

North America HVAC News May 2009



International Market Strategy

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USA & World: Market Research on Solid Fuel Boilers, Solar Thermal, Heat Pumps

April 2009: BRG CONSULT has now collected 2008-base year information and has preliminary reports immediately available on the following 47 HVAC product categories in the USA:

Solid Fuel Boilers

- Logwood Boilers
- Pellet Boilers
- Woodchip Boilers
- Coal/Fossil Fuel Boilers
- Other Solid Fuel Boilers

Solar Thermal

- Flat Plate Collectors
- Evacuated Tube Collectors
- Unglazed Collectors
- Solar Storage Tanks

Heat Pumps

- Geothermal Heat Pumps
- Water Loop Heat Pumps
- Air to Water Heat Pumps
- Air to Air Heat Pumps
- Water Heating Heat Pumps

HVAC

- Boilers (8 types)
- Furnaces (4 types)
- Water Heaters (13 types)
- Air Conditioners (8 types)

Preliminary product summaries are also immediately available on HVAC markets in the following other countries: Canada, China, 13 countries of Europe.

If you would like to obtain one of these reports or if you are interested in receiving market information on any other market/country, please contact Marie Vermeulen at mvermeulen@brgconsult.com

Source: BRG CONSULT NORTH AMERICA



France: GIANNONI Sale Cancelled

17 April 2009 -- Condensing technology company GIANNONI, which was put on the block in June 2008 and had been courted by a series of buyout houses including LBO FRANCE, has been taken off the market.

Market conditions had seen the perceived value of the business drop from EUR 800m to EUR 300m, a price the founders Joseph Le Mer and Rocco Giannoni believe to be too low. AXA PRIVATE EQUITY, CARLYLE, DOUGHTY HANSON and MORGAN STANLEY PRIVATE EQUITY had all been linked with the business.

GIANNONI, founded in 1993 by Joseph Le Mer and Rocco Giannoni, is a company specialising in condensing technology and performance. The business generated turnover of EUR 155m in 2008.

Source: Private Equity Europe



USA: DOE to Revisit Home Furnace Standards

Apr 23, 2009 - The U.S. Court of Appeals has granted an Obama Administration request to reconsider efficiency standards for residential furnaces, including considering regional standards, and the administration plans to issue a new rule by May 1, 2011. Earlier action may be possible because much of the work done for the 2007 rule could be quickly updated for the new standard.

The case was brought to the U.S. Department of Energy (DOE) by several states as well as environmental and consumer groups, and was decided yesterday by the U.S. Court of Appeals for the Second Circuit.

The American Council for an Energy-Efficient Economy (ACEEE) estimates that a stronger standard for residential furnaces would save at least enough gas to heat four out of every five U.S. homes for one year, net about \$11 billion in direct consumer savings, and cut global warming pollution by the amount emitted by 25 million cars in a year.

During the Bush Administration, the U.S. DOE set standards at 80% efficiency. States and nonprofit organizations sued DOE after the agency issued this "extraordinarily weak" standard in November 2007. ACEEE said the 2007 final rule hardly changed the standards for gas furnaces relative to the standards set by Congress in 1987.

The Obama Administration will now consider new standards of at least 90%. The order enables DOE to reconsider all aspects of the earlier final rule, including the strength of the standards and the implementation date.

The order specifically indicates that regional standards will be considered. Legislation enacted by Congress after the 2007 final rule made it clear that DOE can establish regional furnace standards.

However, regional appliance standards have met with industry opposition in the past. Industry fears that a nationwide patchwork of inconsistent standards will result in higher costs for designing, certifying, distributing, and selling products and will result in a limiting of consumer product choices and higher overall costs to consumers.

Source: www.appliancemagazine.com



USA: A.O. SMITH Acquires Heat Pump Water Heater Manufacturer

8 April 2009 -- A.O. SMITH CORP. expands its presence in the growing renewables field with the acquisition of APPLIED ENERGY RECOVERY SYSTEMS INC. (Norcross, Ga.), a leading manufacturer of commercial and residential heat pump water heaters. Terms of the transaction were not disclosed.

The AERS product line includes the E-TECH line of commercial and industrial water heaters, as well as commercial outdoor and indoor pool heating systems, and residential water heating and swimming pool products.

“We plan to leverage the technology, engineering expertise and know-how from AERS to expand our capabilities and product lines across the globe,” Ajita G. Rajendra, president of A.O. SMITH WATER PRODUCTS CO., said in the announcement.

Source: Supply House Times

Germany: BOSCH To Acquire Commercial Boiler Manufacturer LOOS

27 April 2009 -- The BOSCH THERMOTECHNOLOGY division, a leading global supplier of technology and services, plans to take over LOOS DEUTSCHLAND GmbH, Gunzenhausen, Germany, as well as its subsidiaries and investments outside Germany, thus expanding its product portfolio to become a full-range supplier of commercial and industrial boilers.

