

Energy in the Pulp and Paper Industry

by

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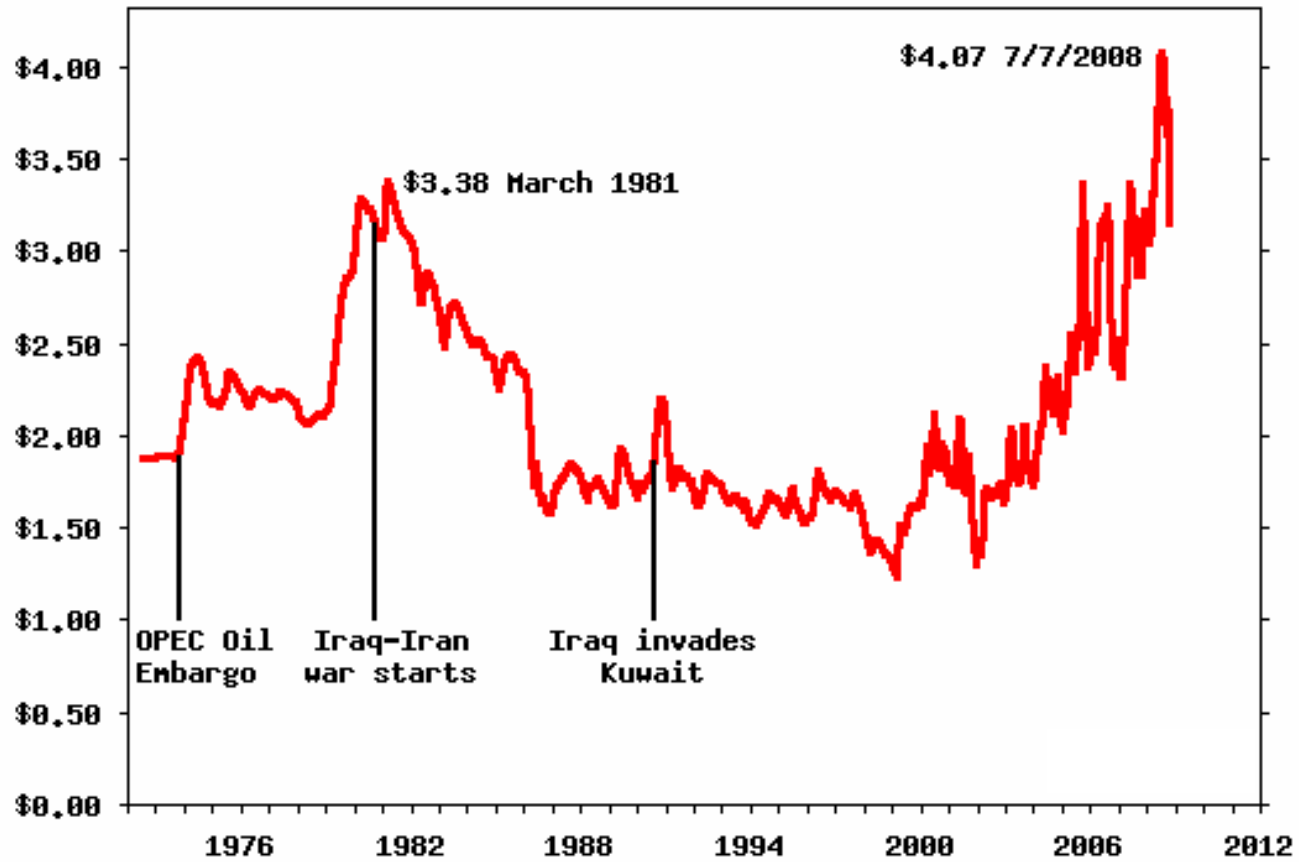
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How about Jimmy Carter's shale oil project?

