



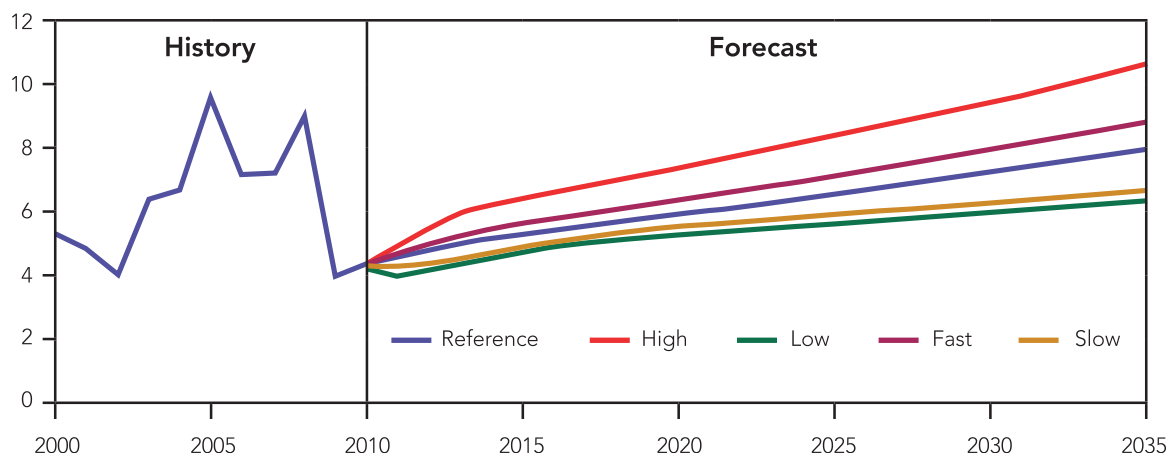
National Energy Board

Natural Gas Prices

The Henry Hub price of natural gas in the Reference Case is assumed to **increase from US\$4.50/MMBtu in 2011 to US\$8.00/MMBtu in 2035** (in U.S. 2010 dollars) (**Figure 1**). The increase in the real price reflects growing demand for natural gas in North America and gradually increasing costs of discovering and producing the gas.

Figure 1 - Henry Hub Natural Gas Price at Louisiana, All Cases

2010 US\$ per MMBtu



Historically, the price of natural gas tended to move in relation to the oil price, with natural gas trading at a small discount to an energy equivalency-ratio of **6:1** (oil prices in US\$/bbl relative to gas prices in US\$/MMBtu). This ratio has increased in the past several years to **18:1** in 2010. This is due to the large new natural gas production potential brought about by increased utilization of multi-stage hydraulic fracturing technology combined with few opportunities to switch between petroleum-based fuels and natural gas. In the Reference Case, the ratio slowly declines to just over **14:1 by 2035** based on the oil and gas price projections. With considerable uncertainty surrounding the crude oil and natural gas price relationship, price projections for oil and natural gas were developed independently.

In the Low Case, the natural gas price is assumed to reach **US\$6.40/MMBtu by 2035** and **US\$10.70/MMBtu in the High Case**.

Unlike oil prices, which are determined in a global market, the Henry Hub natural gas price is primarily determined on a continental basis, as the North American market lacks significant links to global natural gas markets. The impact of North American economic growth on the natural gas price is larger than on the oil price. As a result, the natural gas price varies more widely than the oil price from the Reference Case in the Fast and Slow Cases, reaching **US\$8.90/MMBtu and US\$6.75/MMBtu, respectively, by 2035**.