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## National Capital Area Chapter

United States Association for

# Energy Economics

[www.ncac-usaee.org](http://www.ncac-usaee.org)

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# news

## *Prospects for \$200 Oil and \$6 Gasoline*

Presented by:

**Adam Sieminski**  
**Chief Energy Economist**  
**Deutsche Bank**

**Our Next Luncheon at the Library of Congress**

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**WHEN:** Noon, Friday, December 14

**WHERE:** 6<sup>th</sup> Floor, Madison Building—Montpelier Dining Room  
Library of Congress (enter from Independence Ave)  
1<sup>st</sup> Street & Independence Avenue, SE  
Washington, DC

At our December luncheon, Adam Sieminski will provide his observations on key drivers in oil markets and how they are likely to unfold over the near to intermediate term future. As Chief Energy Economist for Deutsche Bank, he is well positioned to analyze key determinants of oil demand and supply and their impacts on oil and gasoline prices in the United States and elsewhere.

Lest the title of his talk seem shocking, Adam last addressed the group in 2005 when he raised the specter of \$120 oil and \$4 gasoline prices. What may have seemed shocking then looks rather more mainstream today.

***Please join us on Friday, December 14, at noon for this opportunity to hear Adam Sieminski explain his views on the oil outlook. As in the past, we will begin networking at noon, with the lunch-line forming promptly at 12:25 and the presentation beginning at 1 pm. The meeting will end no later than 2 pm.***

**COST:** \$20.00 for members and their guests (\$5.00 for student members) and \$25.00 for non-members and their guests. Make checks payable to NCAC-USAEE.

**EXCEPTION TO THE RULE:** We are holding the December NCAC/IAEE meeting on the 2<sup>nd</sup> Friday of the month to avoid too close proximity to the Christmas holidays. We will return to the usual 3<sup>rd</sup> Friday of the month for all upcoming NCAC/IAEE luncheons.

**STUDENT SUBSIDY:** As noted in previous newsletters, we are making a special effort to attract more students to our luncheons this year. For this purpose, the Chapter's governing Council has agreed to allow any Chapter member bringing a student who is attending for the first time to themselves pay only the student rate – i.e., \$5.

**RSVP:** By COB Wednesday, December 12, to Mark Lively, Chapter Treasurer, by phone at (301) 428-3618 or by e-mail at [mbelively@aol.com](mailto:mbelively@aol.com).

**JANUARY DINNER MEETING:** Our annual dinner meeting will take place on January 30<sup>th</sup> at the Franklin Square Club at 1300 Eye St. in downtown Washington DC, beginning at 6:30 pm. Our speaker will be R. James Woolsey, former Director of the CIA and Under Secretary of the Navy, who will speak on energy security matters. Please reserve the date.

**2008 MEMBERSHIP RENEWAL/REGISTRATION:** The attached sheet provides a registration form for new members for 2008 or a renewal form for existing members. Please fill out and send (with a check) to Mark Lively, Chapter Treasurer (address shown on the sheet).

**NOTES FROM THE NOVEMBER 2007 LUNCHEON MEETING:** Approximately 25 members attended the September luncheon to hear Paul Genoa's presentation on "*The Nuclear Energy Renaissance: Realistic Expectations?*" Mr. Genoa is Director of Environmental Policy at the Nuclear Energy Institute.

Mr. Genoa began his presentation by addressing the electric sector's investment and financing challenges, which are partly due to underinvestment in infrastructure over the past 15 years. Although coal-fired and nuclear power plants represent about 70% of total U.S. electric capacity and have a significant impact on the stability of forward prices, very few large plants fueled by these sources were built between 1992 and 2005. The age of the generating stock is also a concern. Over 45% of U.S. generating capacity is over 30 years old, and the majority of the plants are considered inefficient due to their low heat rate and high operating costs.

Building new cleaner and more efficient generation and distribution capacity will require an investment of \$750 billion to 1 trillion dollars between now and 2020. This amount can be broken down into: 1) generating capacity \$250-300+ billion, 2) environmental controls \$45-50+ billion, 3) transmission \$150+ billion, 4) distribution \$300+ billion.

New nuclear plant construction has become attractive due to the growing demand for power, a recognition that reserve margins are decreasing, environmental concerns magnified by uncertainty about future carbon emission restrictions, and economic considerations. Nuclear energy has the lowest production cost of electricity at 1.72 cents/kWh compared with 2.37 cents/kWh for coal, 6.95 cents/kWh for gas and 9.63 cents/kWh for oil (excludes capital costs). This economic advantage is exacerbated by chronic volatility in natural gas prices caused by the huge amount of gas-fired capacity built over the last 15 years.

In preparing to build a new nuclear power plant, major investment goes into design and engineering, long-lead time procurement, and expansion of U.S. manufacturing capability. Licensing derailed many nuclear plant plans in the past, but new licensing rules should facilitate the process. At this time, three early site permits have been granted, two designs have been certified with three more expected, and 17 companies/consortia are preparing license applications for as many as 31 reactors

Building a new nuclear plant involves a sequence of three successive steps or decisions that begin with filing an application for a combined construction and operating license. This is followed by a decision whether to seek long-lead procurement of major components and commodities, and finally a decision whether to proceed with construction. The new licensing process provides greater flexibility since there is no single irretrievable decision to build until all the pieces are in place and all the risks identified and hedged.

Mr. Genoa's power point presentation is available at the NCAC/USAEE website, which can be found at [www.ncac-usaee.org](http://www.ncac-usaee.org)

# 2008 MEMBERSHIP RENEWAL/REGISTRATION FORM

## National Capital Area Chapter

## U.S. Association for Energy Economics

Please check here for membership renewal.

Please check here for new membership registration.

Membership registration/renewal for the NCAC-USAEE is expected by the end of the preceding calendar year.

Please return your registration form and check to **Mark Lively** — NCAC-USAEE Treasurer at: **Utility Economic Engineers, 19012 High Point Dr., Gaithersburg, MD 20879**. Phone: 301-428-3618. Email: MbeLively@comcast.net

Full membership dues for 2008 are \$20.00 (students \$10.00). Please make checks payable to NCAC-USAEE.

*Please print clearly.*

**NAME**

**TITLE**

**ORGANIZATION**

**MAILING ADDRESS \***

**TELEPHONE NUMBER**

**FAX NUMBER**

**E-MAIL ADDRESS \*\***

**Would you be interested in becoming more involved in NCAC-USAEE by serving on the Council or as an officer of the Chapter? Yes \_\_\_ No \_\_\_**

**Please list topics or speakers you would be interested in:**

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\* For DOE, please provide complete routing address.

\*\* Provide the **best e-mail address** to receive the newsletter.