

*Forecasting Fuel Prices.*

<http://www.nwcouncil.org/library/2008/2008-13.htm>

*Not only depends on what you think will be the demand as well as supply in all global markets, but what the price cartel, may or may not do.*

*The fact is that as the US Dollar rises or drops we see a seesaw effect where crude as well as natural gas also vary. This variability is also shown in all other commodity prices and is a result of trading futures.*

*So that is a component of the equation. We must not forget that the ability to predict a price is indeed a function of a set of variables, some quite endogenous to that market and others not. A weighing of each has much bias.*

*But the final set of prices are a curve, not a single point. Because technology advances and public policy such as tax policy, not to mention energy legislation, like that we saw recently in the US Senate, will shape the resultant set of curves. From what you may say is the best to worst, depending on your point of view.*

*The truth is that the move away from non green fuels will take time and you can not bankrupt the non green economy to fund this transition. Some that measure CH<sub>4</sub> know that this gas may have to be captured and used, not allowed to escape. So the best forecast is not numerical, but one that is of insight and has perspective.*

*The price of fuels is one that has to also be looked at with the view of how long the global slump may or may not be in the cards.*

*The best fit is that prices may not do what most expect. I worked for many years in that industry, see resume below, where we had to plan for projects, capital investments. Now I will say the following.*

*Crude oil prices at Ras Tanura over the next year will fall to around \$30 a barrel, at that delivery point. Natural gas as a companion fuel will also drop back to around \$2.00 per MCF also in the Gulf. The reason is that demand will be slow due to a global extended drop and more supplies.*

*Please do not forget that the prices we had over the past year will contribute to greater production due to investment. The Russian economy has to put more on the global market to survive and the discoveries and production near Shokahlov (spelling), as well as Oman and the Emirates mean more gas shipped.*

*Competition being the driver and if you produce onshore in the gulf and ship then your breakeven is around \$0.50 per MCF, shipped to the LNG ports in Mexico and Canada.*

*The real question is can wind, solar, geothermal, biomass be able to displace fossil fuels in the decades ahead. That 2% rate of replacement versus the 1% described in the recent text, "The Hard Truth".*

*They will need federal supports and hard to see how that will happen, so as we saw with Syn Fuels in the late 1970's and early 1980's, we well could see fossil fuel prices decline another 50% from the current levels in the months and years ahead.*

*Thus 2012 to 2022, could be years where the electric vehicle has to be a plug in flex fuel hybrid and one that can indeed be used to promote the idea of garage to grid. Where the meter turns backwards and the consumer sells power to the local utility.*

*The consumption of fuels at a much lower price being the driver. Using a fossil fueled vehicle to store electric and at night (and or during the day), sell into the local grid.*

*Respectively submitted.*

*Edward D Perrotti*

**Resume (s) can be found at the following two URL's.**

**[www.nwcouncil.org/fw/budget/2007/draftrec/comments/risk.pdf](http://www.nwcouncil.org/fw/budget/2007/draftrec/comments/risk.pdf)**

**[www.nwcouncil.org/library/2004/2004-2/perrotti.pdf](http://www.nwcouncil.org/library/2004/2004-2/perrotti.pdf)**