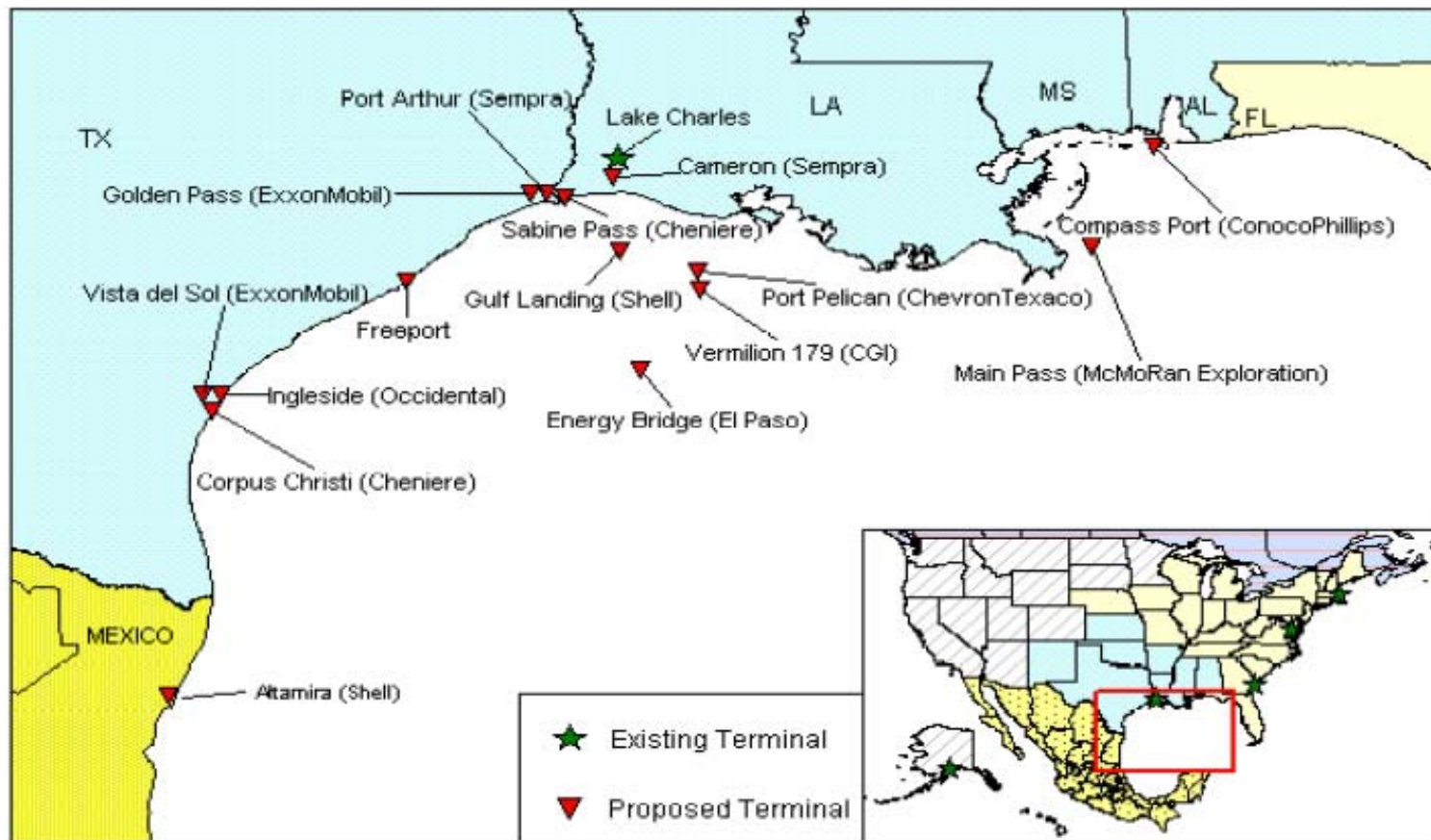
- ◆ \$4.00-5.00+ per MMBtu gas prices through 2020 are highly attractive.
- ◆ Moreover, that 90% Henry-crude oil correlation is reassuring internationally:
 - Confirms expectations of oil price leadership
 - Provides aura of confidence.
- ◆ LNG importers see in the US a growing gas market able to pay on a long-term basis.

Three dozen expanded and proposed new re-gas terminals!



Source: BSA 2004, from USEIA-AEO-04

Most new LNG terminals will be located on the US Gulf Coast.



