

Price Signals???

- Reality of the 1970's
 - Oil prices went from \$1.35 to \$17.50 between 1970 & 1979.
 - World economies suffered “stagflation”.
 - Oil demand climbed:
 - 1971 – 49.4 mb/d
 - 1979 – 65.5 mb/d
 - Prices rose 13 fold, demand grew by 1/3

Was there demand destruction in the 1970's and 1980's?

US Total Petroleum Consumption

1978	18.9 mb/d
1983	15.2 mb/d
1998	18.5 mb/d

So Where did the demand destruction occur?

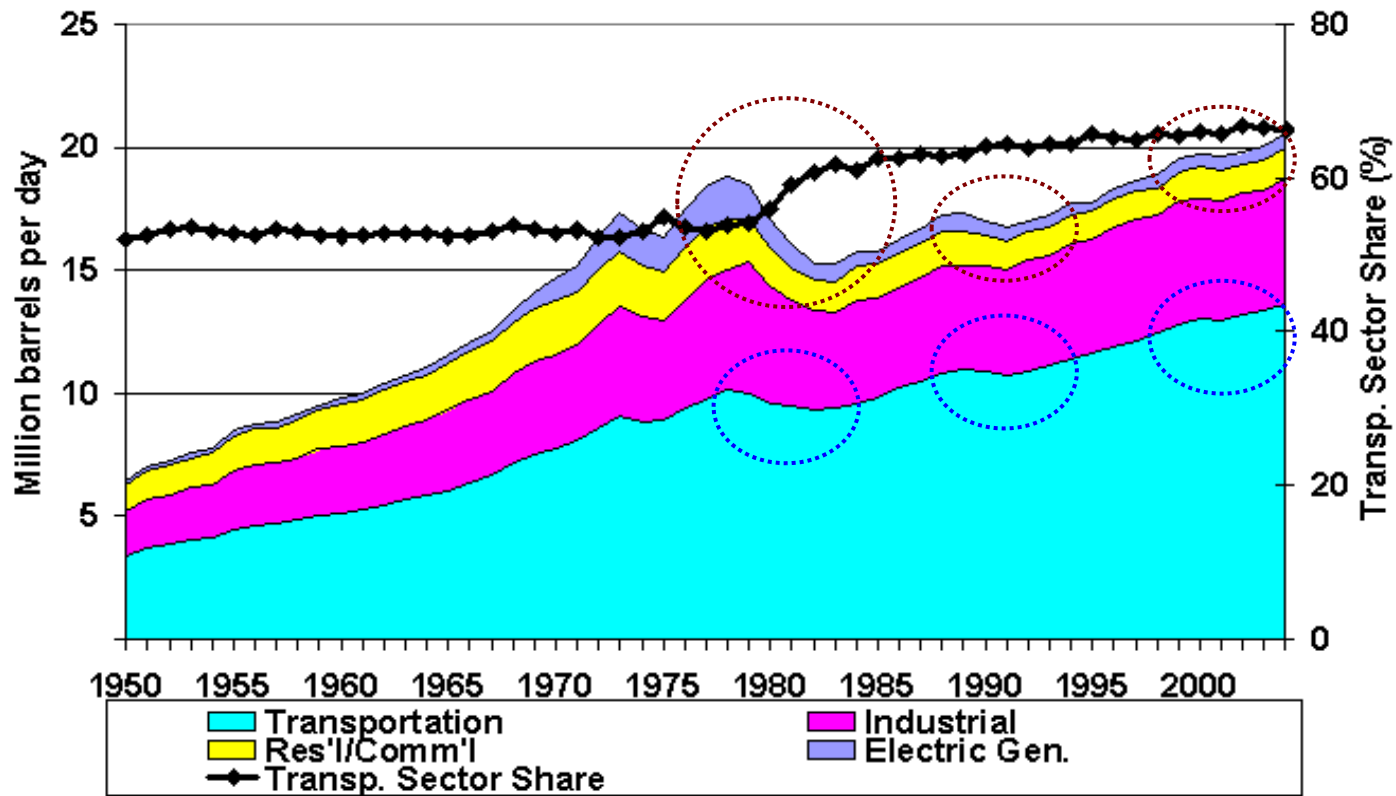
Share of electricity generated by petroleum

1977	17.0%
1983	6.8%
1998	2.5%

Homes Heated by oil.

1977	32%
1998	17%

U.S. Oil Demand by Sector, 1950-2004



Source: EIA

- http://www.eia.doe.gov/pub/oil_gas/petroleum/analysis_publications/oil_market_basics/dem_image_us_cons_sector.htm

What does 2.5% growth in demand mean?

Based on 2007 estimated worldwide consumption of approximately 86 mbbbl/d 2.5% growth is 2.18 mbbbl/d. **

1. That is more than #7 exporter Kuwait exports annually.
2. It is more the 85% of #3 Norway's exports
3. The same demand impact as adding another Brazil, the #8 consumer .

Rank	Country	Net Export '000 bbl/d
1	Saudi Arabia	8,651
2	Russia	6,565,
3	Norway	2,542
4	Iran	2,519
5	United Arab Emirates	2,515
6	Venezuela	2,203
7	Kuwait	2,150
8	Nigeria	2,146
9	Algeria	1,847
10	Mexico	1,676
11	Libya	1,525
12	Iraq	1,438
13	Angola	1,363
14	Kazakhstan	1,114
15	Canada (US #1 supplier)	1,071

** - Source IEA July 2007

Source: Energy Information Agency - EIA

Roger Bezdek

- GDP decline was his most important point
- Airport and related infrastructure bonds?
- Next logical step in thinking –
 - Tax revenue backed bonds for highway construction bonds (long-term funds 20-30 yrs)
 - Gas tax based on gallons sold
 - Gas tax based on price

So what about those 787 Dreamliners?????

Are you in a leveraged commodity position?

- 30 year mortgage on a house 40+ miles from work
- 5 year plus loan on a low mpg vehicle
- Dependent on cheap fuel subsidy for business (owner or employer) or critical supplier.
- Speed of action dependent on cheap energy.