DUAL PLENARY SESSION: FUTURE OUTLOOK FOR OIL & GAS PRODUCTION
United States Association for Energy Economics

North American Natural Gas Outlook

November 5, 2012

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A strong regional price divergence creates a huge pull for liquefied natural gas out of North America.
At supply costs of $5/MMBtu or less, ~1,500 TCF recoverable resources was found under any scenario with the possibility of twice this amount with ambitious progress.
Despite modest gains across most sectors, normalization of coal-to-gas switching should keep gas demand fairly flat through 2015.

Modest growth potential remains in the industrial, transportation and residential & commercial sectors.

Although the power sector has led recent demand growth, coal-to-gas substitution should normalize over the next few years.

U.S. energy policy could be a panacea in the long-run, but near-term demand growth remains tempered.

Source: I.H.S.CERA
Growth is dominated by liquids-rich, associated- and dry Marcellus shale gas, which underpin continued structural changes in North American gas supplies.
A step change in oil supply emerges as unconventional oil production exceeds the most optimistic National Petroleum Council scenarios, and economics prove to be favourable.
Not only are liquids-rich plays economic near current prices, but the wave of land retention commitments could persist for ~3 years if properly funded by industry.
The consensus expects gas to sustain prices below ~$4/MMBtu through 2013. Uncertainty widens over-time but reflects the structural effects of prospective unconventional gas supply.
KEY POINTS

• **Unprecedented opportunity.** Regional divergence of natural gas prices presents strong motivation for new gas trade and domestic unconventional developments

• **Steady near-term course for North American gas.** Limited potential demand growth coupled with strong gas supply additions, underpinned by structural changes in unconventional production, reinforce the status quo

• **Liquids are key.** Premium values for oil, condensate and some natural gas liquids are driving the next wave for the industry

• **Globalization of unconventionals.** The global impact of shale oil and gas is an ongoing story: a potentially great one for global economics & energy and a genuine challenge for greenhouse gas emissions