

There are a number of uncontrollable factors that affect the price of natural gas in both the short and long term.

The unpredictability of the weather and various economic events has drastically affected the price of natural gas.

**Weather**-The most important factor in determining short-term price movement in North America is the weather, and in particular the effect of temperature on the need for winter heating and summer cooling. Prices tend to follow a seasonal cycle with higher prices in the winter and summer and lower prices in the spring and fall. El Nino and Hurricanes have also shown a significant impact on natural gas prices.

If prices at the pump increase, you can expect your natural gas bill to follow suit. **Cost of Alternative Energy Sources**

-Crude oil and natural gas prices tend to be inter-related, where natural gas prices typically track the fluctuations of the crude oil market. Typically when crude oil prices have experienced highs due to strong global demand and on-going disruptive circumstances in oil-producing countries, uncertainty increases regarding the dependability of the commodity supply. During these price fluctuations, many energy consumers practice fuel switching, which is a temporary change from one fuel to another to avoid gas price increases. This activity puts upward pressure on the demand for natural gas, thus increasing its price.

You can also expect natural gas prices to increase with a strengthening US dollar relative to the Canadian dollar.

**Foreign exchange:** The Canadian price of natural gas is derived from the US Nymex price and converted into Canadian dollars. Therefore, a weakening Canadian dollar will increase Canadian gas prices. A strengthening US dollar (compared to Cdn) or a weakening Canadian dollar (compared to US) typically means that Canadians will spend more money on energy. Take the following scenerio for example: assuming the price of natural gas is \$8 US/ Mmbtu and the Canadian dollar weakens from \$0.84 US to \$0.83 US, the Canadian price of natural gas would go from \$9.03 Cdn/GJ ( $8/(0.84 \times 1.055056)$ ) to \$9.14 Cdn/GJ ( $8/(0.83 \times 1.055056)$ )\* . That's an increase of approximately \$0.11 Cdn due to a penny decrease in the Cdn dollar compared to US.

Note that 1.055056 GJ's is 1 Mmbtu.