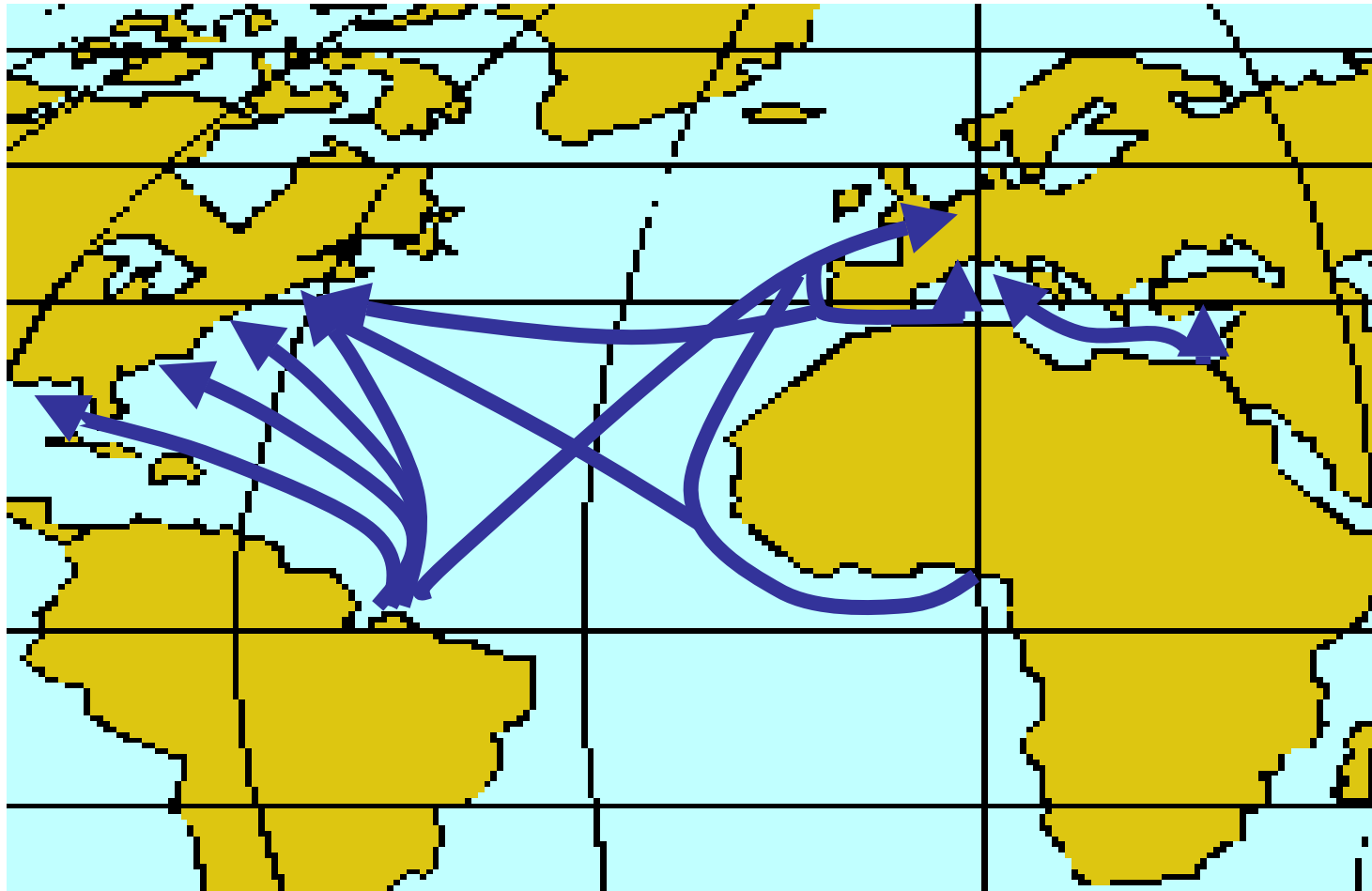
Source: EIA June 2004.

The US FERC has adopted an extraordinarily positive LNG policy.

- ◆ LNG's role in future US gas supplies is viewed as imperative.
- ◆ International investment requisites are recognized.

