

QUARTERLY FOCUS

1995: YEAR IN REVIEW

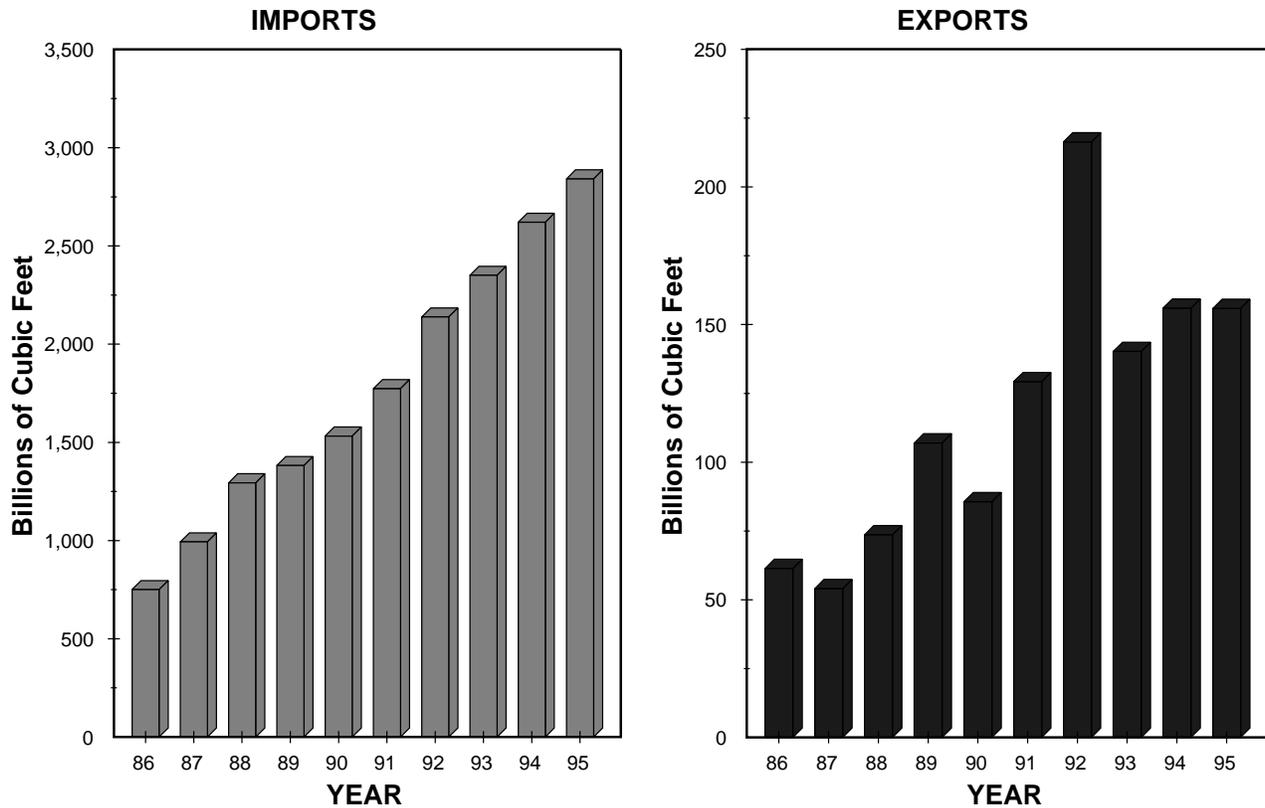
Table 1

| <u><<< YEAR AT A GLANCE >>></u> | | |
|--|---------------|-------------------------------|
| <u>TOTAL IMPORTS*</u> | | |
| <u>COUNTRY OF ORIGIN</u> | <u>BCF</u> | <u>WEIGHTED AVERAGE PRICE</u> |
| Canada | 2816.1 | \$1.45 |
| Algeria | 17.9 | \$2.15 ** |
| Mexico | 6.7 | \$1.51 |
| TOTAL | 2840.7 | |
| <u>TOTAL EXPORTS*</u> | | |
| <u>COUNTRY OF DESTINATION</u> | <u>BCF</u> | <u>WEIGHTED AVERAGE PRICE</u> |
| Canada | 29.2 | \$1.92 |
| Japan | 65.3 | \$3.40 *** |
| Mexico | 61.3 | \$1.48 |
| TOTAL | 155.8 | |
| * Data filed with OFP by importers/exporters. | | |
| ** Distrigas Corporation's average landed price: \$2.26; Pan National Gas Sales' average tailgate price: \$1.54. | | |
| *** Delivered price. | | |

- **Table 1** shows the volumes and prices of natural gas imports by country of origin, and natural gas exports by country of destination for 1995. The weighted average price for imports is the per unit price (MMBtu) at the point of entry into the United States. The price shown for exports is at the point of exit, with the exception of sales to Japan; the price of exports to Japan is shown as a delivered price.