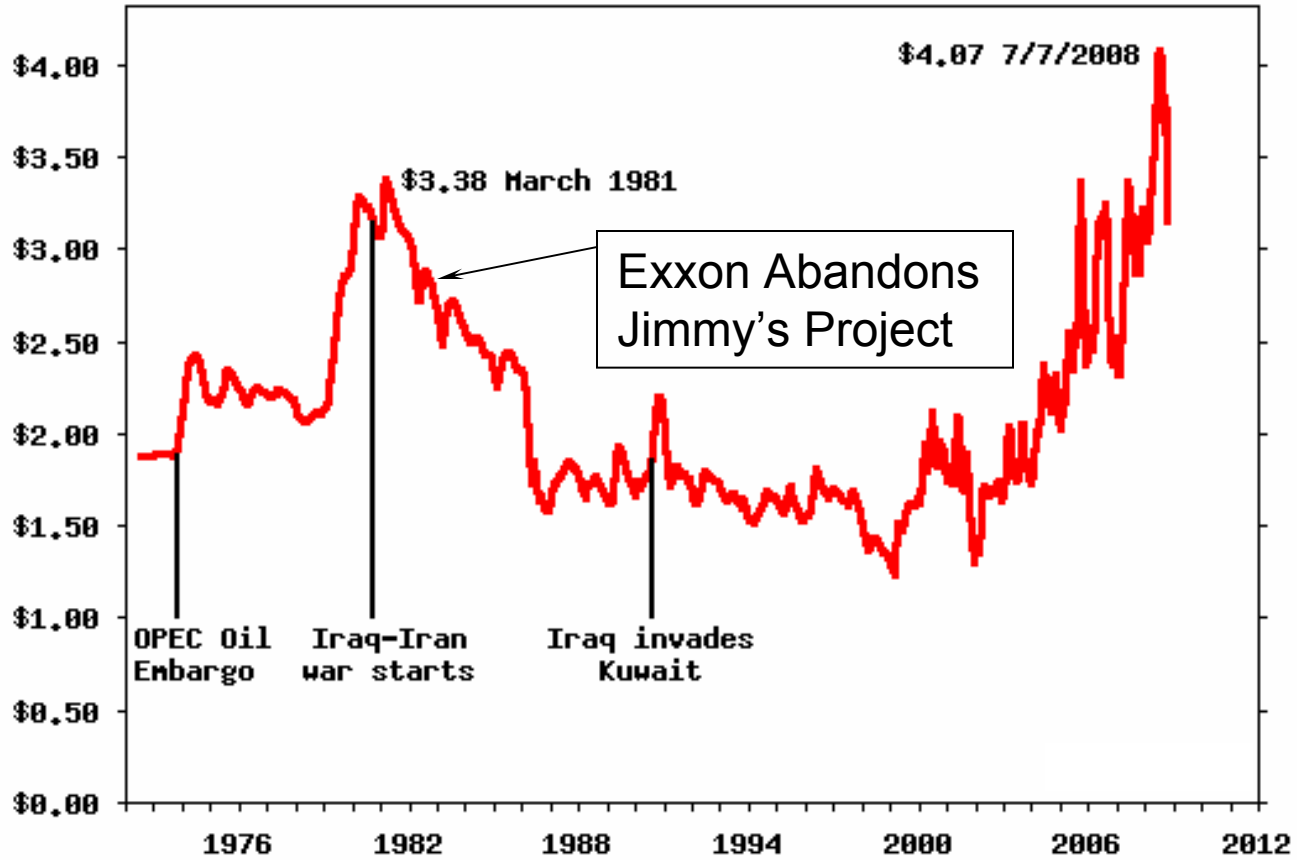
Exxon pulled out on 2 May 1982

Regular Gasoline Price in Today's Dollars (10/13/2008)



