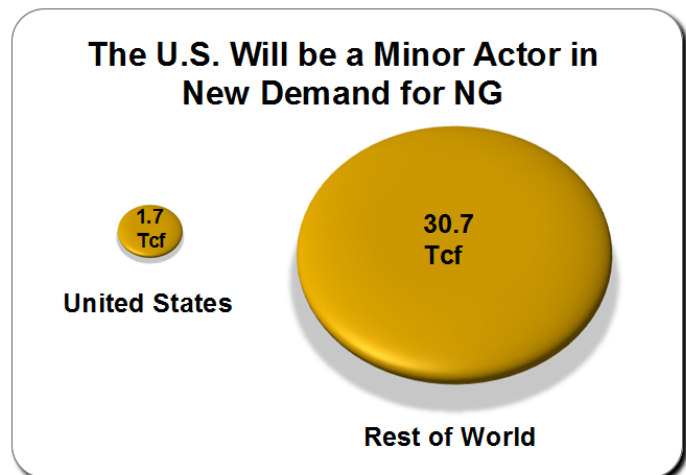


Increased Dependence Upon LNG Imports Means Energy, Economic and Security Risks

The most recent forecast by the U.S. Energy Information Administration (EIA) projects that through 2020, America will depend upon imported liquefied natural gas (LNG) for over 40% of our incremental gas supply. [1] This forecast should raise serious concern for at least three reasons:

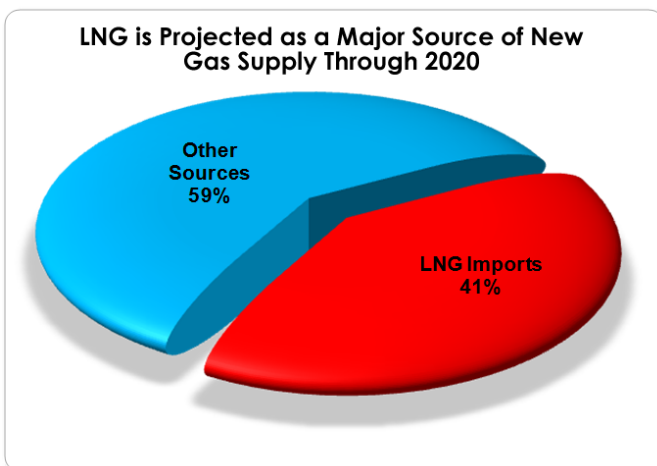
1. Previously Overstated LNG Projections Have Cost Us

First, previous projections have greatly overstated LNG imports and we have paid dearly for these failed expectations. In 2005, for example, imports in 2008 were projected to 1,760 billion cubic feet (Bcf). Actual imports, however, were only 352 Bcf. And, although it was forecasted that we would be paying \$3.85 per thousand cubic feet (mcf) in terms of wellhead prices, we wound up importing LNG for \$10.03 -- 160% more. [1]



2. Demand For LNG Will Be Fierce, Driving Up Prices

Second, global competition for supply over the next decade will be intense. We are not the only nation that wants to use more gas. Consequently, the demand for both pipelined gas



and LNG cargoes will be escalating all across the world. The United States is destined to be a small actor in this drama and our distance from liquefaction plants in Asia and the Middle East is certainly not to our advantage. In fact, the United States is essentially the last resort in gas markets. Countries such as Spain and Great Britain have developed such high dependence on gas that they are now prepared to outbid us for LNG cargoes. In some instances, for example, ships waiting to be unloaded in the Gulf of Mexico have actually turned around and gone to Europe because they were offered a better price.

(Continued on reverse)

(Continued from front)

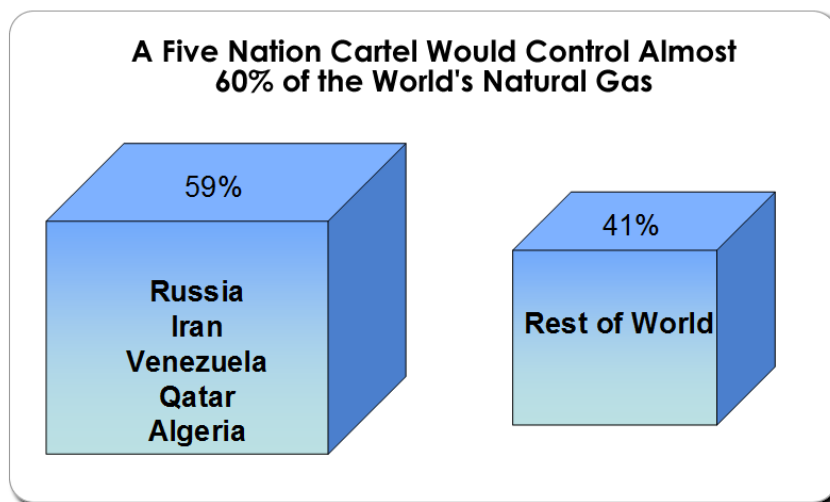
3. Do We Want To Rely On Imports From Questionable Suppliers?

Finally, so much for our goal of energy security: we will be increasingly dependent on risky, even hostile, suppliers.



"We are creating something similar to OPEC but with gas."

-- Venezuelan President Hugo Chavez on the formation of a NG cartel (September, 2009) [2]



Like oil, global natural gas reserves are highly concentrated – almost three-fifths of the world's reserves are in Russia, Iran, Venezuela, Qatar and Algeria. [3] Some analysts cavalierly dismiss the idea of a gas cartel -- but in the 1970s people thought OPEC wouldn't work either.

" ... the need for more LNG will create closer links to the world oil price, setting the stage for the marginal price of electricity to be set by the whims of foreign oil/LNG suppliers, for the first time in U.S. history."

-- U.S. National Energy Technology Laboratory, 2008 [4]

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2. <http://www.venezuelanalysis.com/news/4784>
3. <http://www.bp.com/bodycopyarticle.do?categoryId=1&contentId=7052055>
4. <http://www.netl.doe.gov/>

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