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weekly market update

gas market update

Natural Gas Likely to Play a Bigger Role

Why natural gas? It's cleaner than the other fossil fuels. It generates 30 percent less carbon dioxide than oil, 40 percent less than coal, and can be brought on stream quickly compared to wind, solar, and nuclear power. Innovations in extraction technologies, notably hydraulic fracturing and horizontal drilling, have made many more deposits of natural gas accessible. This has resulted in a much more abundant and cheaper fuel source.

In June, natural gas prices rose when Barack Obama made a speech in which he declared: "the time has come ... to fully embrace a clean energy future ... (it) means tapping into our natural gas reserves ..." The market took such comments as evidence of the President's intention to work toward the passage of legislation favorable to natural gas.

One such bill now on Capital Hill is the Natural Gas Act, which contains a number of credits and subsidies to encourage the use of natural gas. Specifically, it seeks to promote the conversion of vehicles to natural gas, expansion in the number of refilling stations and development of natural gas technologies.

Obama's speech also conveyed a commitment to rounding up enough votes to enact the American Clean Energy and Security Act with its "cap-and-trade" provisions. If the President succeeds, then "putting a price on carbon pollution" could generate a noteworthy incentive for energy users to shift to natural gas. *(Source: The Globe and Mail)*

environment update

Few Firms Disclose Environmental Practices

Some of Canada's largest pension funds have been urging companies to improve their weak reporting in the environmental realm.

Most companies are still not providing key information about things such as energy and water consumption, according to research group Corporate Knights Inc., who assessed environmental, social and governance (ESG) practices of companies in Canada's S&P/TSX 60 index. The review found that only 17 percent of corporations disclosed detailed data on the four environmental factors that were assessed in the ranking.

"These four things – energy, carbon, water and waste – are the four things that are the most core and universally applicable indicators," said Toby Heaps, Editor-in-Chief of Corporate Knights.

The Canada Pension Plan Investment Board (CPPIB) manages the fund's ESG issues, including participating in various global reporting initiatives. ESG issues are potential investing risks, and the CPPIB urges more disclosure from companies to help weigh factors like carbon emissions or social risks. Canadian companies are not specifically required to disclose any environmental data about their operations, but regulators do require companies to report on issues "material" to their operations.

The mining and energy sectors are among the most advanced industry groups for reporting on environmental data, but Iamgold Interim Chief Executive Officer Peter Jones said the impetus has come more from community groups than from investors. Many investors are only interested in sustainability issues if a company has a significant problem, he said. *(Source: The Globe and Mail)*

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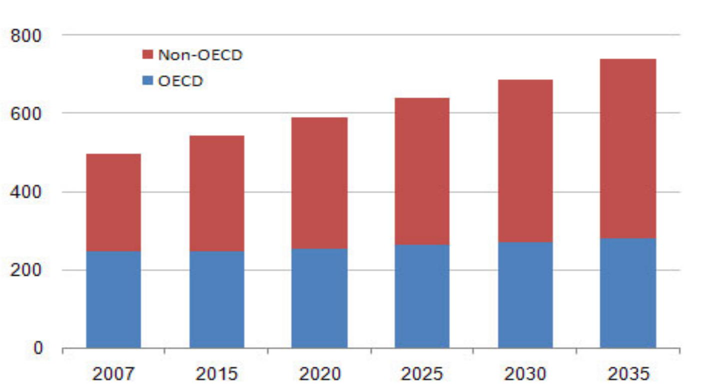
Figure 1. World marketed energy consumption



The global economic recession that began in 2007 and continued into 2009 has had a profound impact on world energy demand in the near term. Total world marketed energy consumption contracted by 1.2% in 2008 and by an estimated 2.2% in 2009, as manufacturing and consumer demand for goods and services declined. Although the recession appears to have ended, the pace of recovery has been uneven so far, with China and India leading and Japan and the European Union member countries lagging. In the Reference case, as the economic situation improves, most nations return to the economic growth paths that were anticipated before the recession began. The most rapid growth in energy demand from 2007 to 2035 occurs in nations outside the Organization for Economic Cooperation and Developmenta1 (non-OECD nations). (Source: EIA Website)

