
National Capital Area Chapter

United States Association for

Energy Economics

www.ncac-usaee.org

news

“Winter Fuels Outlook: 2008-2009”

Speaker:

Dr. Howard K. Gruenspecht
Acting Administrator
U.S. Energy Information Administration (EIA)

WHEN: 12:00 PM, October 17, 2008
WHERE: Chinatown Garden
618 H St NW
Washington DC 20001
Gallery Place-Chinatown Metro Stop

At our October luncheon, Dr. Howard Gruenspecht, Acting EIA Administrator, will review the supply and price outlook for fuel oil, natural gas, electricity, renewables, and other fuels for this coming winter. Dr. Gruenspecht took over the reins at EIA this past summer from Guy Caruso. He’s worked extensively on electricity policy issues, including restructuring and reliability, regulations affecting motor fuels and vehicles, energy-related environmental issues, and economy-wide energy modeling. Before joining EIA, Dr. Gruenspecht was a Resident Scholar at Resources for the Future, and held a number of key positions in the Department of Energy.

Please join us on Friday, October 17, at 12 noon at the Chinatown Garden restaurant for this opportunity to gain insight on this season’s likely fuel supply and price movements from EIA’s new chief, who’s been deeply involved all along in this process and analysis. We’ll begin networking at noon, with the lunch served promptly at 12:30 and the presentation beginning at 1 pm. The meeting will end no later than 2 pm.

COST: \$20.00 for members and their guests (\$5.00 for student members) and \$25.00 for non-members and their guests. Make checks payable to NCAC-USAAEE.

NOW NCAC'S STUDENT DISCOUNT EXTENDS TO HOSTING MEMBERS TOO!

Any Chapter member bringing a student attending for the first time pays only the student rate – \$5 instead of the regular \$20.

PLEASE RSVP: By COB Wednesday, October 15 to Mark Lively, Chapter Treasurer, by phone at (301) 428-3618 or e-mail at [mbelively@aol.com](mailto:mbelievely@aol.com).

2009 MEMBERSHIP RENEWAL/REGISTRATION: The attached sheet provides a registration form for new members for 2009 or a renewal form for existing members. Please fill out and send (with a check for \$20) to Mark Lively, Chapter Treasurer, or bring it with you to the October 17 luncheon.

STUDENT PIZZA AFTERNOON AT JOHNS HOPKINS SAIS: Students are invited to attend an informal NCAC pizza & get-to-know-you fest from 3-4:30 p.m. on Friday, October 10, at SAIS's Rome Building - 1619 Massachusetts Ave., N.W., Washington, D.C. For more information, please contact NCAC Council Member and SAIS student Sheila Moynihan at sheila.moynihan@gmail.com.

ALSO FOR DC AREA STUDENTS - \$750 GRANTS AVAILABLE! Once again this year, the NCAC is pleased to offer \$750 stipends to up to three DC area students to attend the USAEE/IAEE North American Conference in New Orleans, December 3-5, 2008. For more on the USAEE/IAEE North American Conference, see below. For more information on the NCAC scholarships to the USAEE/IAEE North American Conference, please contact NCAC Council Member Glen Sweetnam at glen.sweetnam@eia.doe.gov.

REGISTER NOW FOR THE 28th USAEE/IAEE North American Conference – Unveiling the Future or Energy Frontiers, December 3-5, 2008, New Orleans. The National USAEE is staging a lively and informative two days' plus of sessions on major energy-economic issues – make your plans now to be in New Orleans this December! You'll hear and participate in discussions on the Gulf region's robust energy scene, energy savings and renewable supply strategies, and more, culminating in a special Friday afternoon session aimed at advising the new Administration on how to deal with the most pressing energy-economic issues facing the nation – international supply, prices, demand reduction, carbon, and more. To sign up, visit <http://www.usaee.org/USAEE2008/index.html>.

POTEN & PARTNERS' FREDERICK R. ADAMCHAK SPEAKS ABOUT LNG ISSUES AT THE SEPTEMBER NCAC-USAAE LUNCHEON

Approximately 45 people attended the September luncheon, where Frederick R. Adamchak, Senior Advisor at New York's Poten & Partners, Inc., spoke on "Global LNG Supply and Competition – Short and Long-Term Issues." Notes from the luncheon

follow. Mr. Adamchak's PowerPoint slides are posted in pdf on <http://www.ncac-usaee.org/newsletter.php>.

