

2015 Ain't What It Used To Be

Climate change policies founded upon erroneous energy projections are doomed to failure and will lead to expensive and unreliable energy across the country. Nowhere is this problem more likely to occur than in the area of natural gas.

Projections of where this Nation's natural gas will come from in 2015 have resembled shifting sands for over a decade. At one time or another, virtually every potential source of expanded supply was marched into the spotlight -- and then promptly marched out again in disappointment. Now, in 2009, shale gas is the next panacea being pushed onstage.

Before policymakers jump on the bandwagon, however, they should take a careful look as to the vagaries of natural gas forecasting and why more than one wag has commented, "There are no natural gas experts." In the past few months the corridors in Washington have been replete with optimistic shale gas projections out to 2030 or even 2050. Before we go there, however, it behooves us to take a closer look at the doorstep.

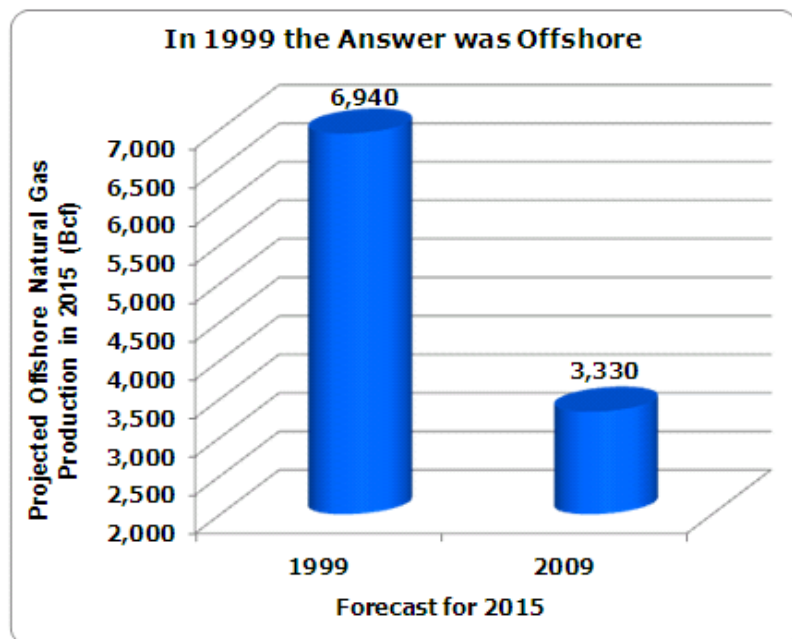
In essence, do we even know what is going to happen in 2015 -- just five years from now? **Forecasts for 2015 have gone down the wrong paths for more than a decade.** [1]

Irrational exuberance abounds in the natural gas forecasting business.

In 1998, the American Gas Association predicted U. S. production would exceed 25 TCF in 2010.[2] The EIA now estimates that next year's production will only be 20 TCF -- a difference of three Oklahomas.

In 2000, the EIA stated "production from conventional sources is projected to grow rapidly through 2010" **But production actually was lower in seven of the next eight years.**

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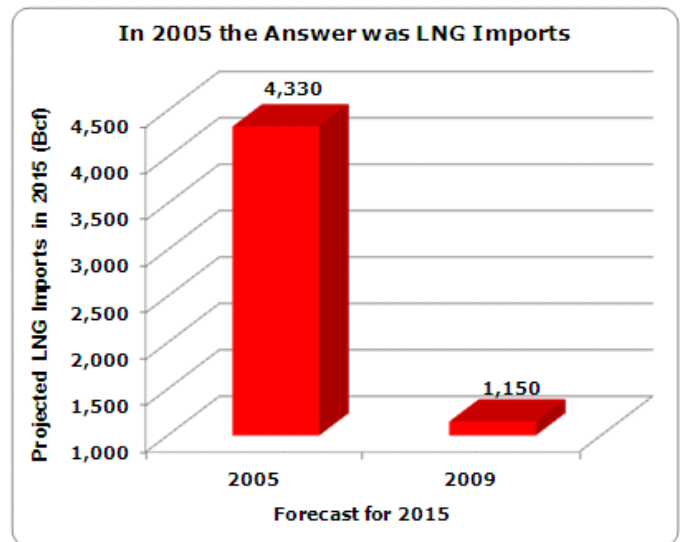
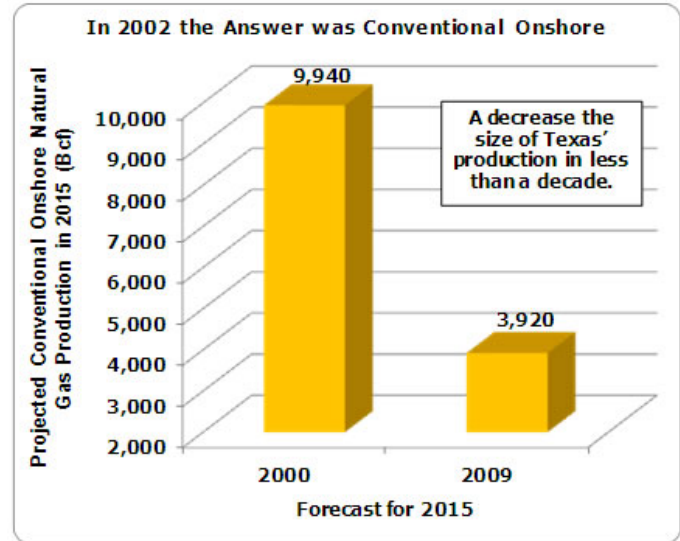
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In 2005, the American Gas Foundation presented a report concluding: "6 Tcf per year ... of liquefied gas is pointed toward U.S. markets" [3] **and ...**

In 2008, Michael Stoppard, Director of Gas at Cambridge Energy Research Associates (CERA) claimed: "**The LNG armada has already set sail.**" [4] But, only 352 Bcf of LNG made it to the United States in 2008, the least amount in the past six years.

In 2002, gas supply in the U.S. in 2015 was projected to be more than 31 Tcf. In 2005, supply in 2015 was forecasted to be 28 Tcf. In 2007, supply was predicted to be 25 Tcf by 2015. Now, in 2009, supply in 2015 is projected to be only 21 TCF -- in other words, not merely a decline of over 10 Tcf in only 7 years, but a drop of more than 4 Tcf in just two years -- equivalent to the combined production of the Gulf of Mexico and Louisiana.

Do we want to bet our energy future on this track record?



References:

[1] Unless otherwise noted, all forecasts are based upon data from the Energy Information Administration (EIA), <http://www.eia.doe.gov/>

[2] See Gas Daily, July 2, 1998 and aga.org/statsStudies, 1998

[3] <http://www.gasfoundation.org/>

[4] Oil and Gas Journal, February 14, 2008

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