

The Price Outlook for 2006: A Discussion on Energy Policy

Presentation to the
Washington Institute for Near East Policy

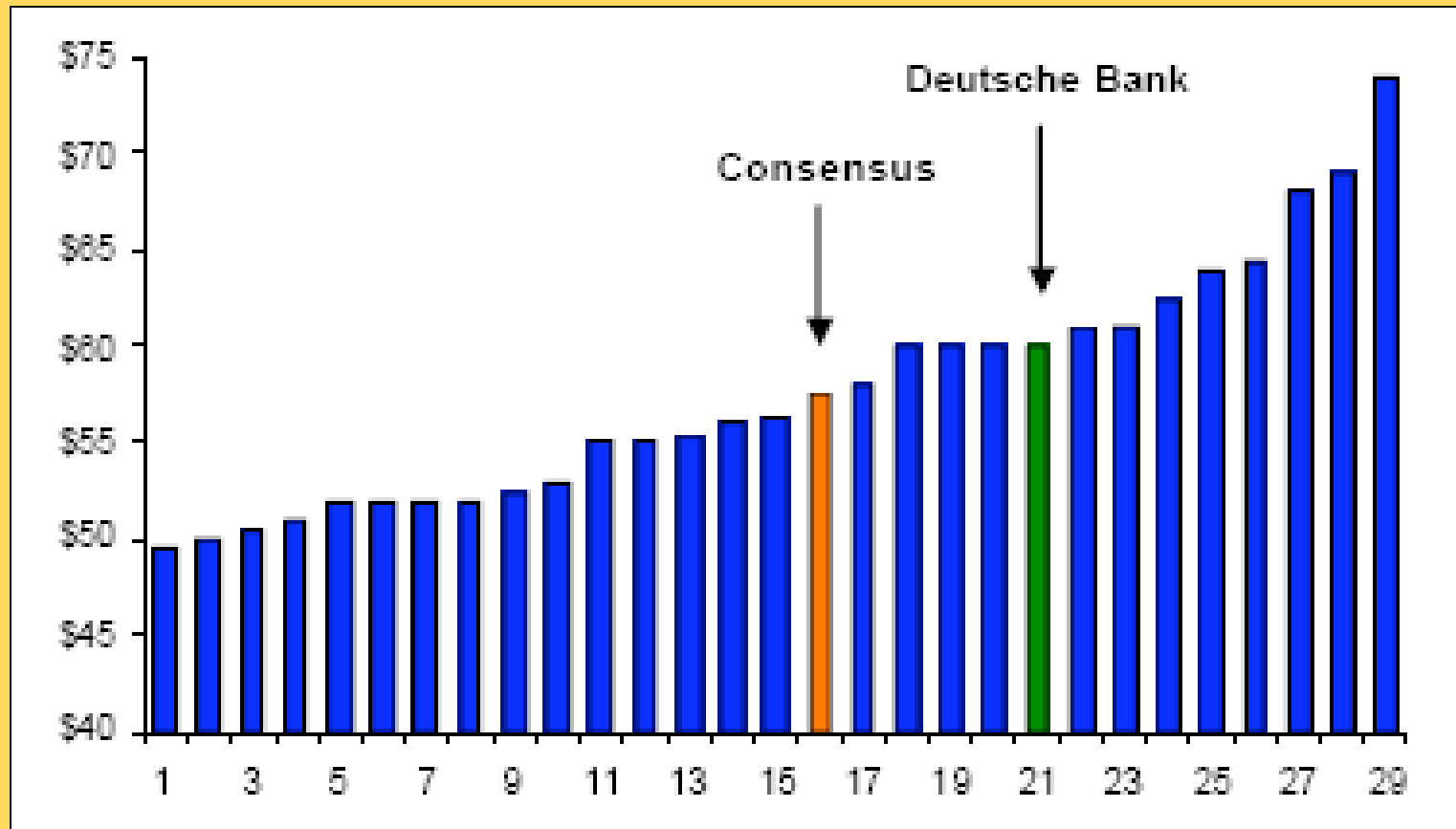
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November 29, 2005
Washington, DC