HOEP Daily Peak Prices - June 2010

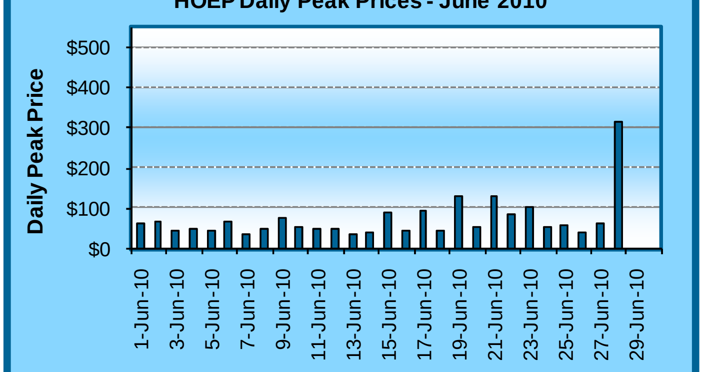


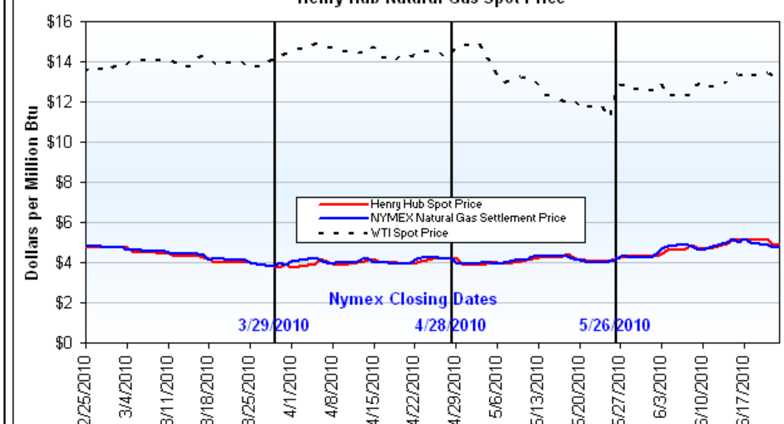
Table 4.1 Existing Generation Resources as of May 5, 2010

Fuel Type	Total Installed Capacity (MW)	Forecast Capability at Summer Peak* (MW)	Number of Stations	Change in Installed Capacity (MW)	Change in Stations
Nuclear	11,446	10,767	5	20	0
Hydroelectric	7,903	5,817	70	-11	0
Coal	6,434	6,161	4	0	0
Oil/Gas	8,792	7,242	27	270	0
Wind	1,084	137	8	0	0
Biomass/Landfill Gas	122	47	6	47	1
Total	35,781	30,171	120	326	1

*Actual Capabilty may be less as a result of transmission constraints

Over the course of the next 18 months, about 2,900 MW of new and refurbished supply is scheduled to come into service. Most of the new supply projects have started their commissioning phase or are in the construction phase. (Source: IESO Website)

NYMEX Natural Gas Futures Near-Month Contract Settlement Price, West Texas Intermediate Crude Oil Spot Price, and Henry Hub Natural Gas Spot Price



Note: The West Texas Intermediate (WTI) crude oil price, in dollars per barrel, is converted to $/MMBtu using a conversion factor of 5.80 MMBtu per barrel. The dates marked by vertical lines are the NYMEX near-month contract settlement dates. Source: Natural gas prices, *NGI's Daily Gas Price Index* (http://intelligencepress.com); WTI price, Reuters News Service (http://www.reuters.com).

At the New York Mercantile Exchange (NYMEX), the futures contract for July delivery at the Henry Hub ended trading yesterday decreasing by about 4% during the report week. (Source: EIA Website)

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