Future looks bright for natural gas market: Johnston

By KENT DAVIDSON
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The future looks bright for the natural gas market as the current over-supply appears to be shrinking, Sen. J. Bennett Johnston said Wednesday.

"The end of the gas bubble appears to be finally at hand," Johnston told a small gathering of business people at the Petroleum Club. "I think the future for natural gas is going to be much brighter than it has been."

At its peak in 1983, the "gas bubble" stood at nearly 4.6 trillion cubic feet. Johnston said. In July, the supply was estimated to be down to about 3.68 billion cubic feet and will be "negligible by the next year."

"Several weeks ago, the Senate Energy Committee received testimony from a number of natural gas industry experts who indicated that for practical purposes the gas bubble is over," he added.

Coinciding with the shrinking supply is an expansion of natural gas markets. The two factors will likely cause the market to tighten, Johnston said.

"Also, the increased demand will undoubtedly push prices higher," the senator added.

The price of natural gas could well be much higher, much faster than the market analysts predict," Johnston said.

"Prices are likely to be very sensitive to weather," he continued. "A cold winter could mean that those who rely on the short term spot market will not be able to get all of the gas that they want."

That leads to questions about the ability of the industry to deliver their product, Johnston said.

Because natural gas drilling activity has declined by 70 percent since the early 80s, there could be short term deliverability problems.

"We are not, however, headed for a repeat of the supply shortages and service curtailments of the 1970's," Johnston stressed. "A number of factors mitigate against this."

Included in those factors are a better organized institutional framework, an increase in natural gas storage capacity and new incremental sources of supply.

"By the mid-1990s, the supply response will have taken hold," Johnston said. "With this new deliverability, the natural gas resource base should be able to support growing markets that are forecast for the 1990's."

Despite the industry's ability to deal with the situation, it may still be perceived by some that there is a natural gas shortage, Johnston said.

"I can tell you that if a natural gas consumer has his service interrupted, he will describe it as a shortage," the senator continued.

Although the energy markets have put the state through some tough times lately, Johnston believes things are looking better for the near future.

"Hang in there," Johnston said. "I think 1990 will be a hell of a good year for natural gas."

On another matter, while Johnston supported tax incentives for energy production, he does not think such legislation will fair well in Congress.

"I'm very strongly for those and I expect the Department of Energy will come out with recommendations, but I don't hold out very much hope," Johnston said.

People in non-producing states see tax incentives as "loopholes," he explained, adding that the common school of thought is to do away with loopholes.

Johnston does, however, believe that there is still a chance of establishing an oil import fee. The fee, though, will not be established any time soon.