

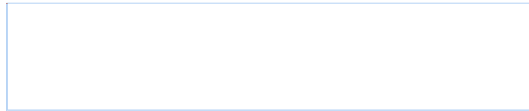
Cambridge Energy Forum

Thoughts on Energy Financing

Tony White

October 19th, 2006





Financial appraisals the old way

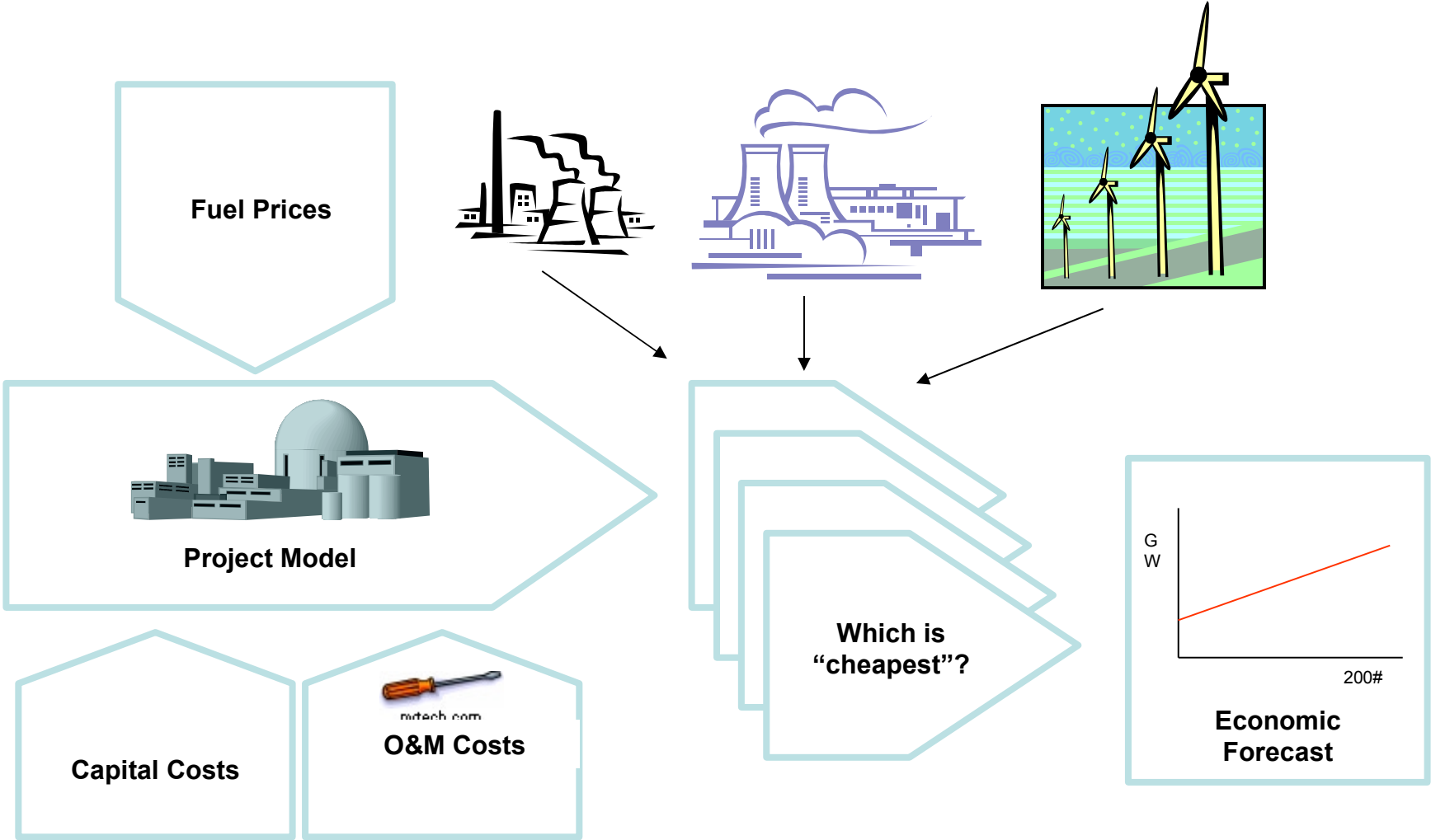
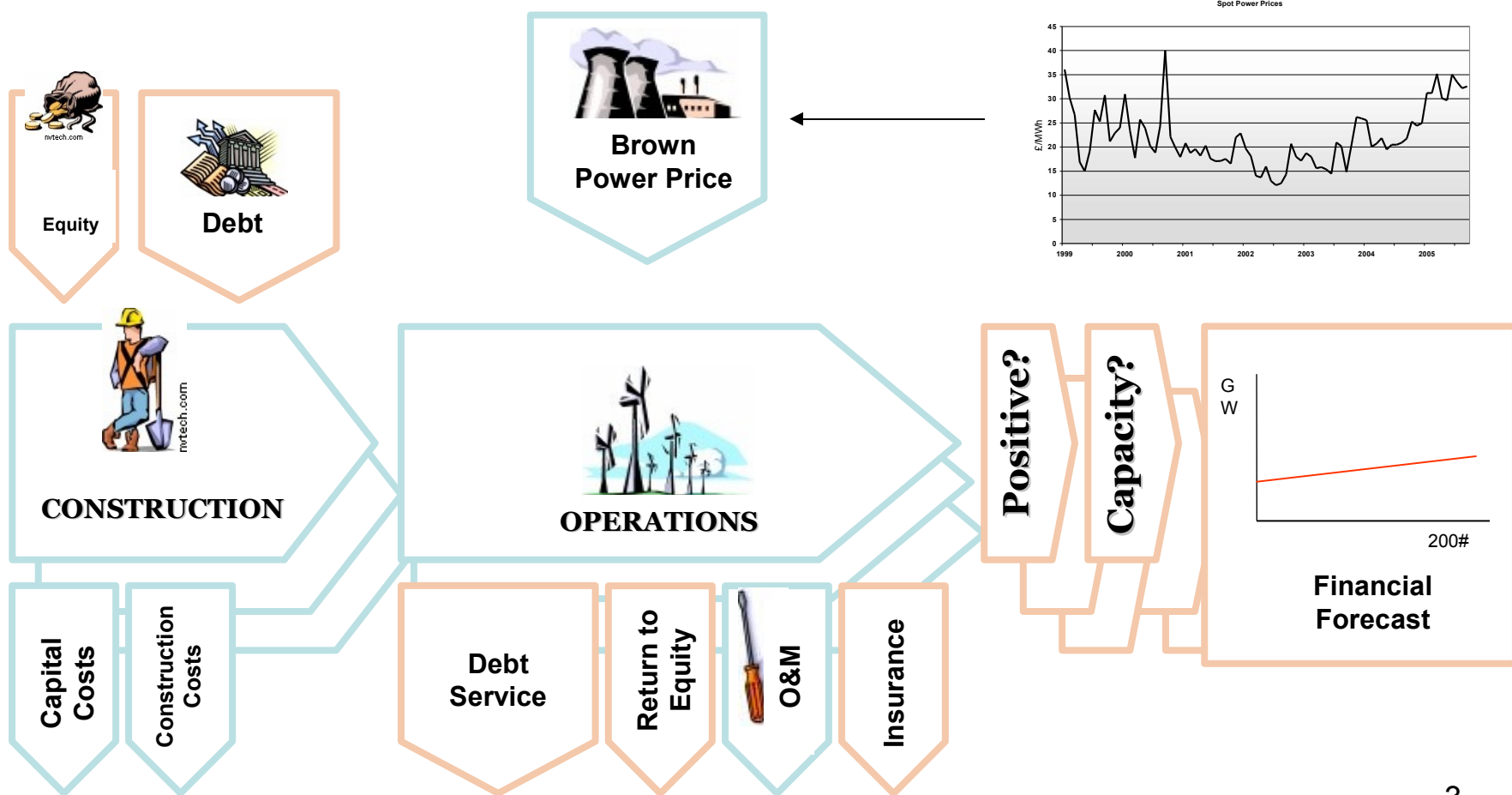