- Natural gas imports, for the eighth consecutive year, reached an historic high in 1995. Based on company filings with OFP, the United States imported 2,840.7 Bcf and exported 155.8 Bcf of natural gas, resulting in **net** imports of 2,684.9 Bcf for the year. This represents an increase of 221.3 Bcf over the 1994 level (2,463.6 Bcf), or 9 percent.
- In 1995 natural gas exports remained virtually the same as the 1994 level (155.8 v. 155.9 Bcf, respectively).

Natural Gas Import and Export Activity 1986 - 1995

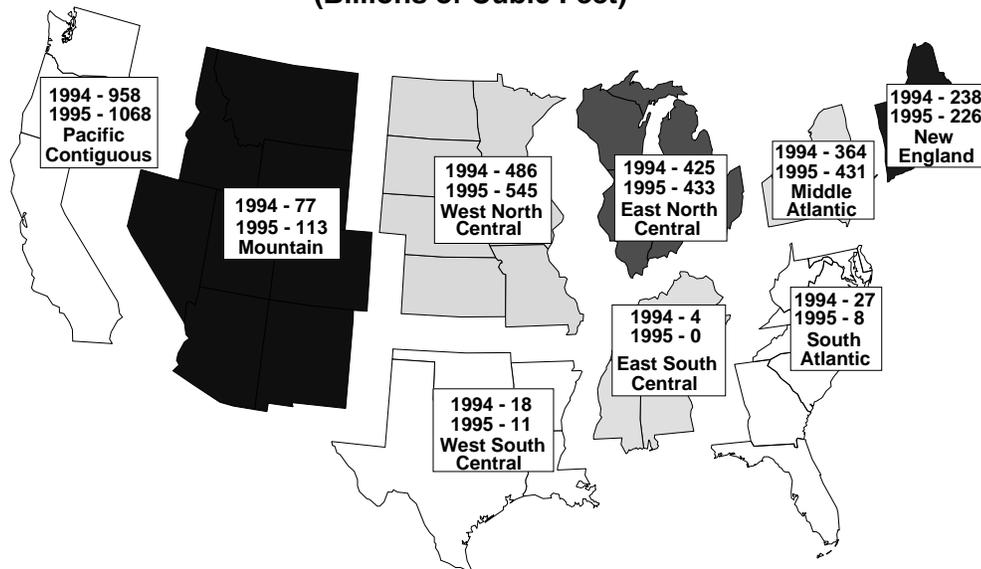
Figure 1



- **Figure 1** shows natural gas import and export activity over the past ten years (1986-1995).
- From 1986 to 1995, imports have grown by almost 279 percent (750 Bcf v. 2,841 Bcf). Additionally, **net** imports as a percentage of total domestic gas demand have grown from 4.2 percent in 1986 to an estimated 12.4 percent in 1995. In 1994, **net** imports as a percentage of total gas demand was 11.7 percent.
- Comparing 1986 with 1995, natural gas exports have grown by 154 percent (61.3 Bcf v. 155.8 Bcf). Like the growth in natural gas imports, most of the increase in exports is the result of a more efficient, integrated North American natural gas marketplace, and the liberalization of gas trading policies. As shown in **Figure 1**, the largest volume of gas exports occurred in 1992; this historic high level of exports was the result of record export sales to both Canada and Mexico.

