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Risk Management Bumping into Infrastructure

GEMI SYMPOSIUM: RELIABILITY AND SECURITY ACROSS THE ENERGY VALUE CHAIN

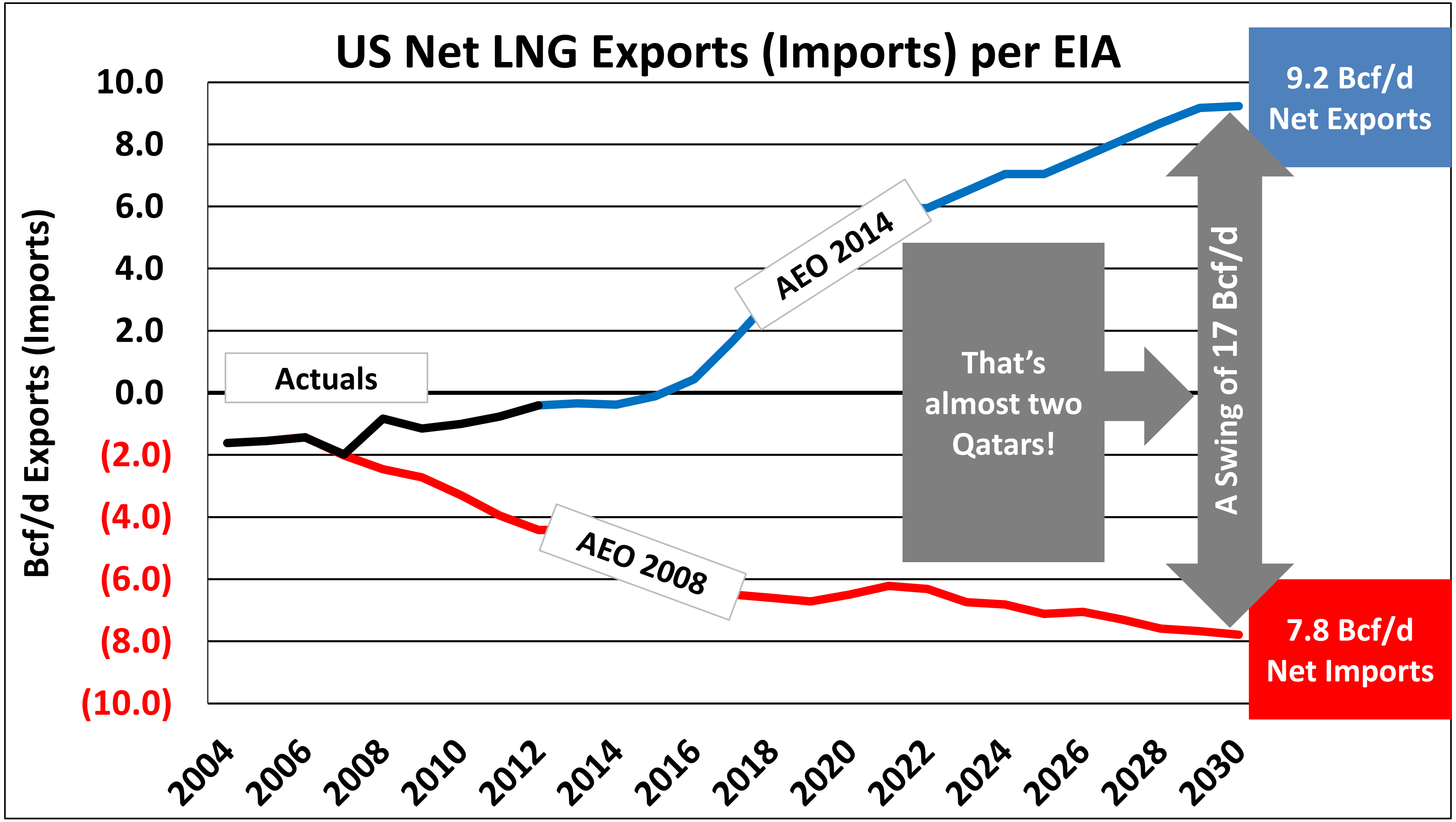