“As part of BOSCH we will be well equipped for the future. Together, we will be able to continue growing, building as before on the knowledge and expertise of our staff,” says Jochen Loos, managing director of LOOS DEUTSCHLAND GmbH, a leading European supplier of highly efficient steam and hot water boilers for commercial and industrial applications.

“The acquisition of LOOS will make BOSCH THERMOTECHNOLOGY a leading supplier of commercial and industrial boilers in Europe. The combination of our global distribution network on the one hand and the LOOS product portfolio and expertise on the other will enable us to gain additional market share and open up new markets – both geographically and technically,” says Uwe Glock, President of the BOSCH THERMOTECHNOLOGY division.

Source: www.refrige.com



USA: PULTE To Buy CENTEX In Blockbuster Builder Deal

8 April 2009 -- PULTE HOMES INC. on Wednesday said it is buying CENTEX CORP. in an all-stock transaction that will create the largest U.S. home builder as the beleaguered industry tries to ride out the housing slump.

The companies have agreed to merge in a \$3.1 billion deal, including \$1.8 billion of debt. CENTEX shareholders will receive 0.975 share of PULTE common stock for each CENTEX share they own. The deal has a value of \$10.50 per CENTEX share, based on the \$10.77 closing price of PULTE shares on Tuesday.

CENTEX shares surged nearly 30% in early trading Wednesday, while PULTE traded to the downside.

"Combining PULTE and CENTEX will create America's largest and best-positioned homebuilder," said PULTE Chief Executive Officer Richard Dugas during a conference call Wednesday.

CENTEX's significant presence in the entry-level and move-up categories is complemented by PULTE's strength in both the move-up and active adult segments, he said.

The firms envision \$350 million a year in savings, including \$250 million from overhead and \$100 million in debt expenses.

The combined firm will be based in Bloomfield Hills, Mich., but will maintain a significant presence in Dallas, which is where CENTEX is now based.

PULTE shareholders will own about 68% of the combined company, and CENTEX shareholders will own about 32%.

"PULTE and CENTEX's merger strikes us as a good way to better leverage expenses during a falling revenue environment, although the premium CENTEX's shareholders are receiving seems small given the persistent valuation gap CENTEX has had with its peers," wrote DEUTSCHE BANK analyst Nishu Sood in a research note Wednesday morning.

He said the main benefits of the deal will be cost savings and the acceleration of debt repayment.

'Unrivaled firepower'

Dugas will be chairman and chief executive of the combined firm. CENTEX Chief Executive Officer Timothy Eller will be vice chairman.

The deal will allow the companies to combine their land holdings, Dugas said.

"It's no secret that we are navigating through one of the toughest market environments any of us has ever experienced. We are seeing unprecedented volatility in the stock market, limited mortgage availability and rising unemployment throughout the country," Dugas said. "These factors have placed tremendous downward pressure on consumer confidence. The impact on the housing market has been no less dramatic."



By merging with CENTEX, the company thinks it can return to profitability faster when the market finally turns.

"The combination of CENTEX and PULTE will create a company that has unrivaled firepower to capitalize on future opportunities in home building," added CENTEX's Eller. "This combination is a game changer, pure and simple."

In calendar 2008, the two companies combined delivered more than 39,000 homes. The largest U.S. builder, D.R. HORTON INC., delivered more than 26,000 homes in its fiscal year ended Sept. 30, 2008.

CITI acted as lead financial advisor, and BANK OF AMERICA SECURITIES, MERRILL LYNCH and J.P. MORGAN SECURITIES INC. acted as financial advisors to PULTE.

GOLDMAN SACHS acted as financial advisor to CENTEX.

Home-builder stocks have been battered during the housing correction, and the industry has seen profits evaporate on declining house prices and sales. The firms have also been saddled with billions of dollars of write-downs on land and inventory.

Builder shares have been in a steady decline along with the housing market for more than three years. The iShares Dow Jones U.S. Home Construction Index Fund, an exchange-traded fund, was off about 9% so far in 2009 through Tuesday's close.

Source: MarketWatch



USA: UNITED TECHNOLOGIES' Quarterly Profit Falls 28%

21 April 2009 -- UNITED TECHNOLOGIES CORP.'s first-quarter profit dropped 28% on falling demand for its commercial building and aerospace products, the company said Tuesday, adding that it sees the first signs of new growth.

The Hartford, Conn.-based conglomerate (UTX) affirmed its full-year outlook and highlighted profit-margin expansion from improved productivity in its fire and security and Sikorsky helicopter units as well as a slowdown in demand erosion.

"The good news is that while order rates continue to be down, there are signs of stabilization in the order rates, particularly in China, which is starting to see the early benefits from the stimulus program there," said Chief Financial Officer Greg Hayes on a post-earnings call. Investors took this to heart.