**Estimated Sales of Imported Natural Gas
By Census Division - 1994 and 1995
(Billions of Cubic Feet)**

Figure 2

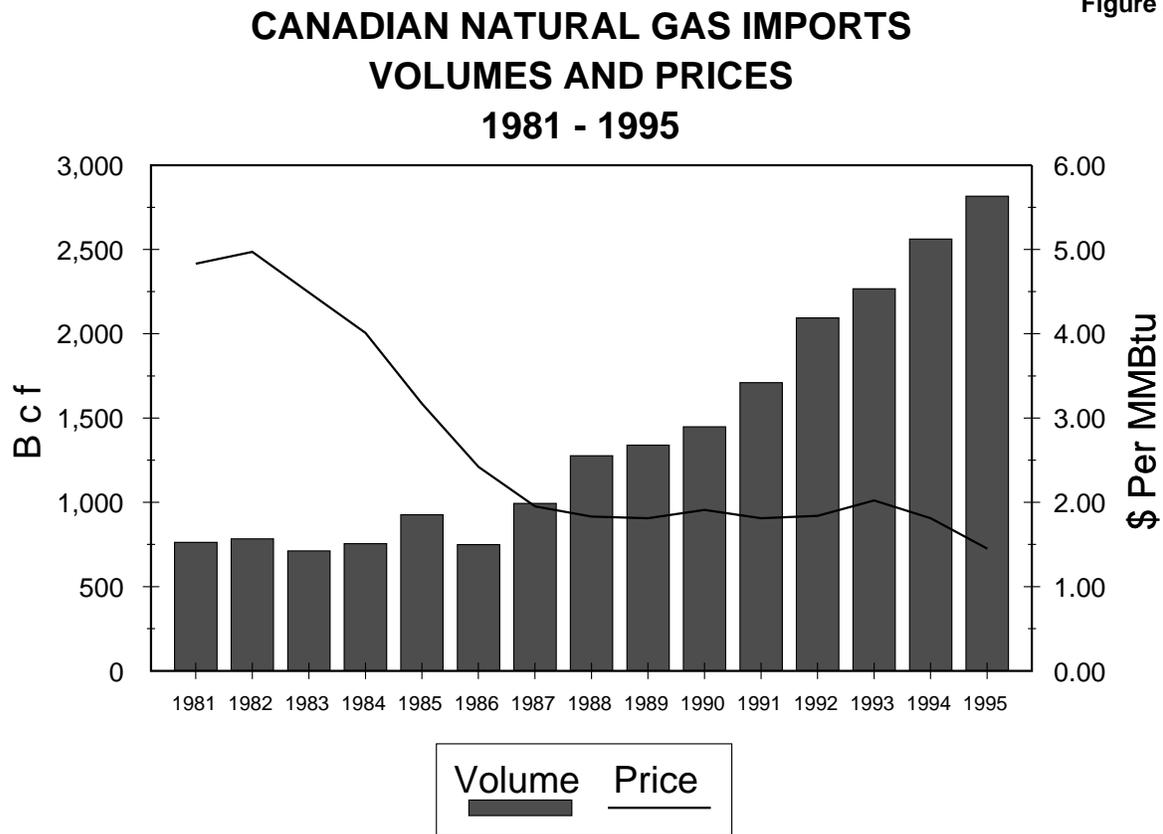


Note: Import sales do not equal imports due to fuel use, linepack, storage, imbalances and undetermined markets.