University of Houston

March 11, 2015

Rick Smead, Managing Director

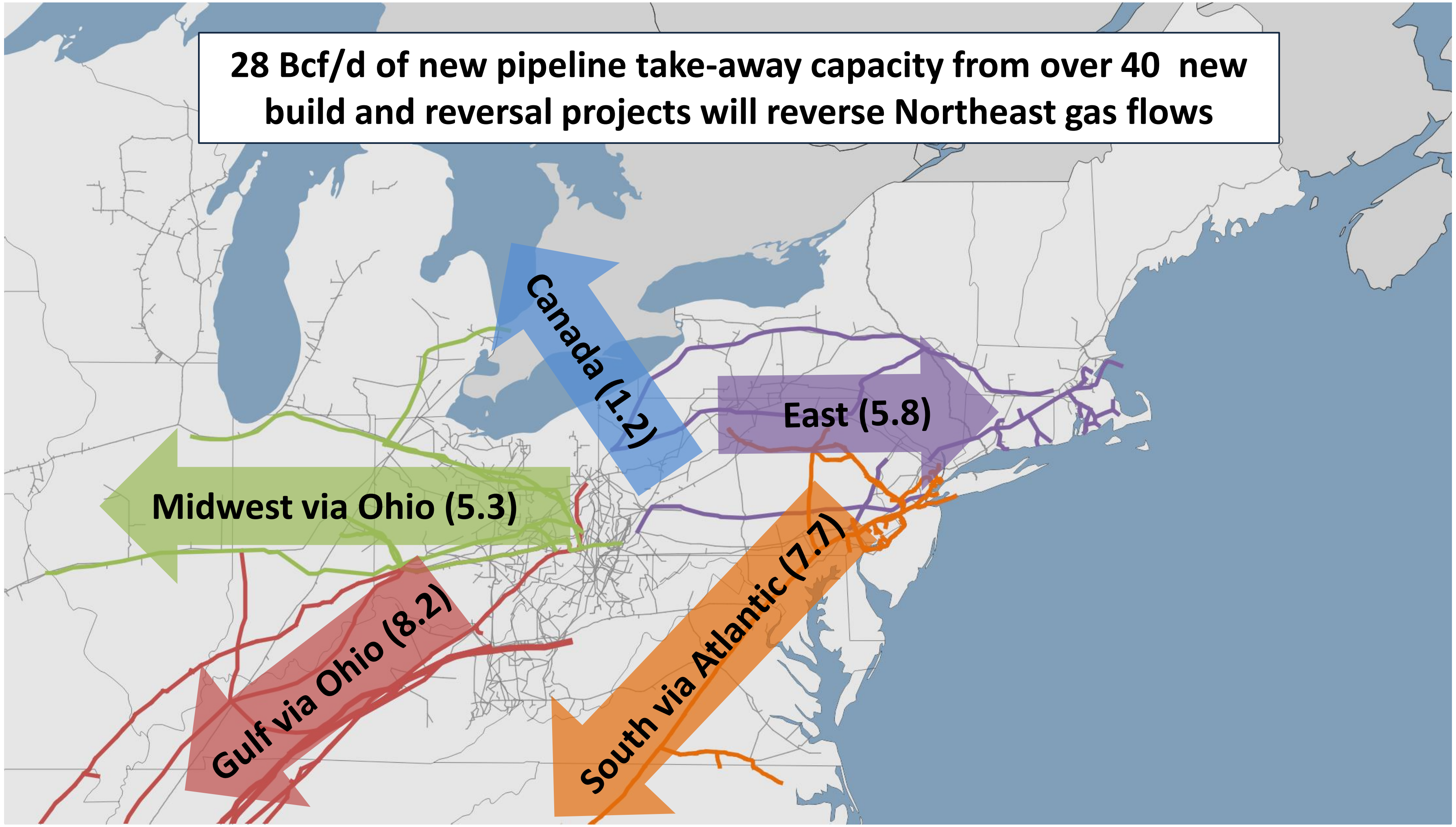
RBN Energy LLC

US Gas Abundance Is Profound and Sudden



