

## Gas Market Update

### Natural Gas Market Trends

According to the United States Energy Information Association (EIA), natural gas production in the United States is expected to show an increase (2.8 percent) in 2009 but exhibit a decline (3.8 percent) in 2010. This, combined with the fact that working natural gas rigs have declined by more than 54 percent since cresting at 1,600 late in August 2008, could lead to rising gas prices as demand begins to return with the improving economy. Despite the fact that market analyst Baker Hughes has indicated that the natural gas rig count is on the rise again after bottoming out in mid-July 2009, the EIA still expects that the reduced drilling rates and steeper decline rates from new wells brought on stream in 2009 will lead to lower levels of production during 2010. Again, this will put pressure on natural gas prices as 2010 develops.

*(Source: EIA Website)*



Recently, United States and Canadian natural gas prices fell to their lowest levels in nearly seven years due to the global economic recession, growing United States natural gas production, weak demand for electricity generation, mild weather, and record high storage levels for this time of year.

Natural Resources Canada (NRCAN) reported that there were 243 natural gas wells drilled in August 2009, a decrease of 70 percent from August 2008. There is a time-lag between drilling a gas well and starting production, due to the work necessary to connect the new well to the pipeline grid. As such, drilling provides a reasonable indicator of future natural gas supply. As well, marketable natural gas production in Canada for June 2009 was 383 Billion cubic feet (Bcf), seven percent lower than June 2008. Marketable natural gas is the gas available for consumption after processing and excludes producer or plant uses. This picture is similar to that in the United States and points to areas which will likely cause upwards pressure on pricing as the economic recovery unfolds in 2010.

*(Source: NRCAN Website)*

## Electricity Market Update



### Setbacks Slow Bruce Power Reactor Restarts

Bruce Power had originally planned for the

two reactors it was refurbishing to be in service in late 2009 or early 2010. But one of the project's key investors, TransCanada Corp., recently announced that the first of the two reactors will not be online until mid-2011, with the second reactor following about four months later. Plans to build a new nuclear plant in Ontario are on hold and the only two refurbishment projects in the country, the restart of Bruce A Units 1 and 2 northwest of Toronto and the overhaul of the Pointe Lepreau plant in New Brunswick, are over budget and more than a year behind schedule. The original cost of the project was projected to be \$2.75 billion. However, an independent review revealed in April 2008 that costs had already climbed at least \$350 million over budget and the overrun could reach \$650 million. TransCanada later confirmed that the project would come in at a minimum of \$3.4 billion. This would make the project's overrun nearly \$1 billion, or 36 percent above the original cost estimate.

*(Source: The Star Website)*

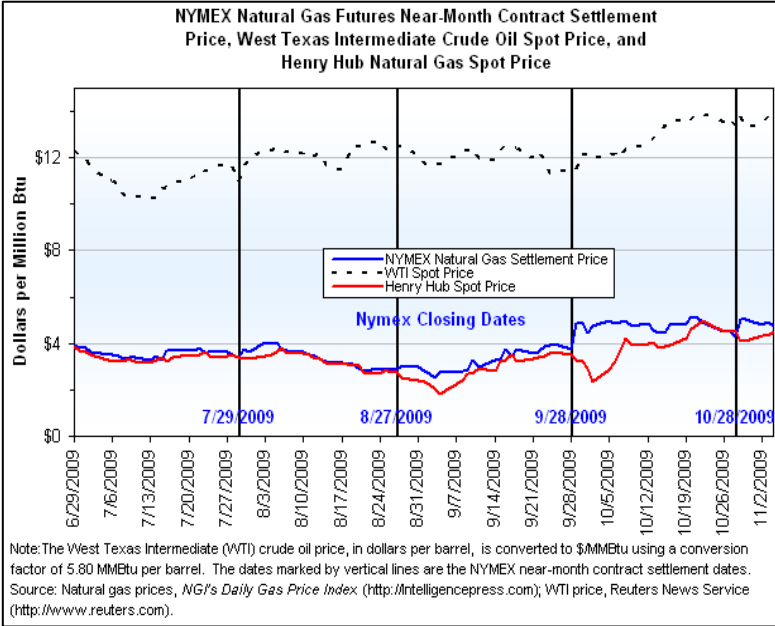
### Climate Talks Need Big Picture View

Global climate change negotiators are bogged down with minor details and need to step back and look at the big picture, Prime Minister Stephen Harper said Sunday, November 15, 2009. The Prime Minister said there was a pretty strong consensus at the meeting Sunday morning that countries of the world remain a long way from a binding, legal treaty on climate change. The leaders did, however, agree to "phase out over the medium term fossil fuel subsidies." No specific timeline was put on the measure. Harper held a number of bilateral meetings and "pull asides", less formal one-on-one talks, with Asia-Pacific Economic Cooperation (APEC) leaders over the weekend as Canada gears up for next summer's concurrent G8 and G20 meetings to be held in central Ontario.

