

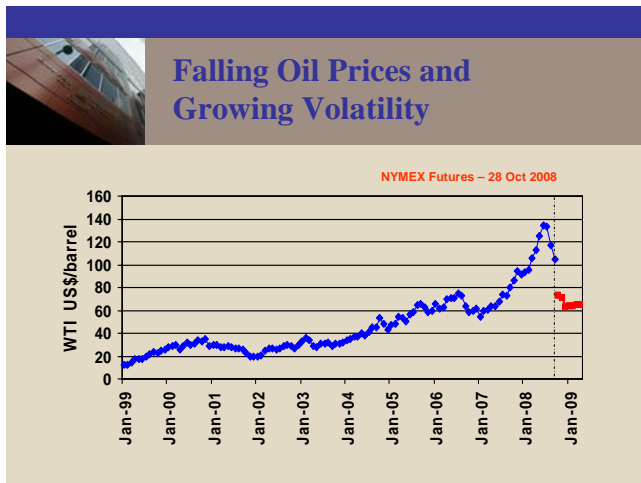


2008-2009 Winter Energy Outlook

The NEB Winter Outlook is intended to provide Canadians with an independent analysis of current and upcoming energy issues including demand, supply and pricing. However, the current global economic situation has created a particularly volatile and uncertain environment for energy markets. A global economic downturn is significantly impacting energy demand and, in turn, prices. This theme is explored in each of the following energy market outlooks.

Oil

Falling oil prices and growing volatility



Crude prices are expected to average in the range of US\$50 to US\$75 per barrel over the winter. Although global inventory levels are low and OPEC has recently committed to production cuts, the market is primarily concerned with the current economic downturn and falling demand.

Heating oil prices have been rising over the past number of years, largely in response to higher crude oil prices. With crude oil prices ranging from US\$50 to US\$75 per barrel, average Canadian heating oil prices this winter are expected to be lower than prices seen last year. Crude oil prices are highly uncertain, however, and could move higher or lower depending on key market factors.

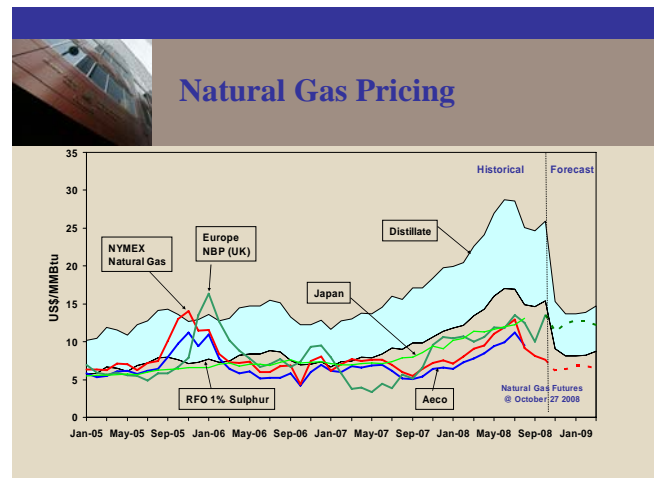
Heating oil supplies in Canada will likely be adequate to meet consumer needs this winter. However, U.S. inventories are at the bottom of the five year range, providing some support to prices.

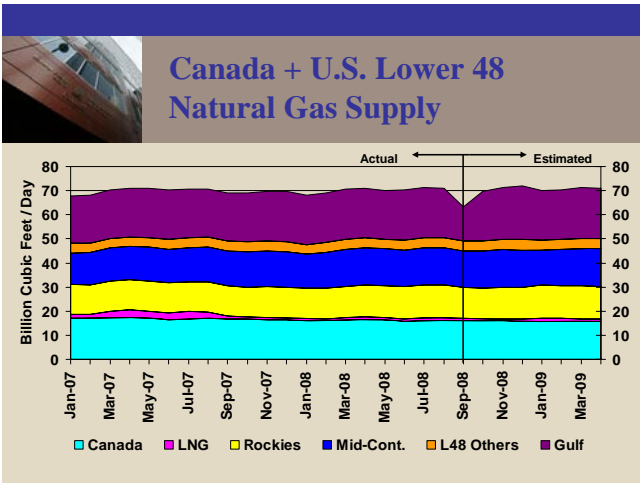
Natural Gas

Barring any prolonged cold weather, natural gas prices are likely to remain on the lower end between US\$6.00-9.00/MMBtu over the course of the winter.

Since summer 2007, North American natural gas prices have deviated from the typical pricing relationship with crude oil; meaning that record high crude oil prices are not pushing the price of natural gas upward significantly.

This winter, assuming normal weather, natural gas prices are likely to remain disconnected from crude oil given the amount of additional domestic North American production being projected, and lower demand resulting from a slower U.S. economy.





Natural gas prices are expected to remain below the price in the rest of the world. In general, Asian and European natural gas prices are more closely tied to oil prices. The impact from the price difference will be lower LNG imports this winter, since it will be shipped to the higher price areas.

Growth in U.S. gas supply has more than offset any reductions in LNG imports and Canadian production. The Rockies Express pipeline has allowed more production from the western U.S. to enter the market and this, combined with additional production from shale, has meant a significant year over year increase in natural gas production.

In addition, with lower U.S. demand due to a slowing economy and mild weather this summer, gas storage is on track to be full for the upcoming winter season.

The combination of weaker demand and higher gas availability from production and storage suggests that there will be sufficient gas supplies this winter.

Electricity

Adequate electricity supply this winter with some tightness in Western markets

Overall, electricity jurisdictions are expected to have adequate supplies of generation to meet upcoming winter loads.



Aside from unforeseen occurrences there should be no supply interruptions for the average Canadian consumer. However, energy supply is an ongoing concern in Western Canada.

In the past few years the demand for electricity in Western Canada has outpaced supply. As a result, western energy reserve margins are declining. However, in some areas of the country, the economic slowdown has resulted in reduced demand. The manufacturing industry has been hit hard by the slowdown and, as manufacturing plants and mills shut down, demand has decreased.

A growing understanding of, as well as efforts to reduce greenhouse gas emissions, is also influencing electrical energy supply on a number of fronts. In the last few years, wind generated power has grown significantly, and is expected to continue to do so in the years to come.

There is also renewed interest in nuclear power generation. As a result, a number of facilities in the East have been refurbished, rather than decommissioned. These provinces (ON, QC, NB) will be better positioned to handle energy demands.