Source: EIA Annual Energy Outlooks (AEOs), 2008 and 2014

The Big Northeast Buildout



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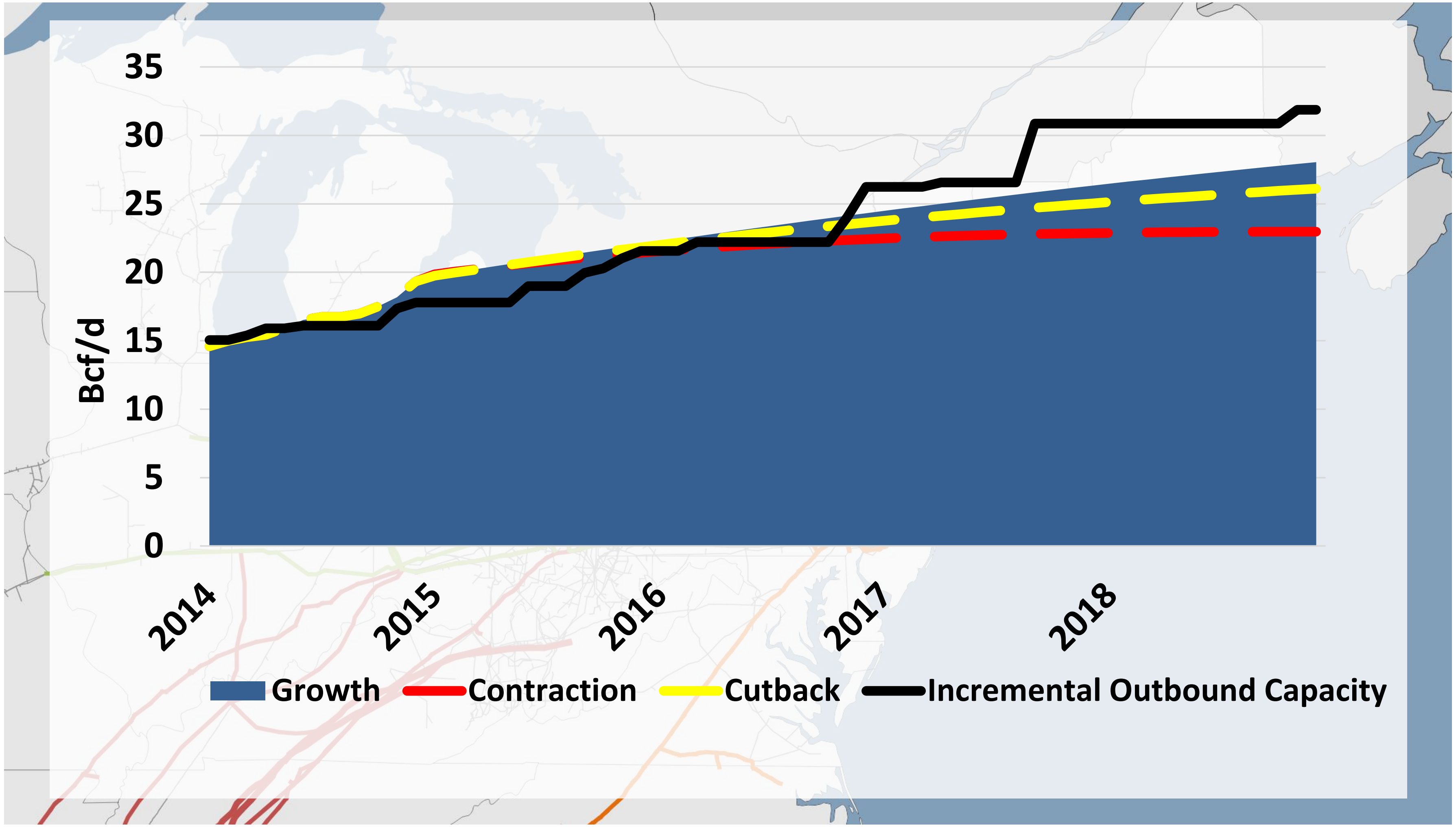
Incremental Capacity Versus Production