- As illustrated in **Figure 2**, the two geographic areas showing the greatest growth in consumption of imported gas supplies in 1995 were Regions 2 (Middle Atlantic) and 9 (Pacific Contiguous).
- In Census Region 2, Canadian gas sales increased by 67 Bcf over the 1994 level, or 18 percent. There are five international border points serving this region (see **Figure 4**); all experienced growth in imports during the year. Sales to this region represent about 30 percent of the incremental growth in **net** imports for the entire country during the year.
- In Census Region 9, Canadian gas sales increased by 110 Bcf over the 1994 level, or by 11 percent. Virtually all of the growth in this region came from increased sales under short-term import authorizations. Most of the growth in import sales into this region was due to increased use of the expanded Pacific Gas Transmission (PGT) system at Eastport, Idaho (See **Figure 4**). The sales to this region represent about 50 percent of the incremental growth in **net** imports for the entire country during the year.
- As shown in **Figure 2**, the third largest growth area in 1995 for gas import sales, on a volumetric basis, was in Census Region 4 (West North Central). It experienced an increase of about 59 Bcf over the 1994 level, or an increase of 12 percent.
- Comparing 1995 with 1994, Census Region 8 (Mountain) experienced the greatest growth rate in gas import sales on a percentage basis -- 47 percent. A substantial portion of this increase was due to increased sales to customers in the state of Nevada.