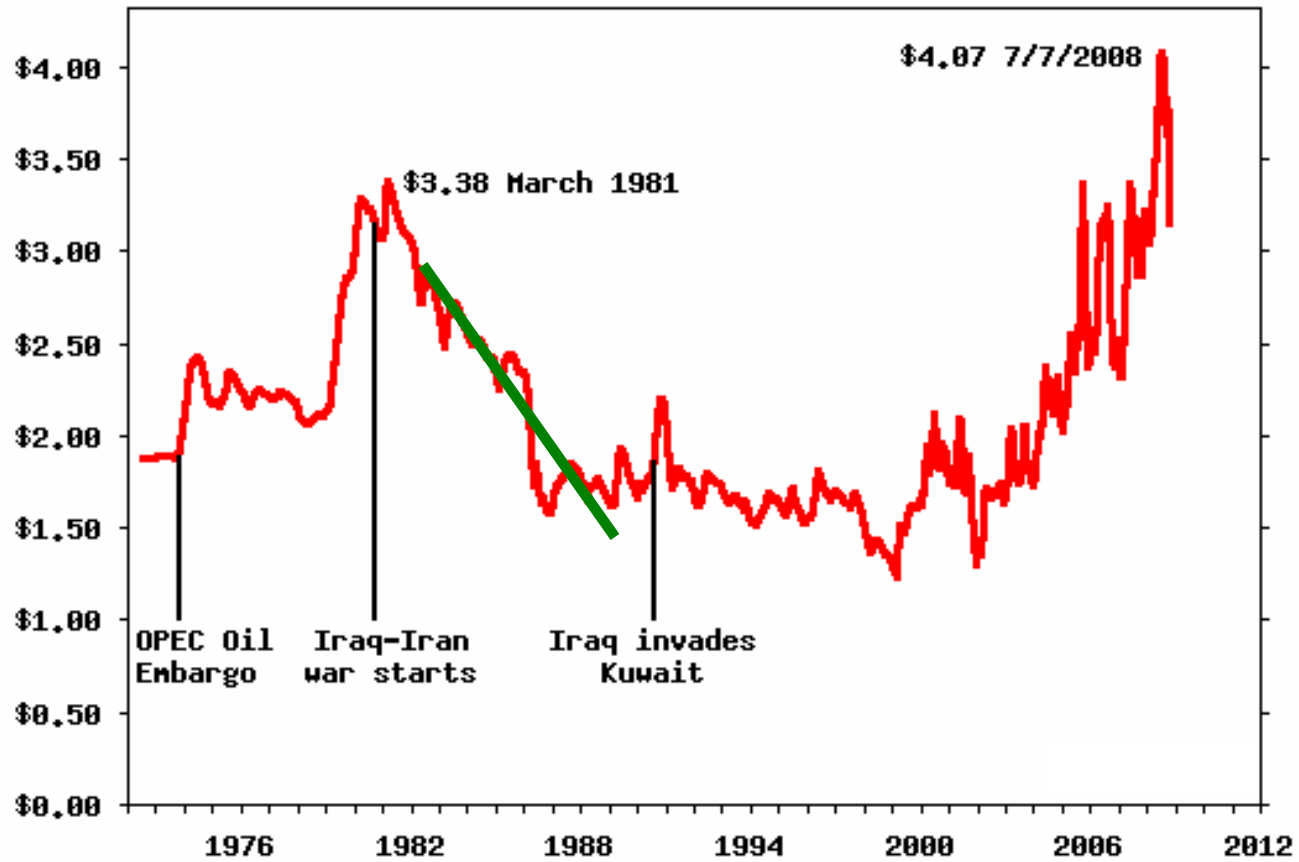
Source: Department of Energy

Regular Gasoline Price in Today's Dollars (10/13/2008)



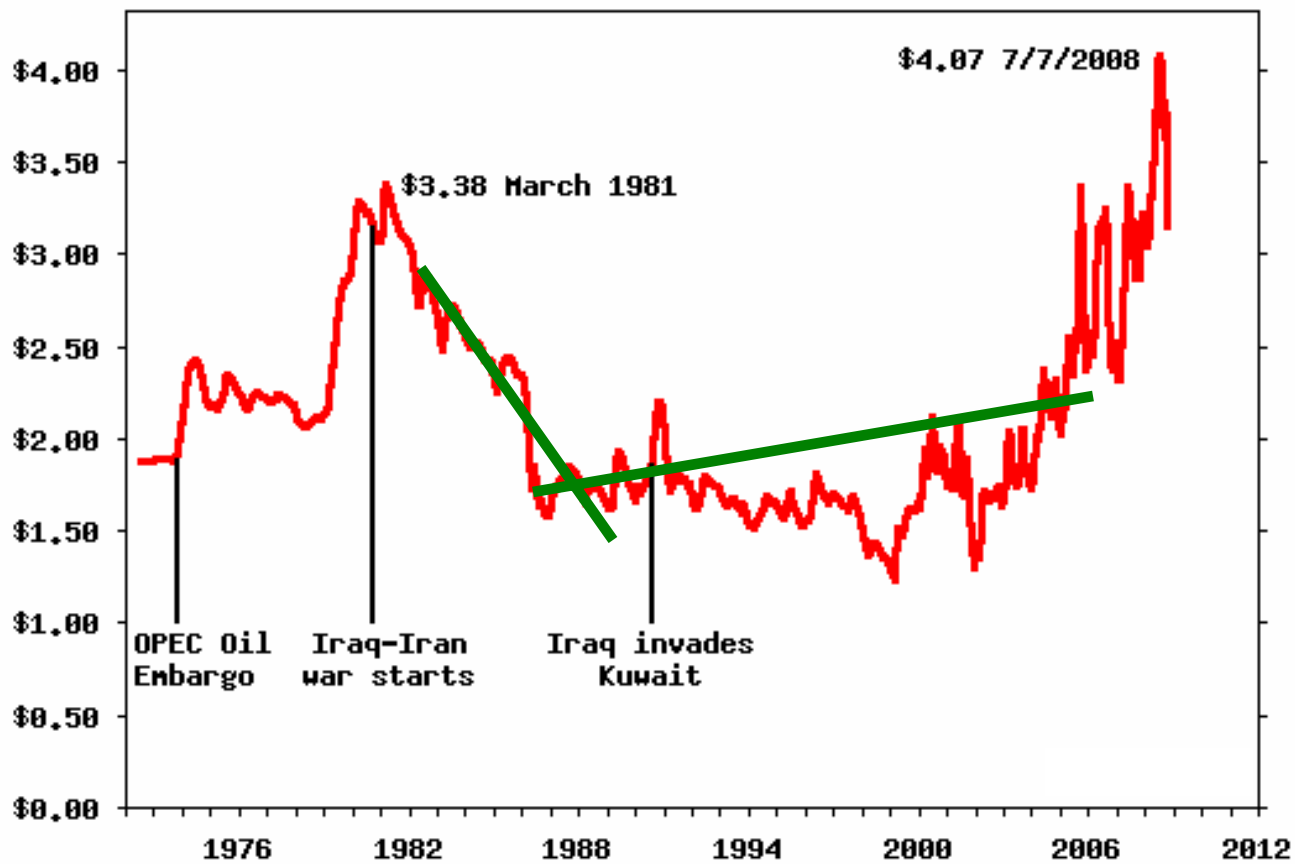
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Regular Gasoline Price in Today's Dollars (10/13/2008)