Shares of UNITED TECHNOLOGIES rose more than 5% in early trading, last changing hands at \$48.41. Since hitting a five-year low at \$37.40 on March 9, the shares have rebounded more than 20%.

For the most recent quarter, UNITED TECHNOLOGIES said it earned \$722 million, or 78 cents a share, down from \$1 billion, or \$1.03 a share, in the first three months of 2008.

The manufacturer of OTIS elevators, CARRIER air-ventilation systems and PRATT & WHITNEY jet engines, UNITED TECHNOLOGIES said revenue sank 12% to \$12.25 billion, reflecting currency translations as well as declines in organic sales.

Excluding one-time items, UNITED TECHNOLOGIES said it would have earned 87 cents a share in the March quarter, while analysts polled by FactSet Research had been looking for earnings of 78 cents a share.

"As anticipated, order trends were weak in the quarter although we saw stabilization in the rate of year-over-year decline across most of our businesses in March, said Chief Executive Louis Chenevert. "We remain on track to meet the full year revenue and earnings guidance for UTC overall despite the tough economic environment."

For the full year, UTC reaffirmed its full-year profit outlook of \$4 to \$4.50 a share.

On March 10, the Dow Jones Industrial Average component lowered its 2009 profit target from a prior range of \$4.65 to \$5.15 a share, forecast in December. The updated outlook included 30 to 40 cents a share related to a reduction of headcount amounting to 11,600 additional workers.

The company blamed a downshift in all its businesses, with revenue to decline in its OTIS and CARRIER divisions because of the slump in the commercial and housing construction. At the time, CEO Chenevert said, "People are executing backlog at a slower pace," adding that they're doing so because they either don't have the credit or they are cautious about the end markets they serve.

Source: MarketWatch



USA: AERCO Introduces Enhanced Benchmark 2.0 Low NOx Boiler

April 6, 2009 - AERCO INTERNATIONAL, INC., a leading supplier of commercial boilers and water heating products, introduces a newly designed Benchmark 2.0 Low NOx (BMK2.0LN). The two-million BTU/hour condensing boiler has been re-engineered to deliver a smaller footprint and reduced electrical consumption while maintaining unmatched 20:1 turndown to maximize seasonal fuel savings. Consulting engineers and contractors can employ the environmentally-friendly, high-efficiency boiler in a wider variety of hydronic heating applications than was previously possible due to the new design.

Measuring just 79"H x 28"W x 36"D, the re-designed BMK2.0LN boiler occupies a mere seven square feet of floor space. "The secret behind the unit's compact size is an enhanced heat exchanger design," said Peter Rimassa, AERCO Business Segment Manager. "AERCO engineers were able to reduce its size without sacrificing thermal efficiency." In addition, the boiler requires just 120V of electrical power and 4" gas pressure to operate. The new design employs the same pre-mix air/fuel delivery system - including a variable speed blower - that is featured in other models in the Benchmark family of boilers.

The new BMK2.0LN boiler maintains the reliability and performance that have helped make the Benchmark family the market leader since its introduction in 1997. With a 20:1 operating range of 100,000 to 2 million BTU/hr., the BMK 2.0LN precisely matches fluctuating loads to minimize boiler cycling and eliminate temperature overshoot. The boiler achieves very high thermal efficiencies when it's firing at its lowest rates, so the BMK 2.0LN is most efficient during part load operations, which characterize most of the heating season. In fact, the boiler achieves 99.3% efficiency at its lowest firing rate (5% input with 60°F inlet water). At full fire with 160°F inlet water, the BMK2.0LN delivers 85.3% efficiency.

The BMK 2.0LN is designed with a low NOx burner and will consistently measure <30 ppm of NOx corrected to 3% excess oxygen at all firing rates. Delivered in a single, fully assembled package that fits through a standard doorway, the boiler supports a variety of combustion air and venting options to simplify installation. The BMK 2.0LN can be used individually or in multiple unit designs. In addition to having a constant set point, indoor/outdoor reset schedule or 4-20 mA signal, one or more boilers can be integrated via a Modbus communications protocol to AERCO's multiple boiler management system (BMS II) or facility-wide Energy Management or Building Automation System. The company also offers a communications gateway as an add-on controls package for customers that require BACNet and/or N2 network protocols.

Source: www.aerco.com



USA: HALLOWELL and F.W. WEBB Team Up to Distribute HVAC

March 5, 2009 -- Energy-minded homeowners and businesses in the Northeast now have easier access to the ACADIA: Combined Heating and Cooling System from HALLOWELL INTERNATIONAL with the new distribution partnership announced today with F.W. WEBB COMPANY, the largest distributor of HVAC products in the region.