Key Points

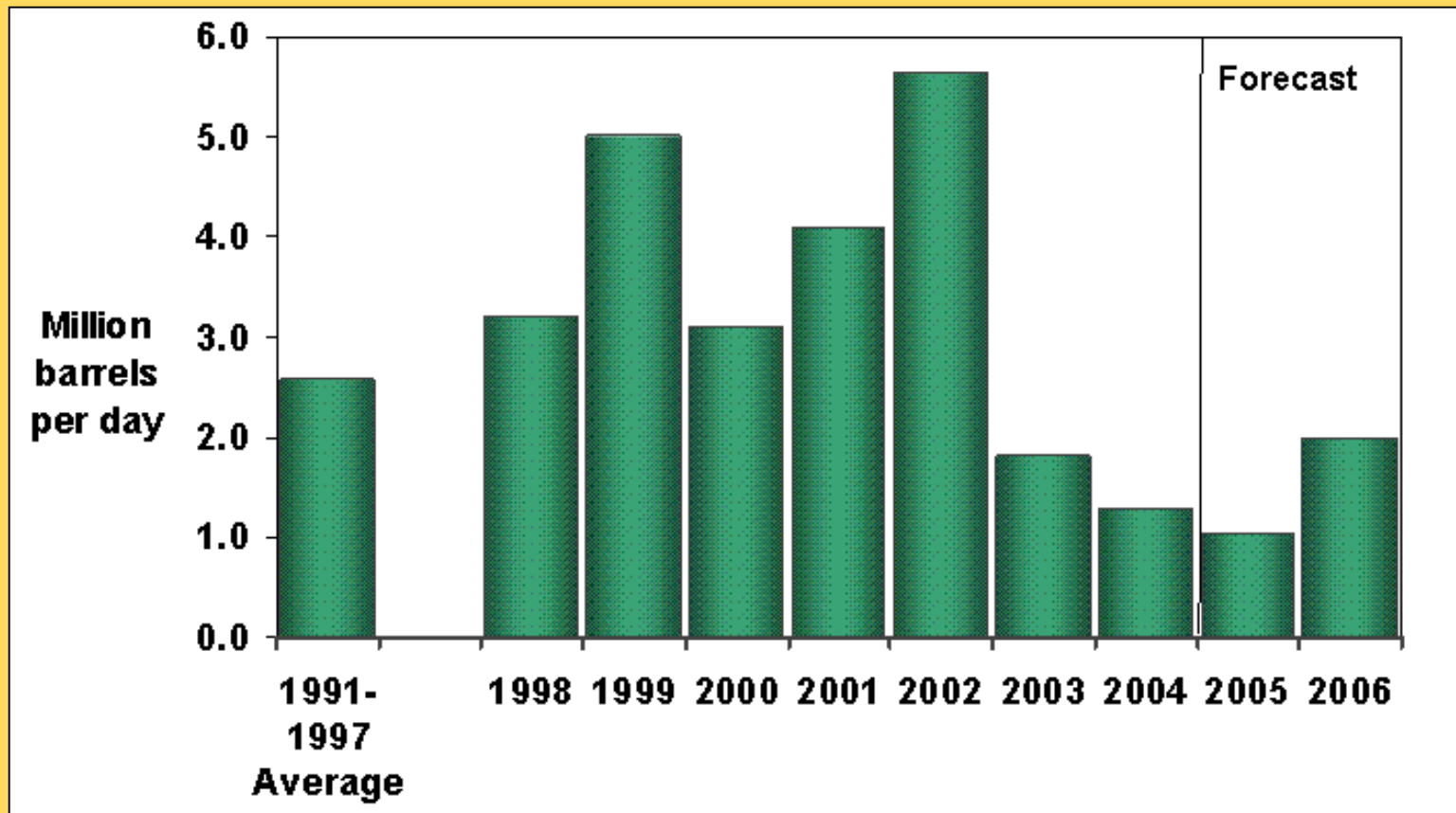
- 2006 price range: \$55-\$60
- Key drivers of a tight market: limited spare capacity, geopolitical uncertainty, supply and demand
- Long term trend is on greater dependence on MENA
- Best protection: serious energy policy at home, new approach to foreign policy

