

gas market update**Future of Sable gas dims**

ExxonMobil, the lead owner of the \$2-billion Sable natural gas project, announced it will not go ahead with an expansion of Nova Scotia's only offshore gas-producing development.

ExxonMobil studied the economics of removing gas from smaller gas reservoirs around Sable Island, called significant discovery licences, or SDLs, and decided not to proceed. Current low prices for natural gas were one factor in making the expansion uneconomical.

The announcement was disappointing for the local offshore industry. The Sable project pumps \$200 million a year into the Nova Scotia economy, and hundreds of millions would have been spent to develop additional gas fields if the expansion had gone ahead.

Production, which has been in decline in recent years, determines how much cash the province collects in royalties from the Sable partners. The Nova Scotia government has pulled in \$1.3 billion in royalties since production began in December 1999.

ExxonMobil would not say how long Sable gas will continue to be pumped, only that it will continue for some years. In the meantime, ExxonMobil will work with the Nova Scotia government to see if any other companies are interested in pursuing development of the SDLs. The Sable owners said they would allow access to their offshore pipelines and other associated infrastructure.

The Canada-Nova Scotia Offshore Petroleum Board also announced that no bids had been received for two parcels of land near the Sable gas fields that the industry had nominated last year for auction. (Source: *TheChronicleHerald.ca*)

electricity market update**New Price Category Proposed for microFIT Ground-Mounted Solar PV Projects**

The microFIT Program is designed to encourage homeowners, farmers, small businesses and institutions to develop small renewable energy generation projects of 10 kilowatts or less. Project owners are paid a fixed price for the electricity they produce, with prices set to recover costs as well as earn a reasonable return over the 20-year term of the contract.

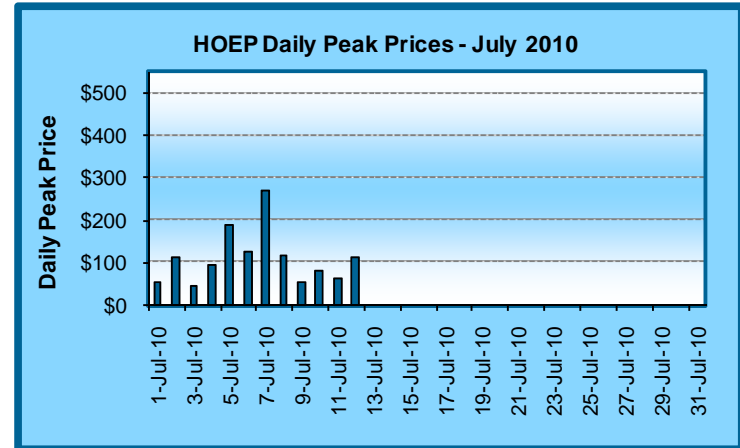
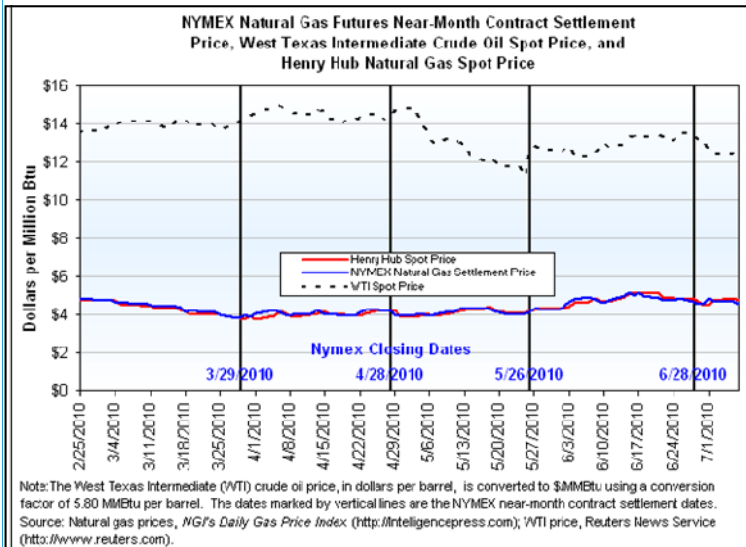
Participation in the Ontario Power Authority's (OPA) microFIT Program has vastly surpassed expectation, with more than 16,000 applications submitted.