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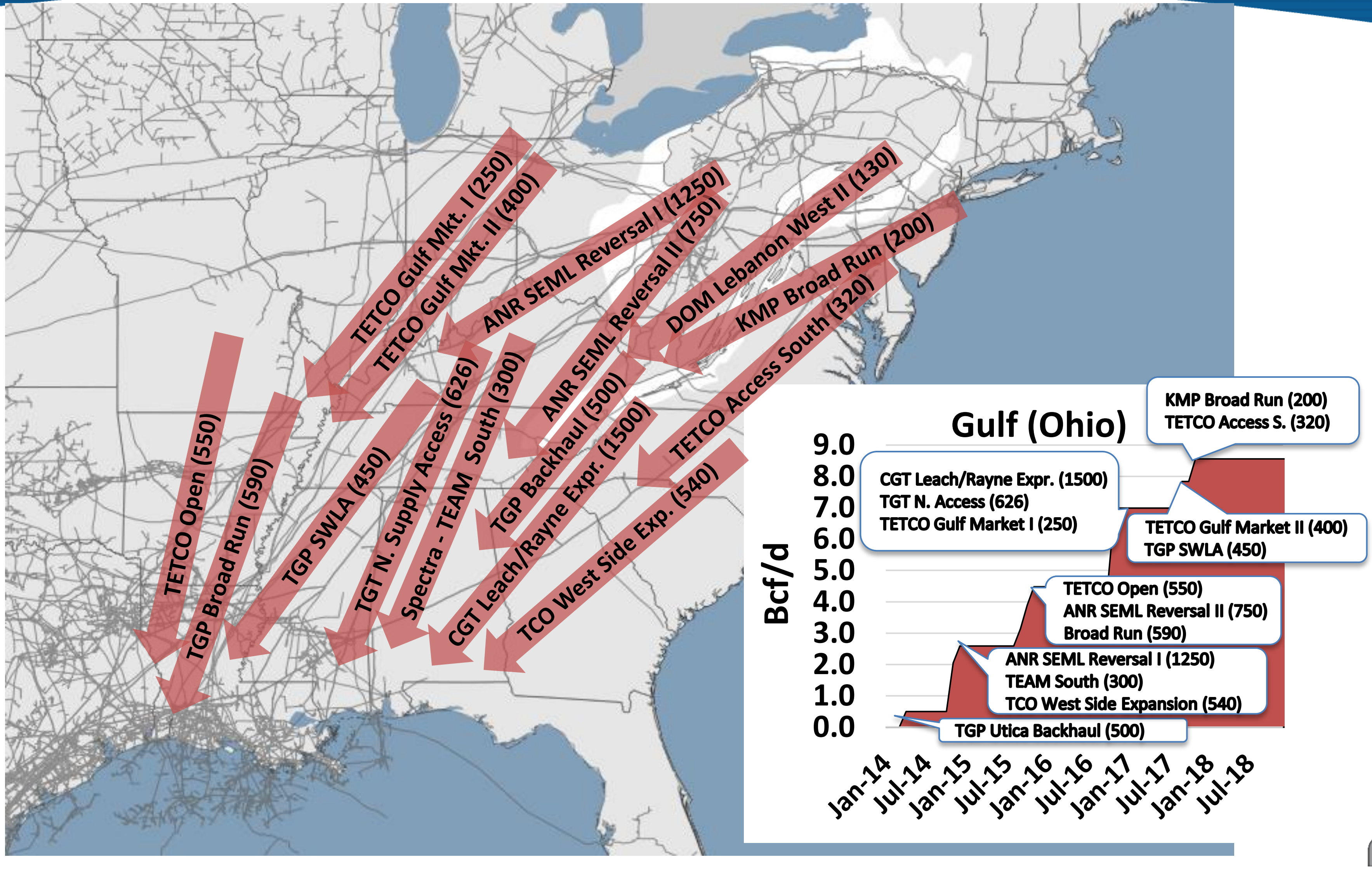
Risks to Manage Once It’s Built

- **Project Sponsors:**
  - Uncommitted Space
  - Post-contract market
  - Cost/regulatory changes

- **Firm Shippers:**
  - Oversubscription
  - Basis destruction
  - Production declines
  - Lack of consuming market

Lots of Gas Trying to Go South



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The Market Better Be There

Anyone Remember Walley World?

Daily Energy Post

The Marcellus Changes Everything

Thursday, October 4, 2012

Yesterday the highest and lowest natural gas prices in the country were only 100 miles apart - on the same pipeline. Tennessee Zone 4 averaged $1.65/MMbtu while Zone 6 came in at $2.56/MMbtu. Weird stuff like this happens in the middle of winter, but not in late spring. In today's world of tiny natural gas basis differentials, this is an incredible shoulder-season differential of more than $0.90/MMbtu. What could cause such a rupture in the space-time continuum? How long will the situation continue? Why does this development portend dramatic, long-term changes in natural gas flows across North America?

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