Ben Schlesinger, our incoming NCAC President, opened the meeting by introducing the 2008-2009 Council. Ben then presented a certificate of appreciation to our outgoing President Mike Canes, and reviewed several initiatives the NCAC has to attract new student members. Details on these and other Chapter business are posted at www.ncac-usaee.org. Ben also invited members to visit the Chapter's website, which has been professionally redesigned and reorganized. He said that the website contractor will post new items monthly, so that members will be able to stay up to date with Chapter events there. He then introduced the featured speaker.

Mr. Adamchak reviewed the increasing interest in LNG since 2000, with large increases in LNG supply capacity in both the Atlantic and Pacific basins. LNG deliveries have expanded quickly to Spain and other countries, although despite the added demand, prices lagged crude oil partly because LNG prices are typically locked into long-term contracts of up to 20 years.

The market shows great regional differences, with supply outstripping demand in the Atlantic basin, while the opposite is true in the Pacific as demand from China and other countries in the region increased. In general, Pacific prices have been \$2-3/MM Btu higher due to Asian demand.

Since 2000 the market has shifted more toward short-term contracts, which have increased by 45%, while long-term contracts rose by only 5%. Spot markets have also increased as players moved toward standardized supply and shipping agreements, which have made spot trading more efficient. Atlantic Basin led in spot (short term) LNG sales with active U.S. trading in 2007, but spot LNG trades in Asia have also increased substantially.

LNG prices have been strengthened by production issues and construction or expansion delays in several large liquefaction facilities, including those in Qatar, Nigeria, Norway, Australia, and others. Such supply-demand upsets drove Asian LNG prices particularly high, while the Atlantic was less affected because of reduced demand.

LNG demand is expected to continue growing through 2012, while suppliers will struggle to keep up. China will continue to increase its role as a major energy player locking up long-term contracts, and India continues to look for increased supplies to meet its growing requirements. Chile, Hong Kong, Singapore and Taiwan are also actively in the market, thus contributing to the overall demand increase by about 10% per year. Despite this, countries like the U.S. should be able to compete in the LNG market in upcoming years because of expected added capacity both here and abroad. Currently the Middle East is projected to have substantially increased gasification capacity by 2012, and there are additional projects in advanced planning stages in

Australia and Nigeria. The U.S. also has an additional 5 Bcf/day of new LNG receiving capacity planned by 2010.

There are, however, significant challenges to this new capacity. Serious constraints have developed in the world's supply of experienced personnel available to meet the construction schedules. Also, plant construction costs continue to increase – between 2005 and 2012, the cost of building grassroots plants is expected to increase five-fold! This number only applies to the plant itself, and not to the additional cost of pipelines, shipping capacity, etc.

In summary, LNG markets are poised for continued growth through 2015, with more players on the scene and greatly increased trade routes.

After the presentation, Mr. Adamchak fielded these questions from the audience:

How will the U.S. be able to compete, given the price differentials?

There is a high rate of new capacity construction, for example 47mm/ton p.a. in Qatar alone. This will result in oversupplies and lower prices, which should enable U.S. imports. Also, some of the new planned production is being aimed at the U.S., e.g., in Nigeria.

Will LNG markets turn seasonal in price, like NG in the U.S.?

In the U.S. seasonal prices will continue to impact LNG because the North American gas industry reflects Henry Hub indexation. Some LNG contracts outside the U.S. are also based on HH.

Can you give projections beyond 2015? Will there be excess demand and shortage of capacity in the European markets?

This greatly depends on how questions are resolved such as, will Qatar produce more than what it has said it will produce? Will Iran increase production if they can get foreign know how?

Given the financial markets situation, will these projects have problems securing financing?

So far there has not been a problem, since much of the financing deals are already in place.

2009 MEMBERSHIP RENEWAL/REGISTRATION FORM
National Capital Area Chapter
U.S. Association for Energy Economics

Please check here for membership renewal.

Please check here for new membership registration.

Membership registration/renewal for the NCAC-USAE is expected by the end of the preceding calendar year.

Please return your registration form and check to **Mark Lively** — NCAC-USAE Treasurer at: **Utility Economic Engineers, 19012 High Point Dr., Gaithersburg, MD 20879**. Phone: 301-428-3618. Email: MbeLively@comcast.net

Full membership dues for 2009 are \$20.00 (students \$10.00). Please make checks payable to NCAC-USAE.

Please print clearly.

NAME _____
TITLE _____
ORGANIZATION _____
MAILING ADDRESS * _____

TELEPHONE NUMBER _____
FAX NUMBER _____
E-MAIL ADDRESS ** _____

Would you be interested in becoming more involved in NCAC-USAE by serving on the Council or as an officer of the Chapter? Yes ___ No ___

Please list topics or speakers you would be interested in:

* For DOE, please provide complete routing address.

** Provide the **best e-mail address** to receive the newsletter.