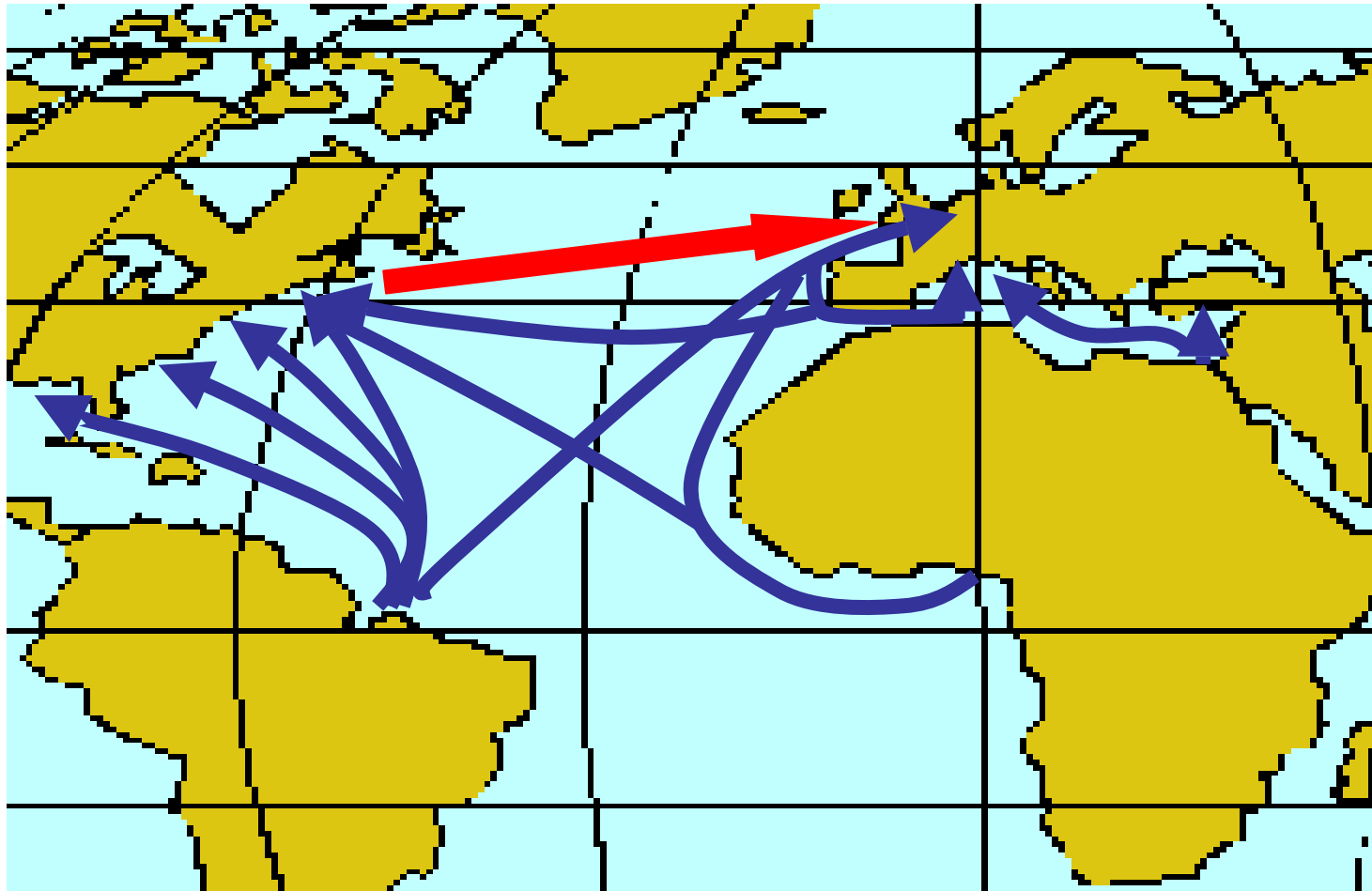
The FERC plainly says it can't control international commerce, but must encourage LNG importation into the US.

Major Atlantic LNG trading...



