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Natural Gas Prices, Shortages Cause Worry

Thu Jun 26, 4:11 AM ET  Add [White House - AP Cabinet & State](#) to My Yahoo!

By H. JOSEF HEBERT, Associated Press Writer

WASHINGTON - Caught between rising demand and falling supply, the country is facing a severe natural gas supply crunch that holds out the prospect of skyrocketing prices and winter shortages.

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Consumers could be hit with higher electricity bills this summer and more costly heating bills when cold weather returns. Consumer products from food to automobiles may increase because of the higher energy prices.

Almost everyone agrees little can be done in the short term, except get people to use less gas and hope for favorable weather to deal with the worst shortages in 25 years.

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But federal officials, industry executives and energy analysts were gathering at an all-day "natural gas summit" Thursday to try to map out a strategy to ease the problem. Much of the discussion was expected to focus on ways to get industrial users and electric utilities to switch to another fuel and how to foster conservation.

"Industry is already responding by increasing storage rates," said Energy Secretary Spencer Abraham ([news](#) - [web sites](#)), who called the summit. But he said the amount of natural gas in storage remains unusually low and "a hot summer could increase demand and exacerbate the problem."

There is only so much that can be done, energy experts say.

"The quick fixes for domestic exploration aren't there," says Dennis Eklof of Global Insight, an energy consulting firm.

Wells in the Gulf of Mexico and across the Rocky Mountain West often are located in already overworked basins where production is declining.

"The sobering reality is that we're drilling a lot more wells today than we were five years ago, but production is still down. Producers are on a treadmill, running



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harder to stay in place," says Keith Rattie, chairman of Questar Corp., a Utah-based gas producer and distributor.

With declining production and unusually high demand last winter, gas storage levels fell this past spring to the lowest level they've been since the government began keeping track in 1976.

This week about 1,400 billion cubic feet of gas were in storage, 22 percent below the five-year average and less than half of the amount needed this fall to avoid problems approaching even a normal winter.

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Meanwhile, demand for gas has been growing, largely because of the widespread use of the fuel for producing electricity. Nearly every power plant built in the past six years runs on natural gas.

The love of natural gas — and problems getting enough of it — did not develop by accident.

"We can't blame OPEC ([news - web sites](#)) for our natural gas situation. We have to look at the long-term policies we put in place over the past decade or even longer," says William Whitsitt, a consultant for Burlington Resources, a leading independent Rocky Mountain gas producer.

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Those policies promoted natural gas as the fuel of choice to run power plants, alternative fuel vehicles and, because gas emits less carbon dioxide than coal or oil, as a way to help address climate change.

But less attention has been paid to finding gas and producing it.

"It's a problem of our own creation," Rattie told a recent congressional hearing. While encouraging consumption, federal policies have impeded development of new supplies.

The industry has been using the recent run-up of gas prices and supply concerns to buttress their argument for opening more federal lands, especially in the Rocky Mountain area, to gas development and for easing federal permitting requirements.

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With prices jumping to more than \$6 per thousand cubic feet this spring, twice what it was a year ago and triple what it has been in recent years, producers already have been drilling more wells.

But those same high prices are taking a toll on gas users.

Farmers are paying \$10 to \$15 an acre more to plant crops since the cost of fertilizer tripled to \$350 a ton this spring because of higher gas costs, Al Christopherson, a farmer from Pennock, Minn., recently told a congressional hearing.

In Colorado and Wyoming, where natural gas wells abound, sugar beet processors are facing problems as well because of the high cost of the fuel. One beet-processing plant near Greeley, Colo., that uses natural gas was closed because it was cheaper to ship beets to a coal-fired plant in Morgan, Colo.

In Texas, Dow Chemical decided to shift one of its plants to Germany, in part because it expects high U.S. natural gas prices to persist.

"Big companies won't go out of business," says Greg Lebedev, president of the American Chemistry Council. "They will move."

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