Ag Energy Outlook

2016 Ag Lenders Outlook
David Ripplinger
Key Factors-Oil

1. Ample oil production/supplies
2. Stable global demand
3. Strong US demand
4. Declining US investment and production
A Math Problem
Market Share

Saudi Arabia is overproducing to damage the economies of other energy producing countries.

Two reasons
1. Political – they don’t like certain nations (read Iran)
2. Economic – they want to crush their competitors, and then take market share
Most oil producing nation’s have no choice to produce as much oil as they can, because they need the revenue

-> Venezuela
Petard Hoisting

The problem is that Saudi Arabia has social programs too.

And that it is blowing though cash as fast as some other nations.
A math question
(no zoo animals)

Two years ago, Saudi Arabia had reserves of about $750 billion, today the number is closer to $550 billion dollars.

How much longer can the Kingdom withdraw at the same rate as it has for the last two years before it has none remaining?
Bonus Questions

1. If you were a member of the royal family how active would you be in the Beverly Hills real estate market?

2. How long do you think it will be until oil recovers?
Why is the entire energy world watching North Dakota?
Two Questions

Did Dakota Access Pipeline have required permits?

How much is being invested in the project?
- $37 million
- $370 million
- $3.7 billion
cred·i·bil·i·tyˌkredəˈbilədē/

the quality of being trusted and believed in.

Would you invest in a ‘permitted’ energy project in the United States?
CORN ETHANOL
Key Factors

1. Record Corn Crop
2. Low Energy Prices
3. Growing Demand
4. Export Opportunities?
Margins 10/16/2016

Ethanol - $1.50/gallon ($1.44)
Corn - $2.95/bushel ($3.31)
DDGs - $94.44/ton ($104.75)
Margin - $2.09 per bushel ($1.65)
    $.746 per gallon ($0.58)

------Ag Marketing Service of the USDA
Near Record Production

Weekly U.S. Oxygenate Plant Production of Fuel Ethanol

Source: U.S. Energy Information Administration
ENERGY POLICY
Renewable Fuel Standard
The Greenhouse Effect

Some sunlight that hits the earth is reflected. Some becomes heat.

CO₂ and other gases in the atmosphere trap heat, keeping the earth warm.
Unburnable carbon

-- fossil fuel energy sources which cannot be burnt if the world is to limit global warming to 2 degrees C.
Safety First

There is an argument that even if the 2 degree threshold is wrong, reducing carbon emissions is worth the cost because we avoided the calamities associated with climate change.
What do you know about the Clean Power Plan?
Clean Power Plan

Clean Power Plan for Existing Power Plants

Rule Summary

On February 9, 2016, the Supreme Court stayed implementation of the Clean Power Plan pending judicial review. The Court’s decision was not on the merits of the rule. EPA firmly believes the Clean Power Plan will be upheld when the merits are considered because the rule rests on strong scientific and legal foundations. For the states that choose to continue to work to cut carbon pollution from power plants and seek the agency’s guidance and assistance, EPA will continue to provide tools and support. We will make any additional information available as necessary.

On August 3, 2015, President Obama and EPA announced the Clean Power Plan – a historic and

Basic Information

Federal Register Citations

- 79 FR 34829
- 79 FR 57492
- 79 FR 64543
- 79 FR 65481
- 79 FR 67406
- 80 FR 64662
- 80 FR 64966

Effective Date

- 12/22/2015

http://www.epa.gov/cleanpowerplan/clean-power-plan-existing-power-plants#rule-history

NDSU NORTH DAKOTA STATE UNIVERSITY
What does it mean to North Dakota?
North Dakota

44.9% emissions rate reduction
1,083 lbs CO2/MWh reduction

North Dakota saw its emission reduction goals leap fourfold in the final rule. The state filed a lawsuit challenging the rule when it was published in the Federal Register, independent of a separate, 24-state lawsuit filed on the same day.

Meeting U.S. EPA’s goal will be "extremely difficult," said Dave Glatt, who’s leading the state Department of Health’s Clean Power Plan response, soon after the rule was finalized; many of the state’s elected leaders and power companies agree that implementing EPA’s emission reduction targets will be a challenge.

North Dakota Gov. Jack Dalrymple (R) said, "we know already, no matter how hard we try, there is no way that we can achieve the 45 percent reduction in the time frame that they’re talking about," and acknowledged that participating in some form of carbon trading is "where we could eventually wind up" if the state were to meet its emission reduction targets.
How can they do that?
Or can they?
What do you think about this?
What does this have to do with bioenergy?
Questions?