The ACADIA is a revolutionary new green technology to heat and cool a home, and at the same time helps consumers and businesses save money. It outperforms conventional fossil-fuel-based heating systems like oil powered furnaces, the most common in the Northeast, by up to 300%.

F.W. WEBB has long been a partner with HALLOWELL INTERNATIONAL in the development of the ACADIA, providing components to manufacture the system. Today, the enriched partnership provides HALLOWELL with an expanded distribution network with increased training facilities and customer support through the 70 F.W. WEBB facilities across New England and Upstate New York.

How does it work? The ACADIA is a single system engineered to comfortably heat and cool homes no matter what the weather outside and is both economical and environmentally friendly. As a patented, next generation heat pump, the engineers at HALLOWELL INTERNATIONAL created the ACADIA using revolutionary Boosted Compression Technology, enabling this clean technology to run effectively and efficiently in temperatures as cold as -30 degrees Fahrenheit.

“The ACADIA system is a welcome complement to our green initiatives,” said John E. Thomas, Vice President HVAC & Controls for F.W. WEBB COMPANY. “We are deeply committed to technologies that promote energy efficiency and reduce the use of fossil fuels that are at the same time affordable to installers and consumers.”

“We are excited about expanding our relationship with F.W. WEBB to make energy efficiency, cost effectiveness and clean technology more readily available to homeowners and businesses,” said Duane A. Hallowell, President and CEO of HALLOWELL INTERNATIONAL.

Source: www.housingzone.com



USA: Expansion Of HEATCRAFT REFRIGERATION's Tifton Facility To Enhance Production, Add Local Jobs

16 April 2009 -- HEATCRAFT REFRIGERATION PRODUCTS has announced the opening of an additional manufacturing plant next to its current location in Tifton, Georgia. The new plant significantly expands the production capabilities of the company's Tifton facility, adding 310,000 square feet of manufacturing and 8,000 square feet of office space.

An additional 200 jobs will also be brought to Tifton as a result of the expansion, increasing the total number of HEATCRAFT REFRIGERATION employees in Tifton to almost 500.

"The expansion of our Tifton plant is cause for celebration," said Mike Vincent, HEATCRAFT REFRIGERATION's vice president of operations. "It's a major step in the evolution of our facility and the future growth of our company. HEATCRAFT REFRIGERATION is committed to establishing and maintaining a leadership position in the commercial refrigeration market, and the magnitude of this expansion speaks to that commitment."

The new plant includes state-of-the-art automation and robotic technology, as well as a component testing laboratory. "The expanded capabilities of this facility, where commercial refrigeration units are built-to-order for customers throughout North America, will help HEATCRAFT REFRIGERATION produce a world-class product.," Vincent said.

Environmental considerations were a key part of the expansion planning, with recycled components used in the roofing and storm drainage piping. Employees can also now move from building to building using bicycles, a move aimed at reducing carbon emissions.

"Being a good corporate citizen means being a good steward of our environment," Vincent said. "Conservation and sustainable building are important principles throughout the LENNOX INTERNATIONAL family, and we're proud of how responsibly this expansion has been carried out."

About HEATCRAFT REFRIGERATION PRODUCTS, LLC

HEATCRAFT REFRIGERATION PRODUCTS, LLC, a division of HEATCRAFT WORLDWIDE REFRIGERATION, is the part of LENNOX INTERNATIONAL INC. that manufactures premier commercial refrigeration products under the BOHN, LARKIN, CLIMATE CONTROL, CHANDLER and INTERLINK brands.

Source: Heatcraft Refrigeration



USA: A. O. SMITH Reports First Quarter Earnings of \$8.7 million

15 April 2009, Milwaukee, Wis.— Citing a substantial decline in its end market demand, A. O. SMITH CORPORATION today announced first quarter earnings of \$8.7 million or \$.29 per share, compared with \$21.9 million or \$.72 per share last year.

Sales for the three-month period ended March 31 were \$481.6 million, approximately 16 percent lower than first quarter 2008 sales of \$571.4 million.

“The market trends we experienced in the fourth quarter carried over into the first quarter of this year,” Chairman and Chief Executive Officer Paul W. Jones said. “The latest data indicate the housing contraction will be deeper and longer than last year, affecting a number of important electric motor market segments as well as our residential water heater market. In addition, the weakness in commercial construction that we saw materializing in the fourth quarter has continued into this year.”

“Faced with inventory destocking during the prolonged recession and no sign of the normal seasonal inventory build in our selling channels, we are adjusting the company’s earnings outlook for the year to \$1.80 to \$2.10 per share,” Jones said.

“Despite the weak market conditions, the company’s balance sheet remains strong, and our cash conservation programs are bearing results. In the first quarter, our cash flow from operations was \$6.0 million, a \$20.9 million swing from the \$14.9 million cash used in last year’s first quarter. We were able to accomplish this despite the fact that earnings were \$13.2 million lower than a year ago.”