UNITED STATES - CANADA TRADE

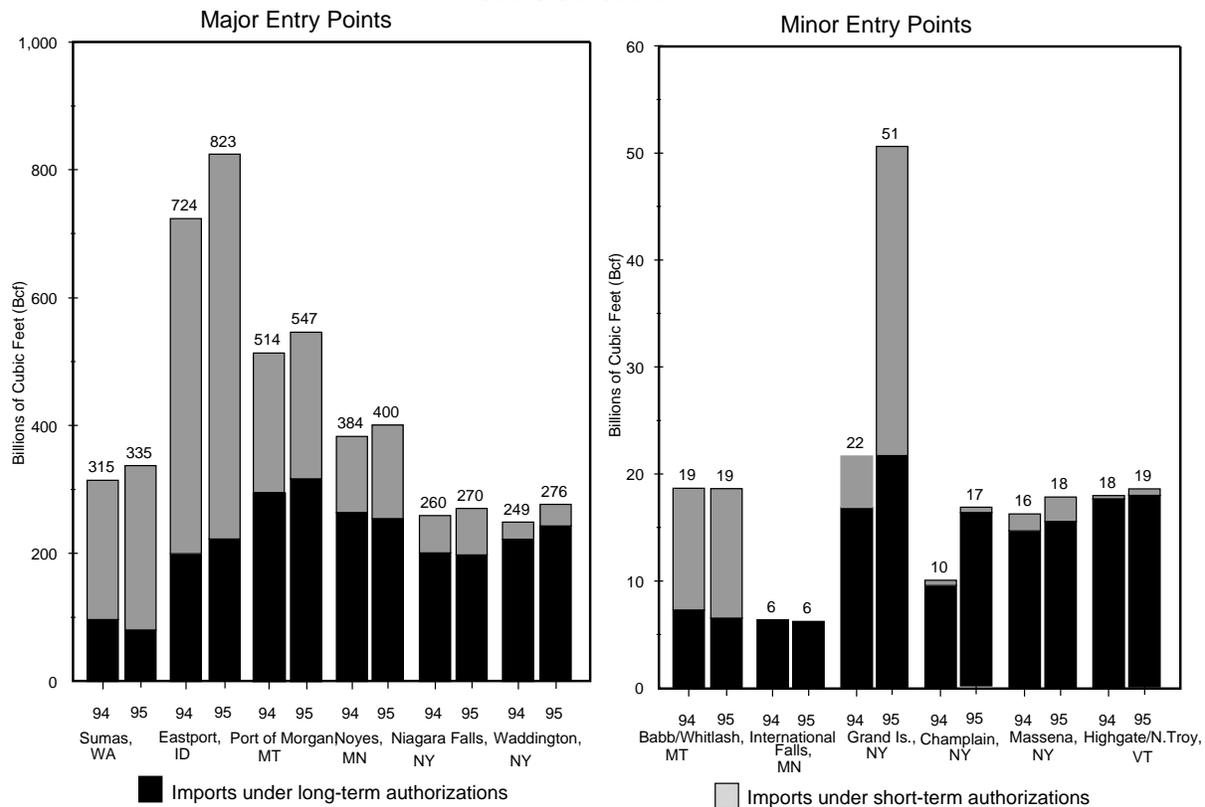
Figure 3



- **Figure 3** shows the volume and price trend for Canadian natural gas imports during the past 15 years.
- Imports of Canadian natural gas in 1995 set a new record high at 2,816 Bcf and the price of these imports set a new record low at \$1.45 per MMBtu. The previous record was set last year at \$1.80 per MMBtu.
- The average price of gas imported from Canada in 1995 was \$1.75 per MMBtu under long-term contracts (contract longer than 2 years) and \$1.16 per MMBtu under short-term contracts (contracts of 2 years or less).
- During 1995, Canada's share of the natural gas import market in the United States was 99.13 percent. Algeria's share of the import market was approximately 0.63 percent and Mexico's share was approximately 0.24 percent.

Canadian Natural Gas Imports By Point of Entry 1994 vs 1995

Figure 4



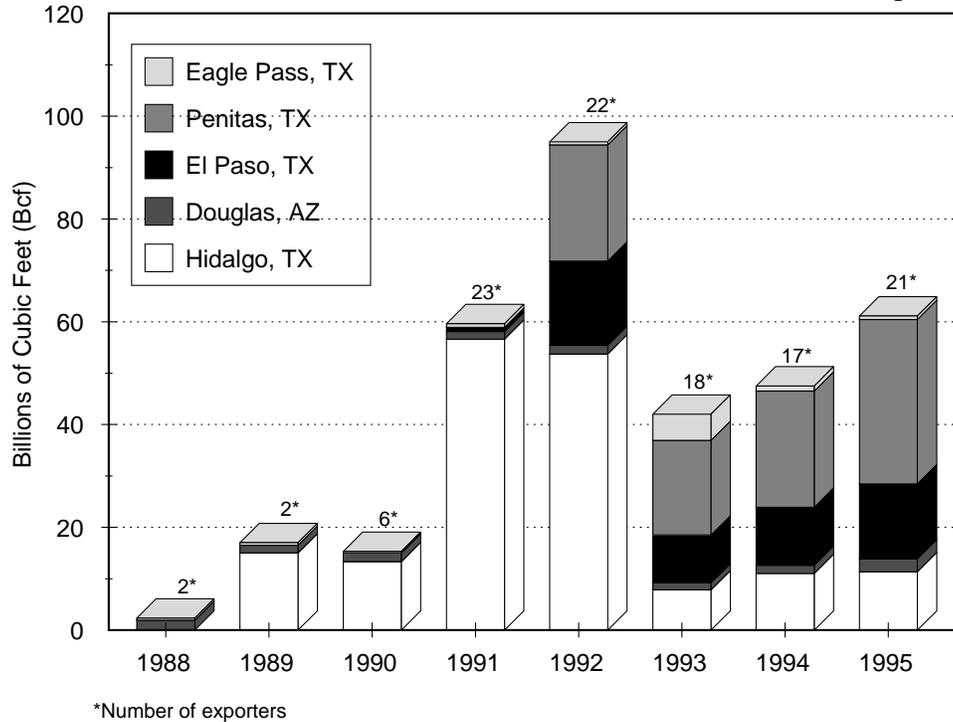
Note: Graph does not include entry points for Algerian and Mexican imports, as well as several minor Canadian entry points.