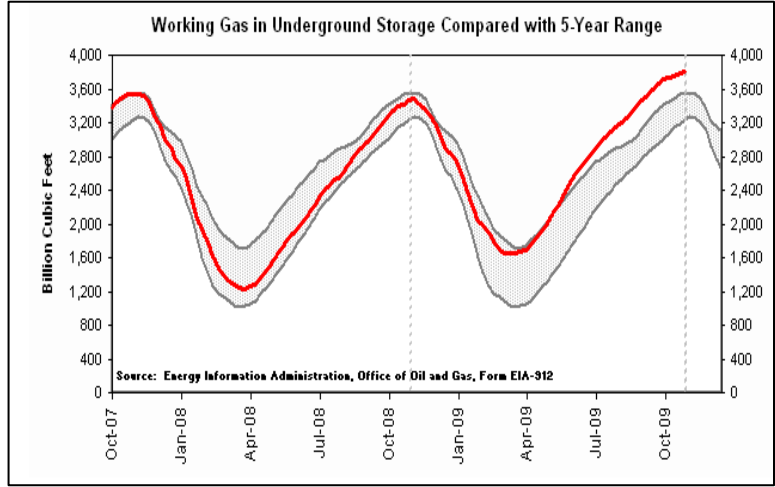
*(Source: The Canadian Press Website)*



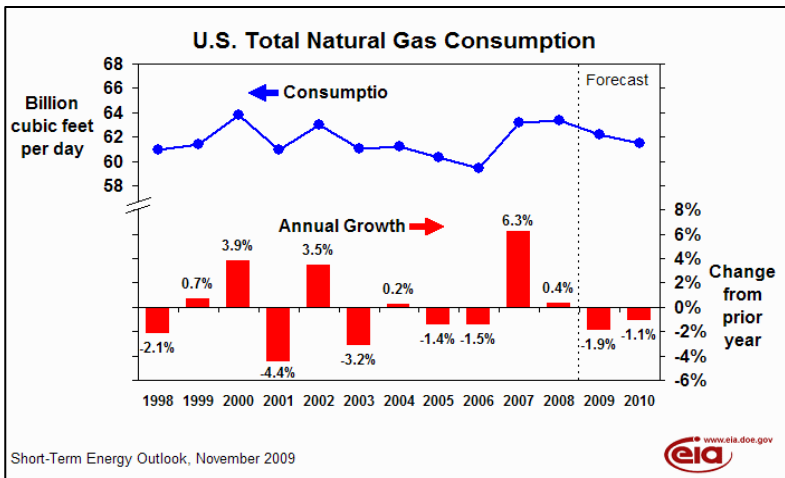
# WEEKLY MARKET UPDATE



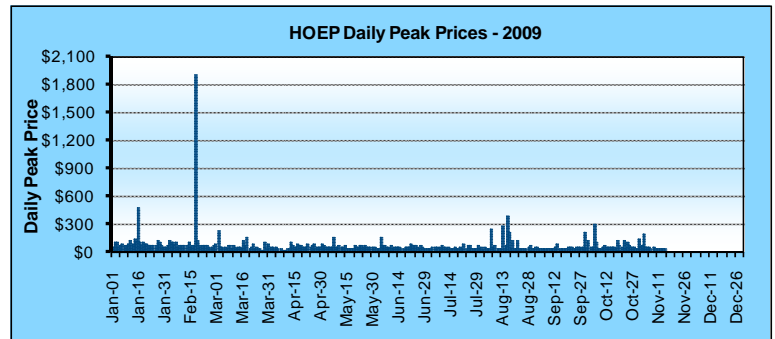
At the New York Mercantile Exchange (NYMEX), the December 2009 natural gas contract fell 7% during the week ending November 11. (Source: EIA Website)



According to the Energy Information Administration's (EIA) estimates, working gas in storage was 3,813 Bcf as of Friday, November 6, 2009. This represents a net increase of 25 Bcf from the previous week. Stocks were 350 Bcf higher than last year at this time and 409 Bcf above the 5-year average of 3,404 Bcf. (Source: IESO Website)



EIA projects total natural gas consumption to decline by 1.9% in 2009 and by another 1.1% in 2010. (Source: EIA Website)



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