“Our operating units have aggressively reduced costs in response to the global recession and have programs to decrease inventories worldwide, postpone or reduce capital expenditures, and reduce overall expenses,” Jones continued. “I am confident the company will manage its way through these economic challenges, by maintaining substantial profitability and continuing to expand our new product development.”

Water Products

Water Products’ first quarter sales of \$339.0 million were approximately four percent lower than first quarter 2008 sales of \$352.1 million. Lower sales of residential and commercial water heaters in North America, combined with lower sales in China, more than offset price increases related to higher steel costs.

Operating profit decreased 19% to \$29.1 million due to the lower volumes. Operating margin decreased to 8.6% compared with 10.2% in last year’s first quarter.

Electrical Products

Electrical Products’ first quarter sales decreased approximately 35% to \$143.6 million, as the weak residential and commercial construction markets and customer inventory reduction actions adversely impacted electric motor sales.

In the first quarter of 2009, Electrical Products lost \$3.1 million compared with first quarter 2008 earnings of \$11.1 million, as the company faced significant volume declines in its end markets. The impact of the volume declines more than offset the \$5 million in cost savings achieved from product



repositioning activities during the quarter.

Outlook

“OEM motor customers are forecasting anywhere from 20 to 30% year over year volume declines in 2009, and we are aligning our cost structure with this lower level of market demand,” Jones commented. “Since the beginning of the year, we have significantly reduced our hourly and salaried workforce around the world. And we have and will continue to implement significant cost reduction programs.”

“As a result of weak demand and the prolonged and severe housing slump, we are reducing our annual guidance to between \$1.80 and \$2.10 per share,” Jones said. “But, we are optimistic that we will still generate \$140 to \$150 million in operating cash flow this year, despite our lower earnings outlook and higher pension plan payments.”

“And, we see some optimistic signs in our major markets. Replacement demand for residential and commercial water heaters is holding up at expected levels, and we still expect to see the \$15.0 million in incremental cost savings from Electrical Products’ restructuring initiatives. Our priorities in 2009 will be to conserve cash while making the necessary investments to maintain our competitive position and high level of service to our customers. This will include moving forward with our water heater venture and facility in India, developing the high efficiency products the market will need, and focusing on renewable technologies.”

Source: www.aosmith.com



USA: Natural Gas Says Bye To \$10 For 'Foreseeable Future'

3 April 2009 -- Natural-gas prices have had quite an unimpressive run in the last six months and the situation may get worse despite the steep declines in overall drilling and production.

Futures prices for natural gas have been trading at their lowest levels since late 2002, most recently below \$4 per million British-thermal-unit level on the New York Mercantile Exchange.

It was a totally different story about a year ago, when cold weather drove prices to highs around \$9.

"High prices last year pushed U.S. exploration to record levels," said James Williams, an economist at WTRG ECONOMICS. "That increased production capacity."

And the "high capacity, weaker demand due to recession and lower oil prices caused [natural gas] prices to collapse," he explained.

Indeed, weak global economies are to blame, but only in part.

The U.S. Energy Department expects the nation's natural-gas consumption to decline by 1.3% in 2009, according to the government's energy outlook report released last month.

"There is plenty of gas available in the U.S. right now, as well as worldwide," said Charles Perry, president of energy-consulting firm PERRY MANAGEMENT. "Supplies are plentiful and storage is high so there is little, if any, upside pressure on gas prices now."

The recession's weakening demand and the drilling and exploration sectors are suffering from budget cuts, but technical advances in exploration and so-called unconventional resources are starting to pick up the slack.

Never mind the fact that natural-gas consumption normally climbs during the summer as cooling demand starts to kick in.

"Natural-gas storage levels are exiting heating season above the five-year average, while consumption is constrained by negative growth fundamentals in the broad market and industrial sector," Dan Payne, an analyst at PARADIGM CAPITAL, wrote in a recent note to clients.

Shale to the rescue

True, logic would lead the market to think that lower demand would undercut production and it has, but there are other sources of big supply available thanks to the industry's and U.S. government's efforts to boost energy output.

"With the price collapse came another in drilling," said Williams. "Since something close to 25%-30% of U.S. production comes from wells drilled in the last 12 months, there is a possibility that depending on weather (hot summer/cold winter) we will need to import more for the winter of 2009-2010."

The number of rigs running in the U.S. dropped to 1,039 for the week ended March 27, according to BAKER HUGHES. That's down 49% from the 2,031 level seen for the week of Sept. 12, 2008 -- the highest since 1980, Perry said.



Over time, the market will lessen its reliance on Gulf of Mexico production, "which has a pretty rapid decline rate anyway, and producers aren't replacing those reserves due to the price decline," said Beth Sewell, a managing partner at QUANTUM POWER & GAS SERVICES.