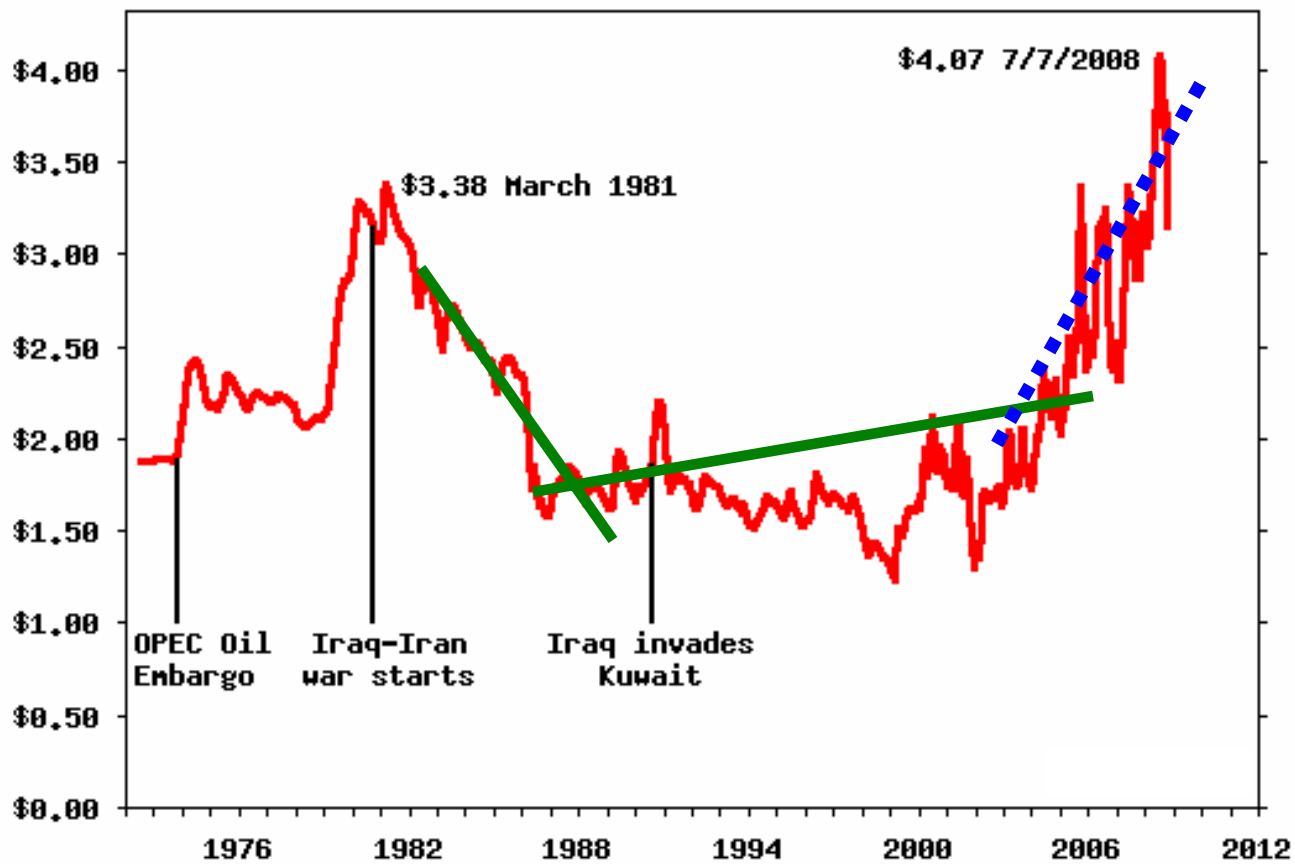
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Regular Gasoline Price in Today's Dollars (10/13/2008)