WTI Price Forecasts for 2006



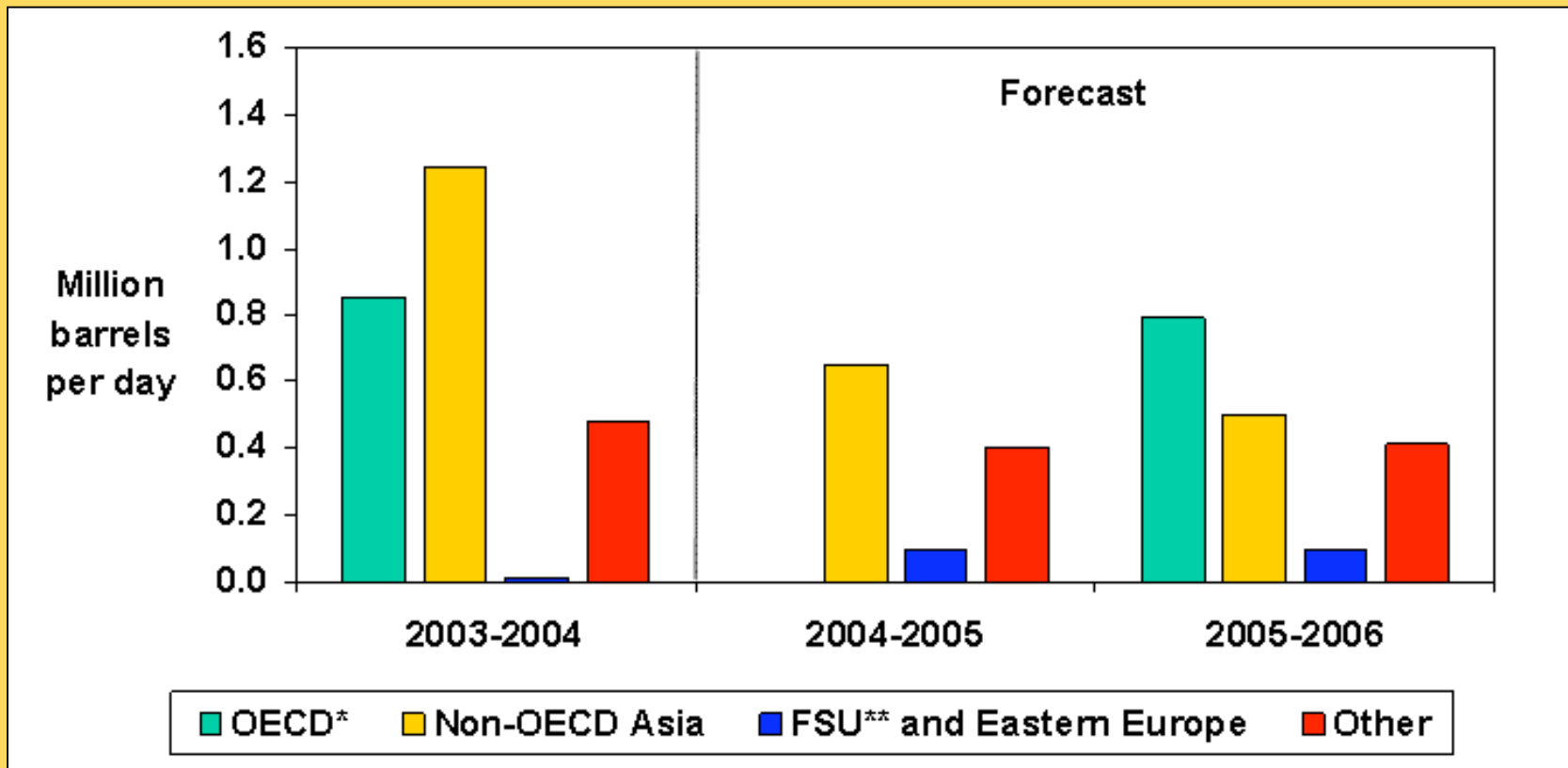
Source: Deutsche Bank Global Markets Research

World Oil Spare Production Capacity



Source: EIA, Short-Term Energy Outlook, November 2005

World Oil Demand Growth (change from previous year)