But there's an "incredible" amount of shale gas coming online and large supplies of liquefied natural gas will "definitely be an issue" until global demand picks back up, she said.

"New natural-gas supply during the past two to three years has been an incredible success story, and almost all of the success can be attributed to new technology developed to drill and complete the tight shale formations that do contain natural gas," said Perry.

Shale is a geologic formation, like a solid rock with microscopic holes in it, according to Perry. The most developed shale formation is the Barnett Shale in North Texas and it has thousands of new wells, he said.

That shale formation has produced 4.8 trillion cubic feet of natural gas and is expected to produce an additional 40 trillion of natural-gas resources, according to CHESAPEAKE ENERGY, which pegs itself as the largest U.S. producer of natural gas.

And there are many other shale formations in different stages of development, said Perry.

"The point of all this is that there now appears to be enough new undeveloped domestic gas reserves in these shale formations to supply the U.S. for many years to come," he said.

Terrible timing

Then there's liquefied natural gas, which is expected to downright flood the market as investment in the global infrastructure for the fuel over the past several years reaches its goal.

This year's expected to see massive amounts of LNG from big overseas producers such as Algeria, Australia, Indonesia, Nigeria, Oman, Qatar and Russia, as well as Trinidad and Tobago.

Many of the producing countries are emerging third-world countries "who desperately need the cash so they'll produce and ship no matter what the price is," Sewell said.

"The U.S. has, by far, the greatest storage capacity for LNG in the world," said Perry. "So as LNG is shipped, if it has no where else to go, it will end up going to the U.S. and the shippers will take almost any price offered because they have to get it unloaded as soon as possible before it all boils off."

That doesn't bode well for a market that's already bogged down by hefty natural-gas supplies.

"We are ending the traditional [supply] withdrawal season with a tremendous inventory," said Sewell. U.S. supplies of the commodity in storage were running about 29% above the year-ago level, as of the week ended March 20, according to the Energy Department.

"Until some of that [supply] is worked off, prices will remain under pressure," said WTRG's Williams.

Futures peaked at \$13.58 in early July of last year, but they will probably range between \$3 and \$4



through this summer, he said.

And most analysts predict that, "given the big cushion of storage gas and still-weak demand, even a major hurricane disruption is unlikely to cause a huge spike in prices as it has in the past," said Mark Davidson, editorial director of U.S. Gas News at Platts. Natural-gas prices spiked to record highs near \$16 in 2005, in the aftermath of Atlantic Hurricanes Katrina and Rita.

Overall, the general consensus among industry analysts, officials and traders is that the days of \$15 per million British-thermal-unit gas, or even \$10 gas, are "long gone -- at least for the foreseeable future," said Davidson.

Source: MarketWatch



USA: No End Yet for Downturn in Housing, New Data Suggest

16 April 2009 -- In twin signals that the housing market continues to stumble lower, construction of new homes fell sharply last month, and foreclosures surged in the first quarter, according to reports released on Thursday.

The government reported that new home starts fell 10.8 percent in March from February, just a month after a sharp spike in new-home construction warmed hopes among some economists and investors that the country's foundering housing market was beginning to make a comeback as credit conditions eased.

Home construction in March fell to an annual pace of 510,000 units, the Commerce Department reported, less than economists' expectations of 540,000 units. It was the second-lowest level on record, and 48.4 percent lower than housing starts a year ago.

"There's still no clear indication that the construction market is coming back," said Mike Larson, a housing analyst at WEISS RESEARCH. "Even if companies want to start projects, they're having a harder time getting the money to do so. We're being overwhelmed by distressed inventory as well as regular sellers trying to get out of their homes. There's not a heck of a lot of incentive for builders to ramp up construction."

The data firm REALTYTRAC reported that foreclosure filings surged 9 percent, to 803,489 properties, in the first quarter of 2009. REALTYTRAC said that foreclosure notices increased 17 percent in March from February.

"We saw a record level of foreclosure activity," James J. Saccacio, chief executive of REALTYTRAC, said in a statement. He added that foreclosures would probably increase over the next months as temporary halts to foreclosures expired at banks and agencies like FREDDIE MAC and FANNIE MAE.

The flood of cheap foreclosed homes and distressed properties has helped push home prices lower across the country, especially in areas hit hardest by the housing bust, like Southern California, Phoenix and Florida. In some cities, as many as 70 or 80 percent of home sales are now foreclosures, real estate agents have said.

The lure of cheap, plentiful houses and lower mortgage rates has drawn buyers back to the market, and an industry group says homes are more affordable than ever before. Interest rates on 30-year mortgage rates fell slightly to a nationwide average 4.82 percent last week, according to data released Thursday by FREDDIE MAC.