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Regular Gasoline Price in Today's Dollars (10/13/2008)



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*It always comes down to return
on investment.*

*Boone Pickens is the only
one that is talking
about national security.*

In fact, until Katrina, OPEC had the discipline to keep oil prices low enough to create complacency.

The US response to previous energy crises:

1973: 55 mph speed limit (1973 – 1995) Touted as reducing consumption by 2.2%; independent studies said reduction was less than ½ of 1%

The US response to previous energy crises:

1973: Even/Odd days of filling one's auto.

Year 'round daylight savings time.

The US response to previous energy crises:

1973: Push for solar, wind, drilling at home, coal, nuclear

Sound familiar?

The US response to previous energy crises:

1979: Wear a sweater, lower the thermostat, shale oil will save us!

The US response to old energy crises:

1942 - 1945: National Speed limit set at 35 MPH; Rationing cards for fuel and tires.

The US response to old energy crises:

The Crisis that never happened:

The 1930's would have perhaps produced the first crisis had it not been for the Great Depression.

The current crisis is being solved
by:

Recession in some economies

Depression in others.

Energy crises have historically, and the current one is no exception, brought out parties with all sorts of agendas.

There are five *political* matters you need to watch:

- I. Adjectives*
- II. Science*
- III. Personal motivations (narcissism,
avarice, fear)*
- IV. Follow the money*
- V. Wrong motivations*

I. When we say “fuel” or “energy” we assume the following adjectives are in play:

1. *Clean*
2. *Environmentally friendly (whatever this means)*
3. *Safe (whatever this means)*
4. *Cheap*
5. *Portable*
6. *Here*

We also want no changes

*Quickest way to the solve the
“energy crisis”...*

*Eliminate office buildings and
attendance at sporting
events.*

II. Science—watch for alchemy!

- 1. Conservation of energy*
- 2. Mass balance*
- 3. Thermal/Corrosion Dichotomy*

Particularly confusing to this old farm boy is VPP (Value Prior to Pulping)

I have been around a lot of pulp mills and have never noticed anything lying around that we are not using already.

III. Personal motivations (narcissism, avarice, fear)

1. *Shocking, shocking, but there are those that envision statues erected in their honor for solving the “energy crisis”!*
2. *Pay me lots of money and I will solve the problem—trust me!*
3. *There are also those that never want to answer the question (solve the problem) because then they will have to find something else to do.*

IV. Follow the money...

1. *Developers that want fees but no risks.*
2. *Developers that want equity but put up nothing.*
3. *Outsized fees --\$100 million raised, 3% “development fee” upfront. \$3 million is real money!*
4. *Question to ask any developer/promoter/bloviator: “How have you earned your income over the last twenty years and (a) can you prove you have taken risks & (b) can you prove you have made significant returns for your employers and/or investors?”*

IV. Follow the money...

5. Subsidies and government funding are suspect:

Items developed without subsidies:

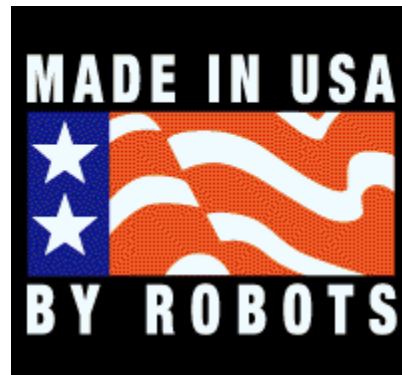
*light bulb, motion pictures, phonograph, distribution
systems for electricity....*

Items subsidized forever:

agriculture, railroads, automobiles (highways)....

V. Wrong motivations...

- 1. Saving old assets*
- 2. Saving jobs*



In reality, when prices abate, we go back to doing whatever it was we were doing before.

With some incremental improvements.

It looks like 2009 will be a year
of retreat.

This Presentation is available in the White Paper Library on
Nip Impressions® and PaperMoney®

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under the title

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