- **Figure 4** compares natural gas imports from Canada by point of entry for 1994 and 1995. The bar chart distinguishes between imports made under short-term and long-term import authorizations.
- **Figure 4** shows that the largest rates of growth occurred at the New York import points. Grand Island and Champlain, New York grew at rates of 131.8 and 70 percent over last years' volume. The other New York import points at Waddington, Massena and Niagara Falls had growth rates of 10.8, 12.5 and 3.8 percent, respectively. Volumes imported at the western points of Sumas, Washington and Eastport, Idaho increased by 10.4 and 13.6 percent, respectively. The midwestern import points at Port of Morgan, Montana and Noyes, Minnesota had growth rates of 6.3 and 13.7 percent, respectively.
- On a volumetric basis, the largest increase occurred in the West at Sumas, Washington and Eastport, Idaho. Natural gas imported at these points increased by 119 Bcf in 1995 (1,158 v. 1,039 Bcf). These two points serve the Pacific Northwest and California markets.
- Natural gas imports at the New York entry points have been increasing at a steady rate since the Empire State Pipeline at Grand Island and the North Country Pipeline at Champlain became operational in late 1993. Imports at all of the New York entry points in 1995 increased by 75 Bcf or 13.5 percent.

UNITED STATES - MEXICO TRADE

**Natural Gas Exports To Mexico By Point of Exit
(1988 - 1995)**

Figure 5

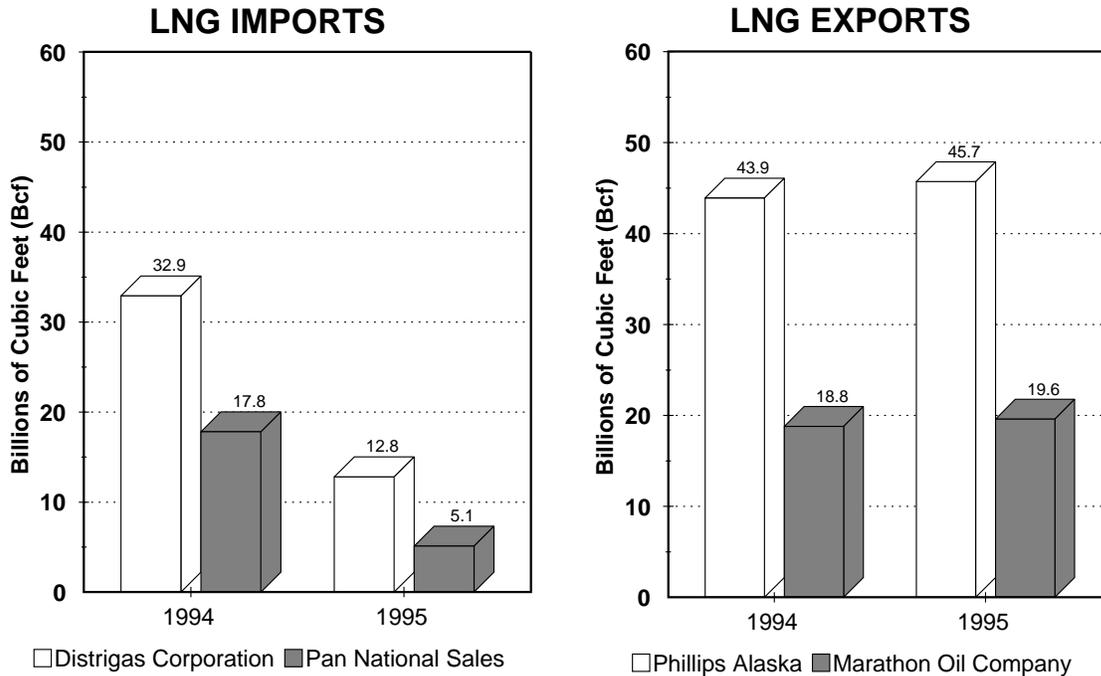


- Most of the 1995 exports to Mexico occurred during the first half of the year (38.4 Bcf), and then tapered down to 12.3 and 10.3 Bcf during the third and fourth quarters, respectively. The weighted average price of 1995 exports to Mexico was \$1.48 per MMBtu. This price was about 11 percent less than last year's average price of \$1.67 and was the lowest for the decade.
- The 1996 prospects for exports to Mexico are uncertain due to the recent increases in natural gas production by Petroleos Mexicanos (Pemex) during the later part of 1995 and early 1996. During much of the decade Pemex's natural gas production hovered around 3.6 Bcf per day. However, Pemex recently has increased its production level to about 4.2 Bcf per day and has a long term goal of 5 Bcf per day by the year 2000.
- Imports from Mexico in 1995 were the same as in 1994 -- 7 Bcf. If Pemex's production level stays at or above 4.2 Bcf per day and the Mexican economy remains constant, the gap between Mexican production and demand would likely continue. This could result in an increase in natural gas imports from Mexico.

LNG TRADE

Figure 6

**LNG TRADE
1994 VS 1995**



- **Figure 6** compares imports and exports of liquefied natural gas (LNG) for 1994 and 1995.
- During 1995, Distrigas Corporation (Distrigas) and Pan National Gas Sales, Inc. (Pan National) imported an aggregate 17.9 Bcf of LNG from Algeria. Approximately 71 percent (12.8 Bcf) was delivered to Distrigas at its Everett, Massachusetts terminal, while the remaining 29 percent (5.1 Bcf) was delivered to Pan National at Trunkline LNG Company’s terminal located at Lake Charles, Louisiana.