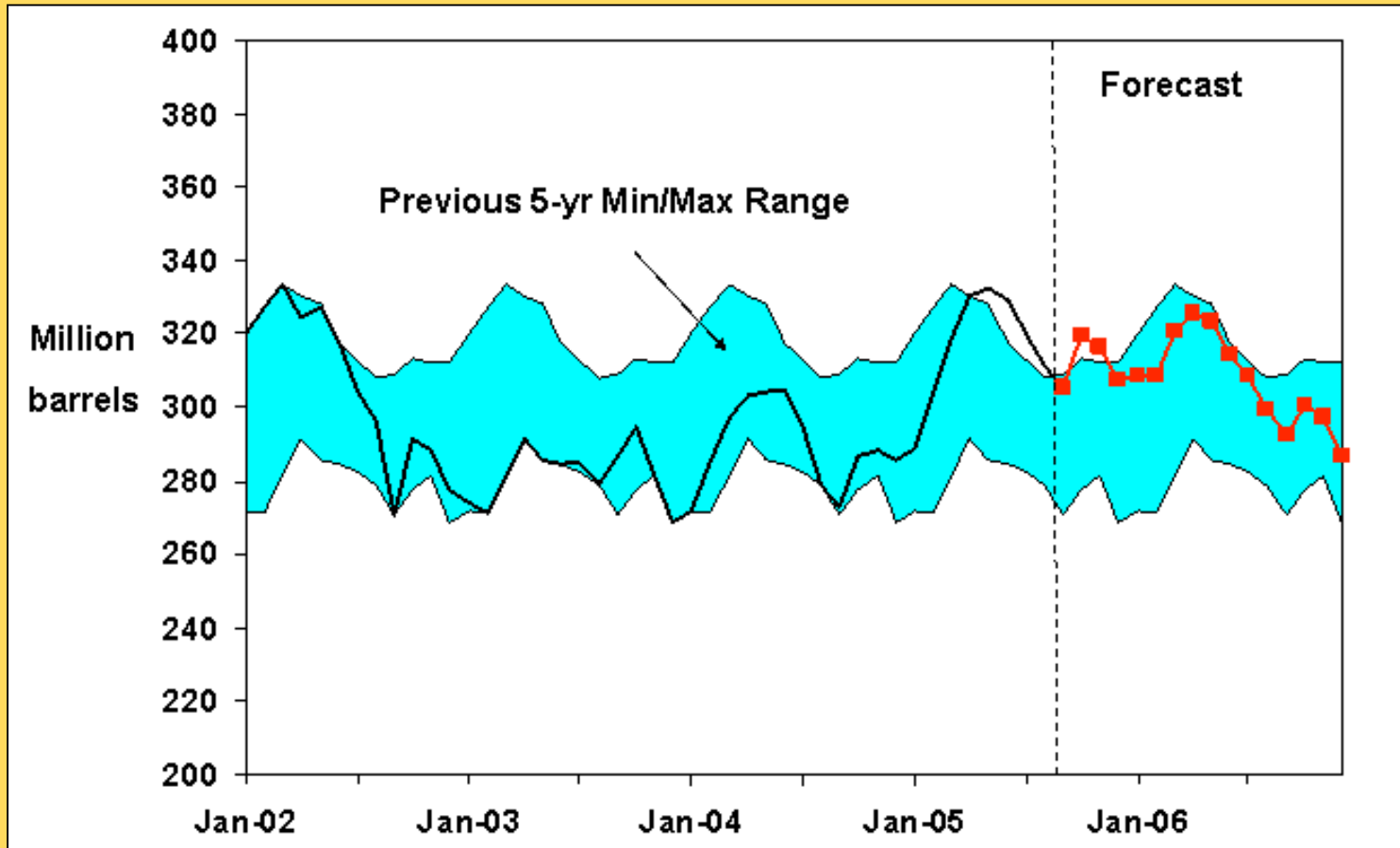


*Countries belonging to Organization of Economic Cooperation and Development

**Former Soviet Union

Source: World Energy Outlook for MENA Region, International Energy Association

U.S. Crude Oil Stocks

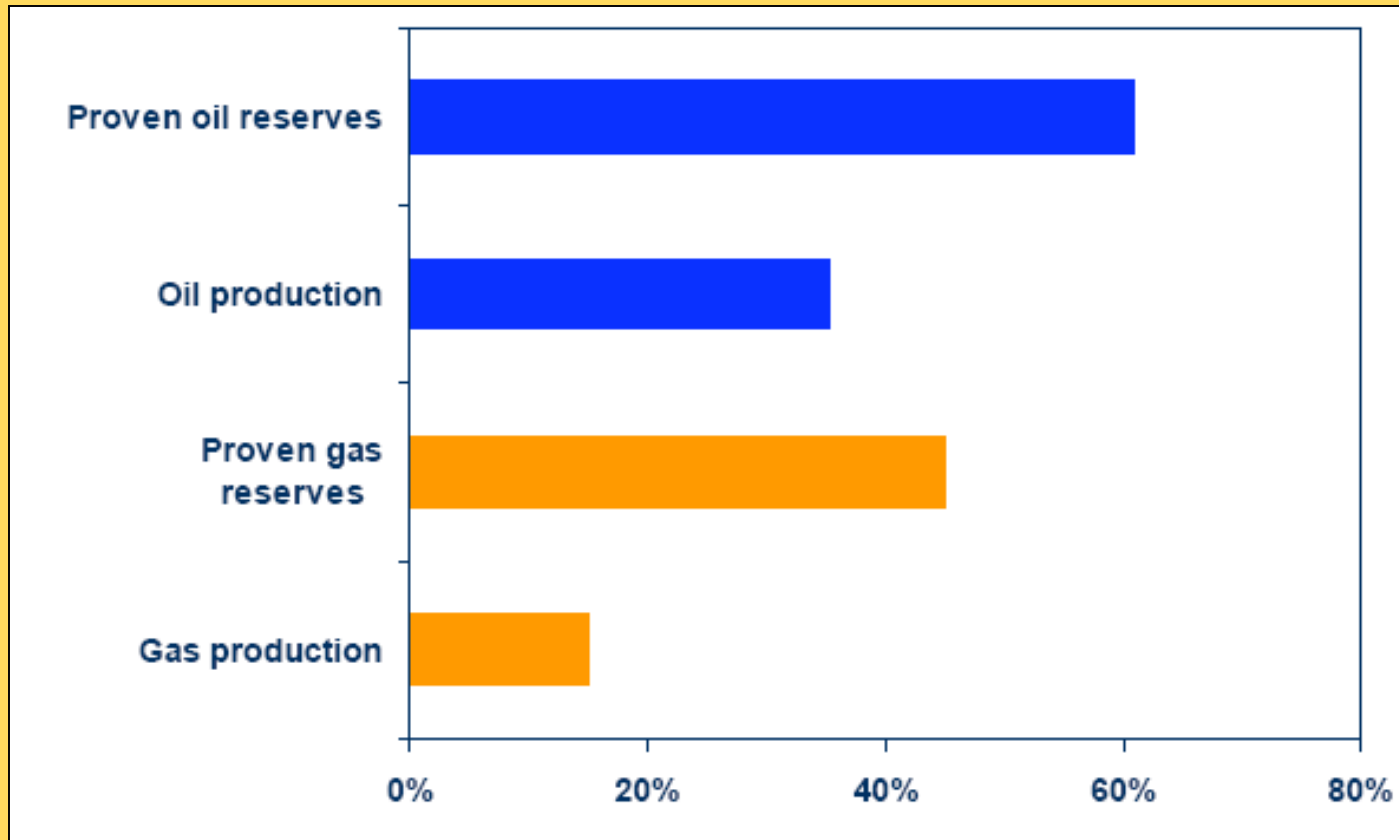


Source: World Energy Outlook for MENA Region, International Energy Association

Geopolitical Risks

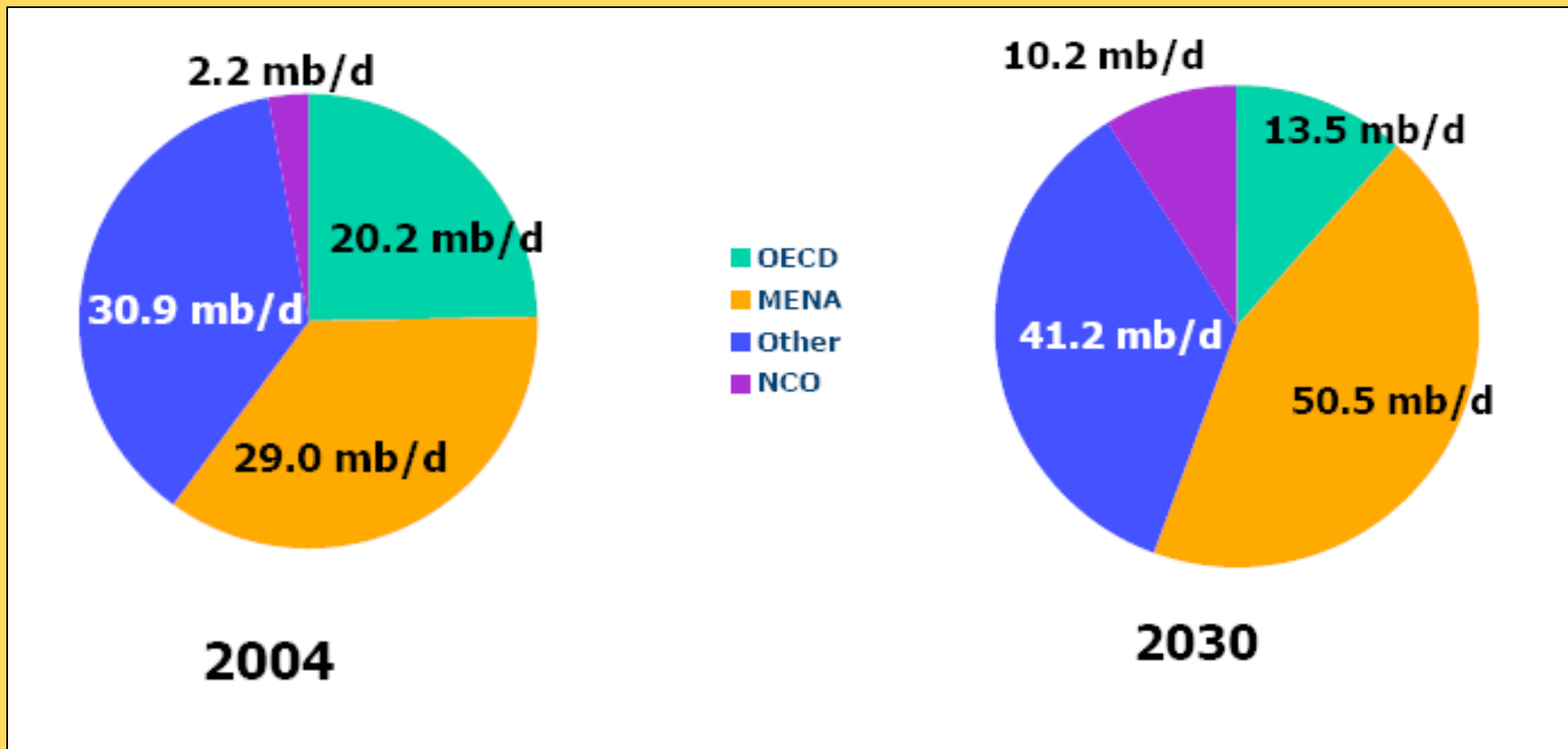
- Iran
- Iraq
- Nigeria
- Venezuela
- Russia

MENA Share in World Oil and Gas Reserves & Production



Source: World Energy Outlook for MENA Region, International Energy Association

Dependence on MENA



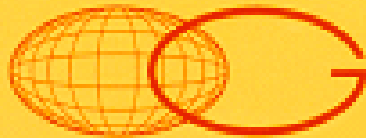
Source: World Energy Outlook for MENA Region, International Energy Association

Lead at Home

1. Adopt a serious demand conservation policy that increases automobile fuel efficiency.
2. Adopt a national technology policy that changes the transportation paradigm, breaks the bottleneck existing today in alternative fuels, alternative vehicles, nuclear energy and reduces GHG emissions.
3. Invest in infrastructure: gas pipelines from Alaska, deep conversion refineries, a modern flexible power grid, in part by streamlining bureaucratic steps for new investment.
4. Modernize our strategic energy defenses.
5. Promoting energy conservation and efficiency across the board.

A New Foreign Policy Approach

1. Promote stability and conflict resolution in key producers: Africa and Latin America
2. Modernize Our Collective Energy Security System.
3. Promote reform and transparency.
4. Promote a free market in energy/wield the monopsony wedge.
5. US energy as a tool of soft power



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