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## Groups Studying Ways to Calm Gas Markets

Concerned about volatility of natural gas prices and what that might mean for development of gas resources and wider use of the fuel, major energy producers, consumer groups, environmental organizations and others have formed a task force to examine how to bring more stability to gas markets.

The National Commission on Energy Policy (NCEP) and the American Clean Skies Foundation (ACSF) convened the group of energy experts. The Task Force on Ensuring Stable Natural Gas Markets will explore options for reducing and managing future natural gas price swings while considering the potential for major supply increases from U.S. gas shale plays.

Since the 1980s, natural gas price swings have created a cycle of high prices that reduce industrial demand, followed by large cutbacks in production and falling gas prices. These price cycles have hurt producers and consumers alike, the groups forming the task force claim.

"Natural gas production depends on steady, long-term demand from end-users, especially industrial consumers, at prices that cover upstream production and transport costs. However, fearing a tight market for natural gas, large consumers have traditionally been wary of expanded natural gas use in the power sector, arguing that power generators are not subject to global competition, leaving manufacturers to absorb any resulting price shock from reduced supplies," the groups said.

End-users can even be wary when prices are low. Recently a panel of end-users speaking at GasMart 2010 in Chicago expressed misgivings about contracting for supplies long term as they expected prices to decline further given the abundance of supplies available from gas shale plays (see *Daily GPI*, [May 13](#)).

"This is the time for a comprehensive new review of price concerns for this key energy source with all the stakeholders," said Gregory C. Staple, CEO of American Clean Skies Foundation. "With a bright outlook for natural gas supplies, we think the time is ripe for crafting new solutions to some of the historical obstacles surrounding greater natural gas use for both large and small industrial gas consumers, chemical companies and power generators."

According to the June 2009 report of the Potential Gas Committee (see *Daily GPI*, [June 19, 2009](#)), shale gas discoveries have increased America's resource base by nearly 40% since 2006 to approximately 2,000 Tcf, roughly 100 times current annual consumption.

"Absent reasonable price stability, it is quite possible that the economic promise of America's natural gas renaissance may be seriously disrupted or delayed," warned Norm Sydlowski, NCEP commissioner and CEO of SemGroup Corp. "Much is at stake as we move forward, with few recent developments likely to have a more profound impact on the nation's future energy and environmental policy choices."

The task force will convene in July and December and anticipates releasing its final report in early 2011. Background papers for the workshops have been commissioned from industry and academic experts. The May workshop includes papers by Stephen Brown and Alan Krupnick of Resources for the Future; Ken Medlock of Rice University; Rick Smead of Navigant Consulting; and Frank O'Sullivan from the MIT Energy Initiative.