

---

## National Capital Area Chapter

United States Association for

# Energy Economics

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

---

# news

## *“Tree Huggers and Hawks: Climate Change, Terrorism and Energy”*

Speaker:

**R. James Woolsey**  
**Vice President for Global Strategic Security**  
**Booz Allen Hamilton**

### **Our Annual Dinner Event**

---

**WHEN:** 6:30 PM, January 30, 2008  
**WHERE:** City Club of Washington at Franklin Square  
1300 Eye Street, NW (entrance at right side of lobby)  
Washington DC 20005

At our annual post-holiday dinner, the guest speaker will be R. James Woolsey, formerly Director of the Central Intelligence Agency and Under Secretary of the Navy and perhaps the country's leading expert on the relationship between US national security and energy security. Mr. Woolsey is a member of the National Commission on Energy Policy and a founding member of the Set America Free Foundation, which is dedicated to freeing the US from oil dependence. He also recently served as Policy Panel Chair for the Defense Science Board study of DoD energy security. Mr. Woolsey has an unusually broad background in national security and energy matters, and will provide us a wide breadth of insights into the relationship between the two.

***Please join us on Wednesday, January 30, at 6:30 pm at the Franklin Square Club in downtown Washington DC for our annual post-holiday dinner and the opportunity to hear R. James Woolsey. The evening will begin with a reception at 6:30 pm, and dinner will be served around 7:15 pm. We look forward to seeing all of you there.***

**COST:** \$60.00 for members, \$40 for their guests (\$20.00 for student members). If you are bringing a guest, please indicate the person's name, title and organization where applicable for purposes of a name tag. The cost covers hors d'oeuvres and dinner with wine and must be paid in advance by check payable to NCAC-IAEE and mailed to Mark Lively, Chapter Treasurer, at the address below. Non-members (not including guests) must pay the \$20 dues for the 2008 membership. There will also be a cash bar.

**RSVP:** You must reserve by Friday, January 25. Mark's telephone number is 301-428-3618 and his address is:

**Utility Economic Engineers  
19012 High Point Dr.  
Gaithersburg, MD 20879**

**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.

**STUDENT SCHOLARSHIPS AVAILABLE FOR 2008 USAEE MEETINGS:** The 2008 USAEE annual meetings will take place December 3-5 in New Orleans. Once again the National Chapter will offer scholarships in the form of financial assistance to local students wishing to attend the meetings. We are particularly interested in helping local students who will be making presentations at the meetings. If interested, please contact Chapter Treasurer Mark Lively at [MbeLively@AOL.com](mailto:MbeLively@AOL.com).

**NOTES FROM THE DECEMBER 2007 LUNCHEON MEETING:** Approximately 90 people attended the December luncheon to hear Adam Sieminski's presentation on "*Prospects for \$200 Oil and \$6 Gasoline.*" Adam is Chief Energy Economist at Deutsche Bank AG and a member of the National Petroleum Council.

He began by showing that the real dollar value per barrel of crude oil still has increased much less than the price of many other commodities. He also showed that crude oil Finding and Development (F&D) costs have risen 15% per year between 2005 and 2007. At this rate, F&D costs are likely to reach \$18-20/bbl by 2008-2010, or about 20% of the price of oil. This ratio is not unusual and implies that for oil prices to be sustained at \$200/bbl, F&D costs would have to reach \$40/bbl. This seems highly unlikely.

According to Adam, the price of WTI in the decade 1990-1999 was about \$20/bbl whereas the price in this decade has averaged above \$41/bbl. Oil price forecasting in the past was easier because prices tended to revert to \$20/bbl. Now analysts are forecasting that oil will average about \$80/bbl in 2008 and almost \$55/bbl over the full decade 2000-2009.

Five major factors have driven oil prices: 1) the emergence of China and India as new super-commodity consumers and a strong base of oil demand in the U.S.; 2) underinvestment in new production upstream, and in refining capacity downstream; 3) rising geopolitical risk e.g., in Iraq, Afghanistan and Russia; 4) the falling US dollar and low interest rates; and 5) migration of investment and speculative money into the commodities complex.

Is there a bear case for oil prices? According to Adam, there are several reasons why this could happen. First, the potential for a sharp downturn in global GDP growth is increasing. Second, U.S. consumer sentiment is collapsing. High energy prices, worsening housing markets, and the weakening economy are all negative factors for U.S. demand. Third, the Chinese economy is likely to slow down after the 2008 Olympics. Fourth, The U.S. dollar is moving closer to its bottom and may begin to strengthen, possibly in 2008-2009.

Nevertheless, Adam believes that a severe bear case is unlikely. The long-term outlook for oil demand is strong due to worldwide economic growth and population expansion. And although spending on exploration is increasing, there are long lags and possible manpower shortages over the next few years. With regard to relative prices among oil grades, a declining ability to process heavy crude strengthened light sweet crude prices over the last three years, but a large increase in the ability to refine heavy crude is expected between 2009 and 2010.

Adam emphasized that efforts to deal with global warming have huge implications for energy, since around 80% of CO<sub>2</sub> emissions come from the combustion of fossil fuels. Anticipation of such efforts has affected the U.S. power picture in many ways. There is a near moratorium on new coal plants and renewables such as wind and solar generally do not make good baseload power sources. In consequence, many regions are at risk of falling short of the generation levels required to maintain a 15% reserve margin and if there are problems in the delivery of renewable projects, the situation will get even worse.

Adam ended his presentation by citing the National Petroleum Council's recent energy study ("Hard Truths About Energy") to the effect that there is no silver bullet for the United States to strengthen its energy security. Many things must be implemented simultaneously. On the supply side, there must be tremendous expansion and diversification of domestic sources, while on the demand side there must be critical focus on energy demand management.

Adam'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:**

---

---

\* For DOE, please provide complete routing address.

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