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Natural Gas From Shale Plays Create 'New World' for Energy Industry

By MIKE SORAGHAN of [Greenwire](#)

HOUSTON -- Every day is "gas day" here at one of the energy industry's biggest get-togethers.

The CERAWeek conference has been dominated by talk of natural gas produced from shale. Talk of vast new reserves in Pennsylvania's Marcellus Shale and Louisiana's Haynesville Shale has filled the corridors and even the keynote speech Tuesday on what had been billed as "oil day."

ConocoPhillips CEO Jim Mulva used that keynote to tout shale gas as "nature's gift to the people of the world." He praised the ingenuity of an industry that learned how to employ horizontal drilling and hydraulic fracturing to open up shale, a rock that had long been considered too difficult to drill.

Now the gas-laced rock has doubled the discovered gas resources of North America, providing 100 years of supply to a country that a few years ago was planning a host of new terminals to import liquefied natural gas, or LNG. Shale gas now accounts for 20 percent of the country's gas supply, up from 1 percent in 2000.

"Some people even forecast the U.S. becoming an LNG exporter," Mulva said.

The conference organizers, IHS Cambridge Energy Research Associates, have dubbed the expansion of unconventional resources as the "shale gale." They released a study authored by IHS CERA Chairman Daniel Yergin, who called shale development "simply the most significant energy innovation so far this century" ([E&ENews PM](#), March 10).

Even today, as the conference was to turn to electric power generation, International Energy Agency executive director Nobuo Tanaka, led his remarks by saying, "Shale gas in the North American market is very important."

Nearly every presenter at the conference has found a way to describe shale as a "game changer."

The excitement even has some producers of "conventional" gas feeling ignored. Falcon Oil & Gas Ltd. Vice President Tom Ahlbrandt recalled a conference two weeks ago here where a local oil executive pleaded to the audience, "Don't forget about the conventional plays."

"I thought, 'This is a new world,'" Ahlbrandt said.

The excitement is heightened because of the sense among many that mandatory cuts in greenhouse gas are inevitable -- despite stagnation on the issue in Washington, D.C.

Gas has half the greenhouse gas emissions of coal. And some see plentiful gas supplies easing the transition

to a "carbon constrained" world. The IHS CERA report on shale gas said the power industry could nearly double its use of natural gas, from 19 billion cubic feet (bcf) now to 35 bcf in 2035.

"It is the bridge fuel to the new economy," said Jean-François Cirelli, president of GDF SUEZ. "Some say it's a destination fuel."

The IHS CERA report largely dismissed the idea that gas would power automobiles, because of increasingly strict fuel standards and the emergence of electric cars. But Steven Farris, chairman and CEO of Apache Corp., who is converting his company's fleet to natural gas, was among those disputing that. He said the infrastructure already exists for gas-powered cars and trucks to refuel on natural gas at filling stations.

Gas 'glut'?

But while they reveled in the idea of a resurgent home-grown energy economy, energy executives worry that the abundance of shale gas, coupled with decreased demand in the recession has depressed prices. Gas is trading around \$5 per million cubic feet, down from highs of around \$13 per mcf in mid-2008. Yergin raised the question of whether there is a "glut" of gas from shale and the ramping up of LNG imports.

Mulva, whose company has a big stake in U.S. shale plays and is exploring shale in Europe, said he expects prices to rise as the economy recovers.

"Long term, we expect to see prices of a \$6-\$7 per mcf," Mulva said. Even when gas is as high as \$9 per mcf, he said, it can compete with coal to supply new power plants.

But the history of price swings worries utilities, who think long-term and have long memories, said IHS CERA Vice President Lawrence Makovich.

"They're going to need more assurance about prices," Makovich said.

And a move to gas alone won't meet President Obama's objective to cut U.S. greenhouse gas emissions 80 percent by 2050. For that to happen, according to the IHS CERA report, the United States would need to add more nuclear and renewable generation, and develop industrial scale carbon capture and storage.

Gas executives also complained that despite its low cost, low emissions and domestic abundance, natural gas is not getting the respect it deserves.

Natural gas got little notice last year in negotiations on the House climate bill, whose authors doled out plentiful allowances to coal interests. And Yergin, among others, noted that policymakers in Washington did not take much notice of the shale boom until the middle of last year.

"It remains a mystery to me why officials fail to fully realize the benefits of gas," Statoil ASA President Helge Lund said in a keynote speech yesterday.

Most estimates showed natural gas gaining under the House climate bill, said Richard Newell, administrator of the federal Energy Information Administration. Still, gas companies are lobbying the Senate for more favorable provisions in its climate bill, such as including credit for gas's reduced emissions in any renewable electric standard.

Amid the excitement about fossil energy abundance, many noted that shale gas is scattered throughout the world.

Companies are developing shale plays in Australia, South Africa and Europe. There is a large shale play in Russia, experts said, but the country has so many conventional reserves, the country has not turned to developing it. Some executives said shale plays overseas could be even more promising.

"The question is whether the United States' overall richness can be replicated internationally," said Bob Fryklund, IHS CERA vice president for research.

Regulatory issues

But there was little concern displayed at the conference about federal regulation of hydraulic fracturing, which has been portrayed in Washington as a lethal threat to the future of shale gas production.

"It's looked at as an issue, but it isn't foremost in our minds," said Exxon Mobil Corp. gas and power marketing chief Tom Walters.

"The thing the industry needs to do is educate the American people on the safety of hydraulic fracturing," Apache's Farris said.

Rep. Diana DeGette (D-Colo.) and Sen. Robert Casey (D-Pa.) have introduced legislation to remove fracturing's exemption from the Safe Drinking Water Act, but neither bill has gotten out of committee. Environmentalists say existing state regulation of the process in which water, sand and chemicals are fired into wellbores at high pressure to crack open rock, is insufficient.

And many of the experts and executives cast a skeptical eye on the suggestion that the energy-hungry United States would become a gas exporter. Yergin said there could someday be limited shipments of LNG from Alaska or western Canada. But others flat-out dismissed the idea.

"I don't see that," said Philippe Boisseau, Total SA's president for gas and power. "The U.S. will remain a net importer for a long time."

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