Figure 1

Financial Analysis – the new way



Power Prices

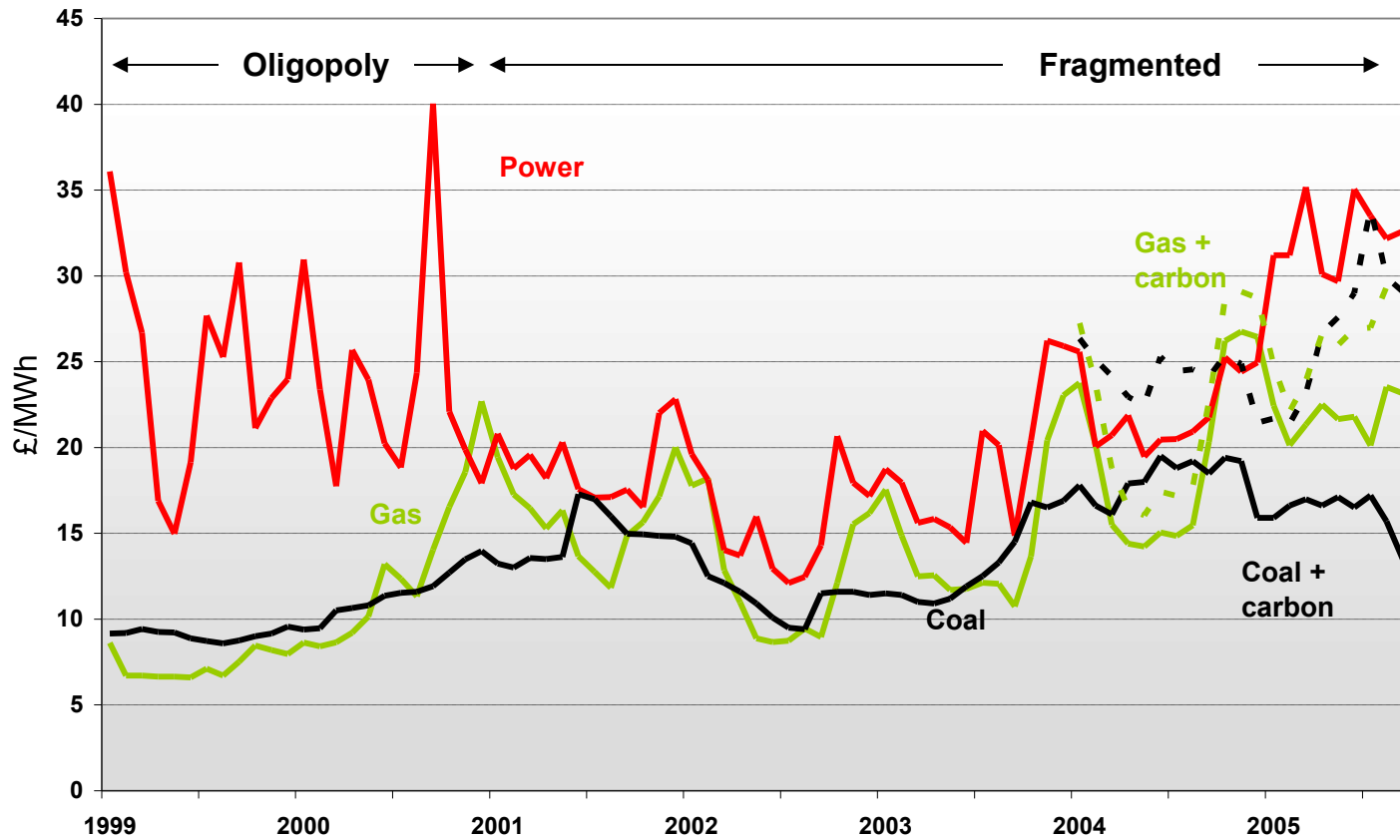


Figure 4

Financial appraisals – good?