The Federal Reserve and the Obama administration have deployed a barrage of assistance programs and fiscal policies to lower mortgage rates, hoping to ease borrowing and make monthly house payments more affordable for homeowners. But headwinds in the housing market, including a glut of unsold properties, are keeping builders at bay. In March, single-family housing starts were unchanged at an annual rate of 358,000.

Building permits, an indicator of future construction, fell 9 percent from February, to an annual pace of 513,000. Permits were issued at an annual rate of 932,000 in March 2008.



Despite the monthly drops in permits and new construction, some economists said they sensed that these indicators of the housing market were no longer tumbling sharply lower. The numbers have been volatile in recent months, and can bounce higher and lower depending on factors like weather.

“It does look to me like we’re hitting a bottom,” said Ian Shepherdson, chief United States economist at HIGH FREQUENCY ECONOMICS, about building permits. “We’re now seeing a restabilization at a much lower level. It doesn’t mean they’re about to rebound.”

The Labor Department also reported that first-time claims for unemployment insurance fell 53,000, to a seasonally adjusted 610,000 last week. The large decline caught economists by surprise, but they pointed out that weekly jobless numbers are extremely volatile, and said that they still expected unemployment to rise sharply in the months ahead.

Continuing jobless claims rose to 6 million for the week ending April 4, an increase of more than 100 percent from the same time last year.

Source: New York Times



USA: New-Home Sales Fall 0.6% To 356,000 Annual Pace

24 April 2009 -- Sales of new homes were nearly unchanged in March, the Commerce Department reported Friday, adding that sales in the first two months of the year were stronger than initially reported.

Sales fell 0.6% in March to a seasonally adjusted annual rate of 365,000 from 358,000 in February. February's sales pace was revised higher from 337,000 reported a month ago. January's sales pace was revised from 322,000 to 331,000, the low for the cycle.

"It appears new-home sales are at least stabilizing in the mid-300,000 range," wrote Adam York, an economist for WACHOVIA. "We would not completely rule out further declines from here, but are hopeful that a bottom is forming."

A bottom in sales doesn't imply a bottom in prices. "With supply overhang still huge and mortgage financing difficult to obtain, home prices are likely to decline considerably further in the quarters ahead," wrote Joshua Shapiro, chief economist for MARIA FIORINI RAMIREZ INC.

Builders continued to cut prices in March, and have reduced their inventories of unsold homes by a record amount in the past year. But the time it takes to sell a home rose to record high of 10.2 months, the government said. Builders are facing the worst market conditions in a half century. Record numbers of foreclosures of existing homes are forcing prices lower. Buyers are struggling with higher standards to obtain a loan, massive job losses and the real possibility that they can save thousands of dollars by waiting to buy. However, lower mortgage rates and lower prices are making homes affordable once again. Sales are down 30.6% in the past year.

The median sales price of a new home fell to \$201,400 in March, down 12.2% in the past year. The inventory of unsold homes fell 5.2% in March to 311,000, down a record 33.7% in the past year. The inventory represents a 10.7-month supply at the March sales pace.

Government statisticians have low confidence in the monthly report, which is subject to large revisions and large sampling and other statistical errors. In most months, the government isn't sure whether sales rose or fell. The standard error in March, for instance, was plus or minus 19%. The government says it can take up to five months to establish a new trend in sales. Over the past five months, sales have been on a 361,000 annual pace, 38% slower than a year earlier.

Sales of existing homes fell 3% in March to a seasonally adjusted annual rate of 4.57 million, the National Association of Realtors reported Thursday. Homes are mostly being sold to first-time buyers, who can get thousands in subsidies from federal and state governments to buy a home. Distressed sales, including foreclosures and short sales, accounted for more than half of sales in March, the real estate group said.

In a separate report, the Commerce Department said Friday that orders for durable goods fell 0.8% in March, the seventh decline in the past eight months. Encouragingly, orders for core capital equipment goods rose 1.5%, the second straight increase.

Source: MarketWatch



USA: As Housing Market Dips, More in U.S. Are Staying Put

22 April 2009 -- Fewer Americans moved in 2008 than in any year since 1962, according to census data released Wednesday, and immigration from overseas was the lowest in more than a decade.

The Census Bureau reported that the annual rate at which people moved dipped last year to 11.9 percent, compared with 13.2 percent in 2007 and a recent high of 20.2 percent in 1984-85. It was the lowest rate since the bureau began measuring mobility six decades ago.

The declines appeared to be directly related to the housing slump and the recession.

"It represents a perfect storm halting migration at all levels, since it involves deterrents in local housing-related moves and longer distance employment-related moves," said William H. Frey, a demographer with the Brookings Institution.

Moves from one state to another plunged the most, to half the rate recorded at the beginning of the decade. There were fewer total moves than in any year since 1949-50, when returning veterans and others streamed to the suburbs and the nation's population was about half of what it is today.

