

18th Annual Energy Policy Conference Introduction

I am Mark Lively, this year's president of the National Capital Area Chapter of the U.S. Association for Energy Economics, or NCAC. Welcome to NCAC's 18th Annual Energy Policy Conference. This year's topic is "Disruptive Technologies Shock All Energy Sectors." But, before we get to conference, I have three housekeeping issues, the most important of which is to introduce Omar Cabrales, NCAC's Vice President and the organizer of today's conference. In the nine months I have been NCAC president I have frequently said that the job has been made much easier by the able assistance provide me by the NCAC council. I especially appreciate Omar's work.

The second housekeeping issue is that NCAC is having its annual elections next month. People who have paid dues for 2014 will receive a ballot by e-mail in early May and have 30 days to respond. For the first time in nine years, I will not be on the ballot. Most years we have an almost unanimous acceptance of the slate. And if you haven't guessed, Omar has agreed to head the slate as president.

The third housekeeping issue is NCAC's next lunch on May 16 with David Manning, Alberta's representative to the U.S. He will be speaking on the Keystone Pipeline Extension. Keystone is one potential response to the disruption caused by some new technologies, finding ways to extract oil from the sands of Alberta and fracking in the Bakken.

Just as I had three housekeeping issues, my feel is that disruptions to the industry industries must be met with three solutions, new transportation infrastructure, new storage capability, and competitive markets.

Five years ago NCAC took a two day field trip to Titusville. I was most impressed with the Standard Oil Transportation museum. There was a discussion of how Rockefeller hired Pinkerton to protect the very small oil pipeline which bypassed a teamster route, saving several dollars per barrel over a few miles. And this was in 1880 dollars. Standard Oil also designed rail cars to carry crude. Transportation, the first of my three solutions to disruptive technologies.

We also need storage capabilities. In my blog three weeks ago about today's conference, I mentioned "Joseph and the Amazing Technicolor DreamCoat." The Biblical Joseph interpreted Pharaoh's dream and created a system for storing grain during seven fat years, allowing the people to survive the ensuing seven lean years. We have some storage for oil. Seasonal storage for natural gas is very important. And, California is now mandating its electric utilities develop storage systems to handle the dreaded duck curve anticipated for 2015 when solar PV is the disruptive technology causing huge intraday swings in the use of central station generation. Storage, my second solution to disruptive technologies.

Finally we need markets. In the 1950s, the Wall Street Journal sent an editor to Moscow to interview the chief economist of the Soviet Union, this during the time that Khrushchev said "we will bury you." The chief soviet economist said that he looked forward to when the whole world was communistic, except for New Zealand. Why not New Zealand. We have to get market prices from somewhere. Markets, my third solution to disruptive technologies.