- During 1995, a total of 7 cargoes of LNG were imported into the United States. Distrigas imported all five of its LNG cargoes under a long-term import authorization, while Pan National imported its two cargoes under its short-term import authorization.
- As shown in **Figure 6**, Algerian LNG imports during 1995 declined by almost 65 percent from the 1994 level (17.9 v. 50.7 Bcf). Imports by Distrigas dropped by 61 percent, and imports by Pan National declined by over 71 percent.

- LNG imports during 1995 were the lowest level since 1988, when 17.5 Bcf was imported into the United States. The dramatic decline in LNG imports over the past two years (78 percent) largely can be attributed to the fact that Sonatrach, Algeria's state-owned oil and gas company, is in the midst of a multi-year renovation project to restore its liquefaction plants to their original capacities. This major renovation project has resulted in LNG export curtailments to all of its customers, including Distrigas and Pan National. As the renovation of certain facilities is completed, Sonatrach is expected to increase its LNG exports; however, total completion of its renovation project is not expected until sometime in 1997.
- Notwithstanding the scheduled 1994 completion date for the revamping of Algeria's LNG processing facilities, imports of Algerian LNG into the United States are expected to increase somewhat in 1996. First, Algeria's current LNG export capacity has been restored to the level that it was prior to the start of its renovation project. Secondly, the Maghrib-Europe natural gas pipeline is scheduled to become operational by October of this year. This new 1,162-mile pipeline is designed to transport Algerian gas to Spain and Portugal via Morocco and the Strait of Gibraltar. Completion of this pipeline will free up more LNG export capacity, as Spain currently is Algeria's second largest LNG customer.
- **Figure 6** also shows the volume of LNG exported by Phillips Alaska Natural Gas Corporation (Phillips) and Marathon Oil Company (Marathon) from Kenai, Alaska, to Japan during 1994 and 1995.
- LNG exports to Japan grew by 4 percent in 1995 over the 1994 level (65.3 v. 62.7 Bcf). The volume increase was due to the fact that 1995 represented the first full calendar year in which the renegotiated purchase agreements between the exporters and their two Japanese customers, Tokyo Electric Power Company, Inc., and Tokyo Gas Company, Ltd. were in effect.

Note: Data used in this report are from company filings made with OFP. All 1994/95 year-to-year comparisons utilize OFP data. All graphs showing historical trends also use information found in the Energy Information Administration's *Natural Gas Monthly*. One should be mindful of the fact that OFP data is collected on an equity (sales) basis, rather than on a custody (physical movements) basis, as employed by EIA in its reports. As a consequence, the data may have some minor variances.