As a large majority of applications have been for ground-mounted solar projects, the OPA is proposing a new pricing category of 58.8 ¢/kWh (down from 80.2 ¢/kWh) for these projects to help ensure the program remains sustainable and electricity ratepayers receive good value for new, clean, reliable renewable energy.

This will better reflect the lower costs to install a ground-mounted solar PV project versus a rooftop project and will provide a price that enables future project owners to recover costs of the projects as well as earn a reasonable return on their investment over the long term.

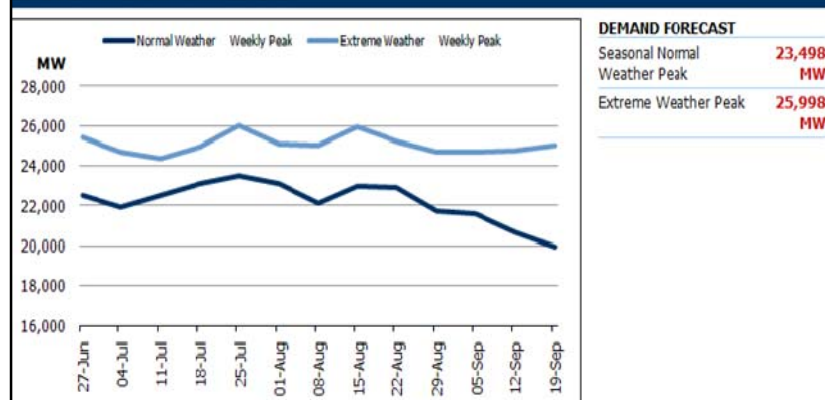
The Ontario Power Authority is responsible for ensuring a reliable, sustainable supply of electricity for Ontario. Its four key areas of focus are: planning the power system for the long term, leading and coordinating conservation initiatives across the province, ensuring development of needed generation resources, and supporting the continued evolution of the electricity sector. (Source: *The Ontario Power Authority Website*)

weekly market update

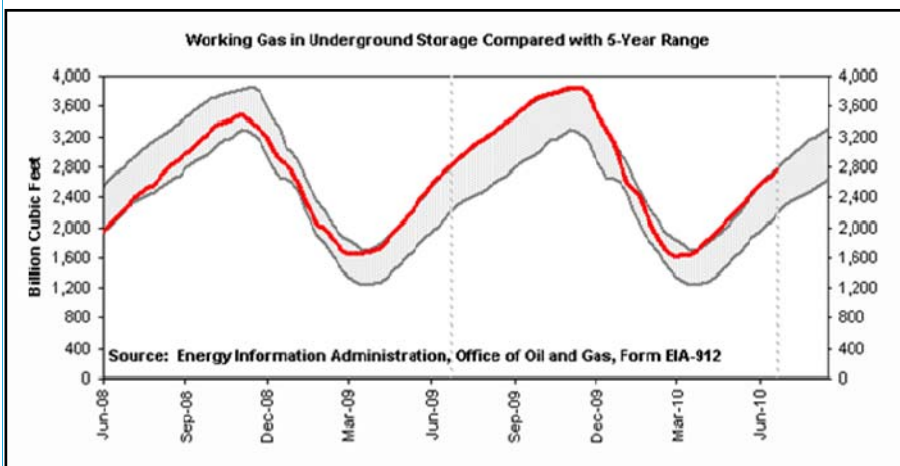


At the New York Mercantile Exchange (NYMEX), the price of the futures contract for August delivery at the Henry Hub closed yesterday lower than the previous Wednesday. Although the near-month contract increased at the beginning of the report week, on Thursday, July 1, likely in response to slowing injections into underground storage and forecasts of hotter weather, futures prices moderated in the following three trading sessions. (Source: EIA Website)

DEMAND OUTLOOK - SUMMER 2010



Source: IESO Website



According to EIA estimates, working gas in storage was 2,762 Bcf as of Friday, July 2, 2010. This represents a net increase of 78 Bcf from the previous week. Stocks were 23 Bcf less than last year at this time and 285 Bcf above the 5-year average of 2,477 Bcf. (Source: EIA Website)



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