"It does show that the U.S. population, often thought of as the most mobile in the developed world, seems to have been stopped dead in its tracks due to a confluence of constraints posed by a tough economic spell," Dr. Frey said.

He predicted that the foreclosure crisis might spur more local mobility, within or between counties, as families are forced to rent or move in with relatives.

In 2008, the bureau said, 35.2 million people changed residences, compared with 38.7 million the year before.

People who moved were more likely to be unemployed, renters, poor and black. Those surveyed listed their reasons for moving as housing, family and job, in that order.

In all, 2.2 million people moved to the suburbs last year, while the major cities lost 2 million people.

The South recorded the largest net gain of people moving in, including a large influx of blacks. While the South also drew more children than any other region, it also lost more.

The Northeast lost the most residents of any region, as it has for years, but the West also registered a decline.

Source: New York Times



USA: Clean-Energy Industry In The Doldrums

3 April 2009 -- Investment in renewable energy has hit a lull as private-sector money is drying up, but the bulk of government funding has yet to arrive.

There was \$13.3 billion in new investments in clean energy -- the term used to describe alternative energy such as wind farms, solar power and biofuels facilities -- in the first three months of 2009, down 53%, from a year earlier, according to a report Thursday from research firm NEW ENERGY FINANCE LTD. The drop came mostly in bank-based financing for building new projects, the report says, as the credit crunch has caught up with this once high-flying sector.

Meanwhile, government stimulus money that promises to restart renewable-energy activity has been slow to materialize. About \$150 billion in global government stimulus spending has been proposed for clean energy projects, about half from the U.S. for loan guarantees, research grants, tax incentives and other investments. "We're officially now in the doldrums," says Ethan Zindler, head of North American research at NEW ENERGY FINANCE.

The sudden dearth in financing is hitting equipment manufacturers especially hard. OPTISOLAR INC. of Hayward, Calif., laid off more than 100 workers in January, and CLIPPER WINDPOWER INC., a Carpinteria, Calif.-based maker of turbines, laid off 90 workers, mostly at its Cedar Rapids, Iowa, plant.

Investments by venture capitalists in early-stage companies also plunged 48% to \$1 billion in the first quarter, according to CLEANTECH GROUP LLC. "There may be some good companies that might not get funded, but that doesn't mean they won't get funded six months from now or 12 months from now," says CLEANTECH research director Brian Fan. "For the industry as a whole, this is a pause."

Companies that were able to secure financing before last summer are in the best position to survive until government stimulus money becomes available, say industry executives. "Having the best balance sheet may be the differentiator at the moment," says Joseph A. Muscat, a partner at ERNST & YOUNG LLP and director of the firm's clean-technology advisory services in the Americas.

Companies are hoping that government stimulus money flows out of Washington, D.C., as quickly as possible, but some government support requires private lenders to step up -- a lot to ask in the current environment.

Last month, California-based solar module maker SOLYNDRA INC. said it was the first company to qualify for an Energy Department loan guarantee under a long-delayed clean energy program created in 2005. It plans to use the \$535 million guarantee to expand solar-panel manufacturing capacity. But the loan is contingent on SOLYNDRA raising about \$100 million from private sources, estimates NEW ENERGY's Mr. Zindler. "That may not be easy to do at this point in time," he said.

Kelly Truman, vice president of marketing at SOLYNDRA, declined to discuss the private company's financial situation. "If we do have to raise additional money, having the government loan offer will make that easier," he said.

Source: The Wall Street Journal



Australia: GEODYNAMICS Proves Viability of Enhanced Geothermal Systems

8 April 2009 -- GEODYNAMICS LIMITED has claimed success in creating a geothermal reservoir at a geological "hot spot," proving the feasibility of so-called Enhanced Geothermal Systems (EGS). The company's Habanero project in South Australia's Cooper Basin involved injecting high pressure water into a geologic formation where high temperatures were known to exist, thereby fracturing the rock and forming an underground geothermal reservoir. To tap that reservoir required drilling a second nearby well, allowing water to be injected into one of the wells, where it would pass through fractures in the hot rock and be steadily heated until it was extracted again through the second well. In late March, GEODYNAMICS completed a successful flow test using two of its Habanero wells, leading the company to announce that it has successfully achieved its proof of concept.

GEODYNAMIC's closed-loop testing between two of its wells—Habanero 1 and 3—reached a maximum flow of 15.5 kilograms per second (kg/s), and modeling of the reservoir indicated that at flows of 70 kg/s, it would be capable of generating more than 40 thermal megawatts for 20 years with only a slight drop in temperature. The flow loop test is the result of six years of work, and the next step is to install a pilot power plant that will generate 1 megawatt of power.

GEODYNAMICS intends to install that pilot plant by mid-year, providing power to the nearby town of Innamincka. The company plans to follow that with Australia's first commercial-scale geothermal power plant, which should be operating by 2012.

Source: EERE News