

ENERGY NEWS AND NOTES

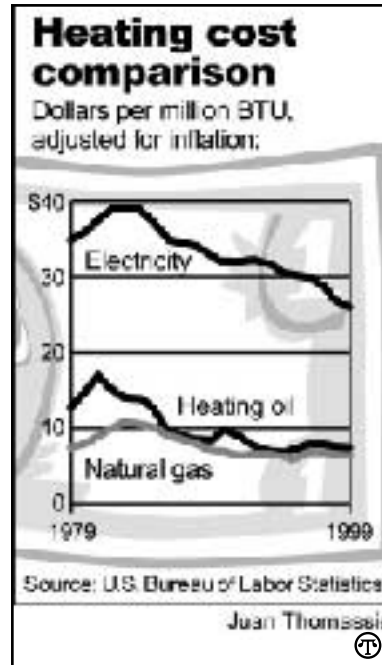
Why Oil And Natural Gas Prices Heat Up Together

(NAPSA)—Efforts to control—and explain—energy prices are getting a warm welcome all over the United States. Almost all Americans heat their homes with oil or natural gas. In fact, 70 percent of new homes built in the U.S. today are fueled by natural gas. Price fluctuations in home heating oil and natural gas—seemingly competitive commodities—have direct effects on one another throughout the country. Here's why:

Over the last decade, natural gas has been cheaper than home heating oil. Because it is less expensive and cleaner-burning, the demand for gas has risen about three percent annually since 1990. More recently, industrial demand for natural gas—fueled by the need to meet new environmental requirements—has reached unprecedented levels, far outpacing residential demand. New gas-fueled electric generation plants are responsible for much of the increase, while more manufacturers use natural gas to heat factories and fuel machinery.

Today, U.S. industry accounts for about 66 percent of the natural gas consumed in the country, according to the U.S. Energy Information Administration. Over the last year, this unprecedented demand has nearly surpassed the rate at which natural gas is produced, causing gas providers to increase prices. Although price increases have caused few residential customers to convert to oil heat, the current gas supply situation has had a direct effect on the price of home heating oil.

Many commercial consumers—electric utilities, manufacturing plants and others—equip their



These days, heating oil and natural gas prices tend to rise and fall together.

facilities for both natural gas and heating oil. When gas prices are high, they switch to lower-cost heating oil. Sustained switching due to consistently cold weather or other factors, puts a heavy dent into already-tight heating oil supplies. Therefore, as industrial demand for natural gas increases and supplies are depleted, prices for both heating oil and natural gas are affected.

This explains why gas shortages in one region of the country can cause heating oil price hikes in another.

For more information about oil and gas pricing and supply issues, visit www.oil360.org.

Note to Editors: This is the third in a series of 12 articles.