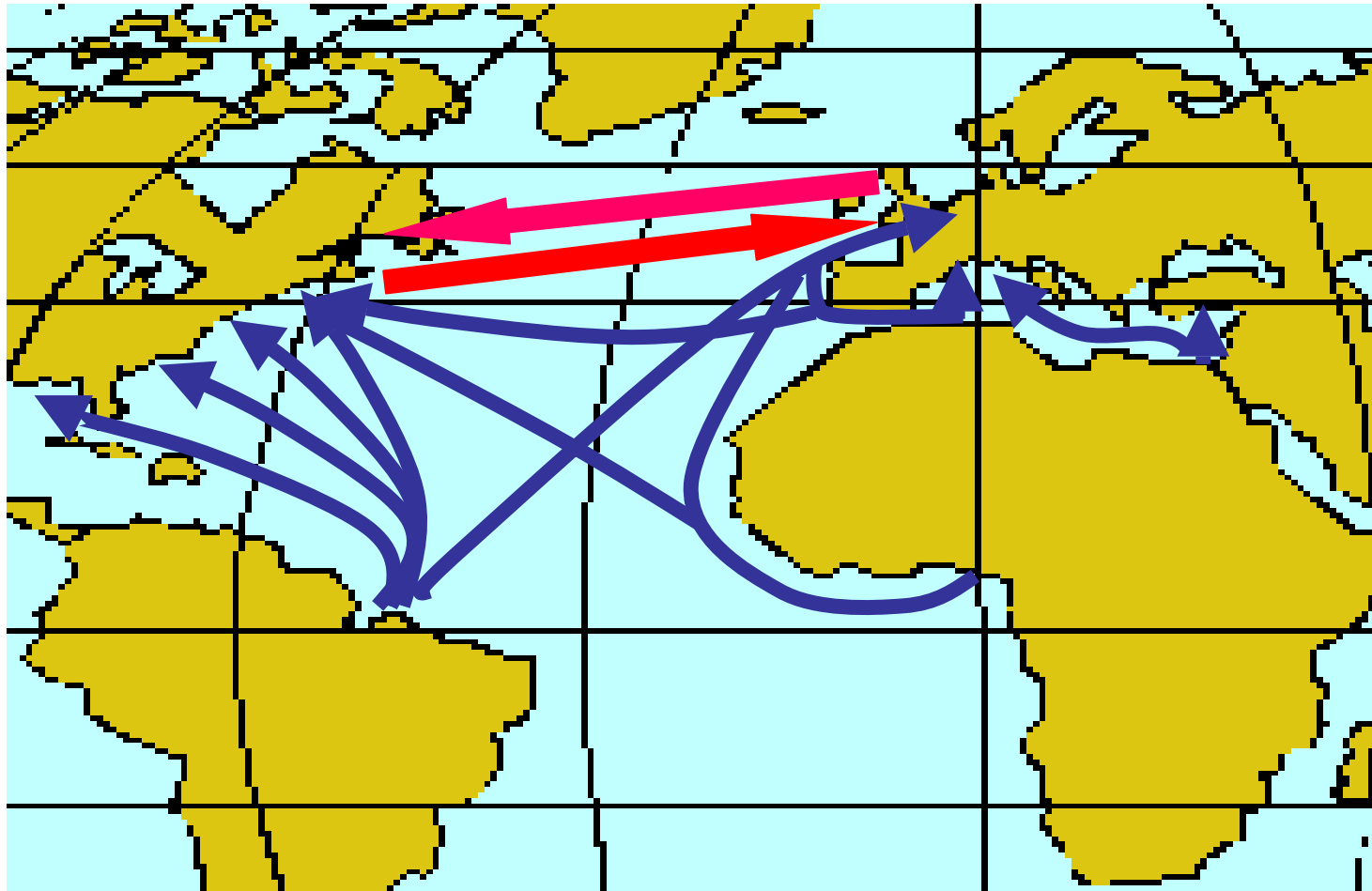
Source: BSA, 2000

Will force price signals east..



Source: BSA, 2000

...And toward the west as well!

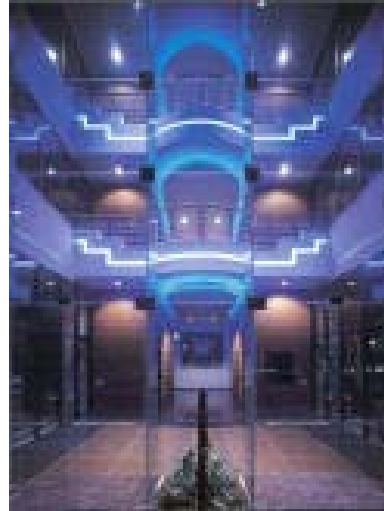


Source: BSA, 2000



Major conclusions:

- ◆ Enron, California, and other crises have passed, but the litigation continues.
- ◆ Physically, gas and capacity trading are healthier than power markets.
- ◆ Major energy producers and financial firms have stepped into the gas marketing void.
- ◆ FERC is encouraging LNG; we expect to see 7+ new regas terminals by 2014, more afterward.
- ◆ Arctic gas will wait a little longer, unless mandated.



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