



FEDERAL ENERGY REGULATORY COMMISSION

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Commissioner John R. Norris

STATEMENT

Statement of Commissioner John R. Norris on 2010-2011 Winter Energy Market Assessment

"The overall message I take from staff's Energy Market Assessment is that the supply of natural gas is relatively plentiful and corresponding prices are expected to remain relatively low. This includes the forward price for electricity, which in many markets is highly correlated with the price of gas.

Part of this story is about the continued robustness of our natural gas infrastructure, including pipelines and LNG facilities, and I believe our Office of Energy Projects has helped contribute to this success.

Another part of the story is the exciting rise of shale gas supply. This seemingly abundant domestic source of natural gas appears, on its face, to be a blessing to our nation. Shale gas promises to play a key role as the country looks to transition to a cleaner, more sustainable energy future. Just this last week, I was in Texas visiting a shale gas drilling operation and experiencing firsthand how we're using new technologies to efficiently extract this resource from the earth.

Without question, this is all good news for consumers in the near-term. But I want to sound two notes of caution that could, in the medium to long-term, possibly tamper with the promising future of natural gas.

The first caution I'd note deals with the environmental concerns with shale gas drilling. My understanding is that drilling for shale gas is being done in an environmentally responsible manner, but there are questions out there that remain unanswered. The EPA is looking into this and I hope that their process can provide some certainty.

The second caution is broader and deals with the investment choices we are making today in the electric power sector based in part on the expected low cost of natural gas - investment choices that have a very long life cycle and will be expensive to alter after they are made. At today's low prices, natural gas has become the solution for everything. It is seen as helping us balance increasing amounts of variable generation resources. Natural gas is also viewed as the answer as we contemplate a major retooling of our generation portfolio in the wake of pending EPA regulations that address clean air, water, and possibly carbon targets. Common wisdom in the industry is that inefficient coal plants will be shut down in response to the EPA regulations and replaced with new gas-fired generation. In contrast, nuclear for the most part seems to have been taken off the table.

As we build an incredible reliance based upon this new supply of cheap gas, what does that mean for us as a nation? Can we have confidence that natural gas prices will remain stable for the life of these investments?

Increased demand for natural gas will likely lead to increased prices for both the natural gas and electricity sectors. It may also decrease the diversity of our electric generation portfolio. We also must consider unexpected consequences: will, for example, increased gas-fired generation reduce overall gas storage levels as gas that would otherwise be injected in storage fields in the summer instead is used to generate electricity?

I raise these questions related to the over-reliance on one source of fuel or technology so we are mindful of the potential implications on our energy future. I do share in the overall optimism that news about gas supply and prices represents for our consumers and the economy."