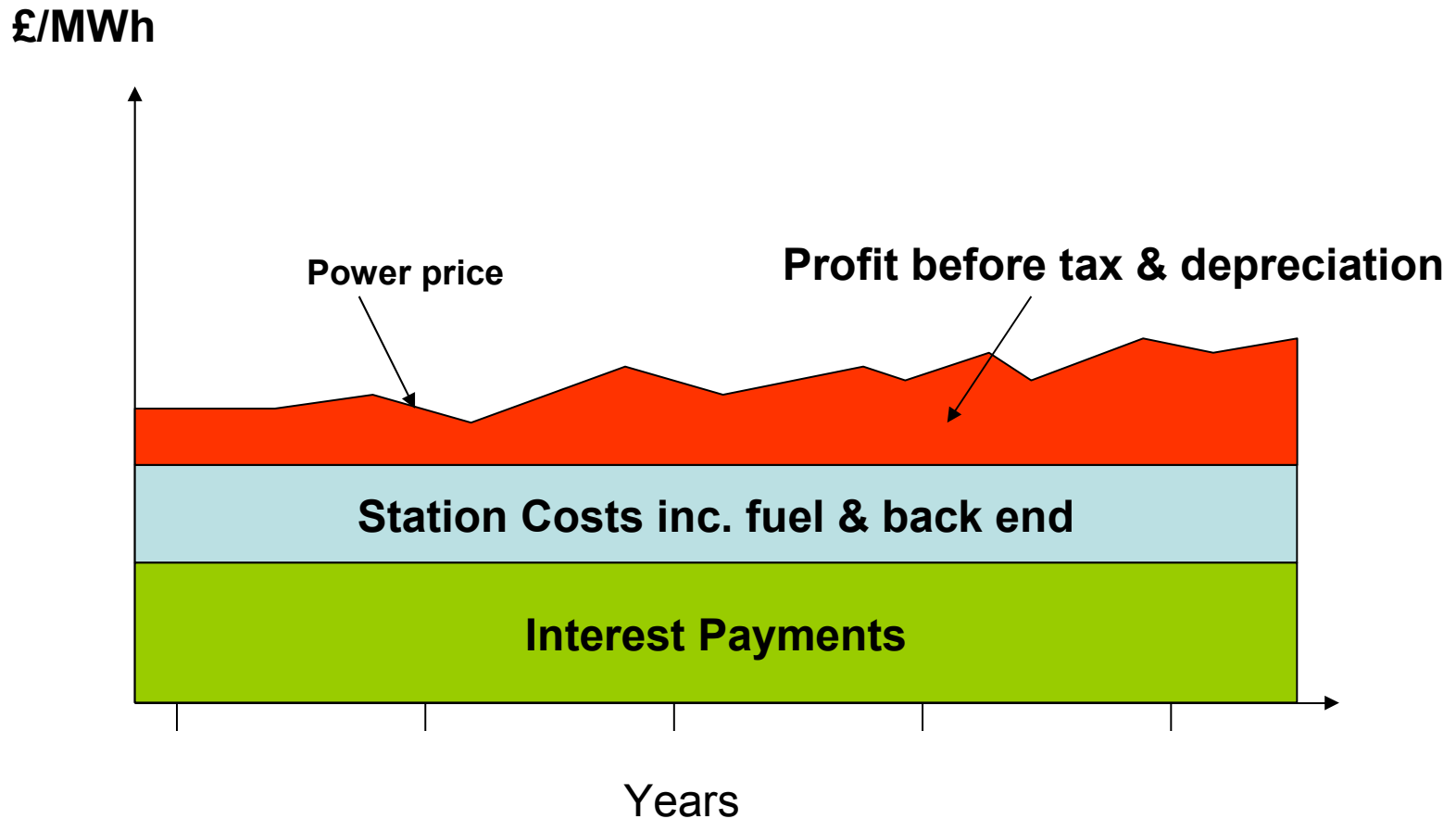


Fig 7

Financial appraisals – bad!

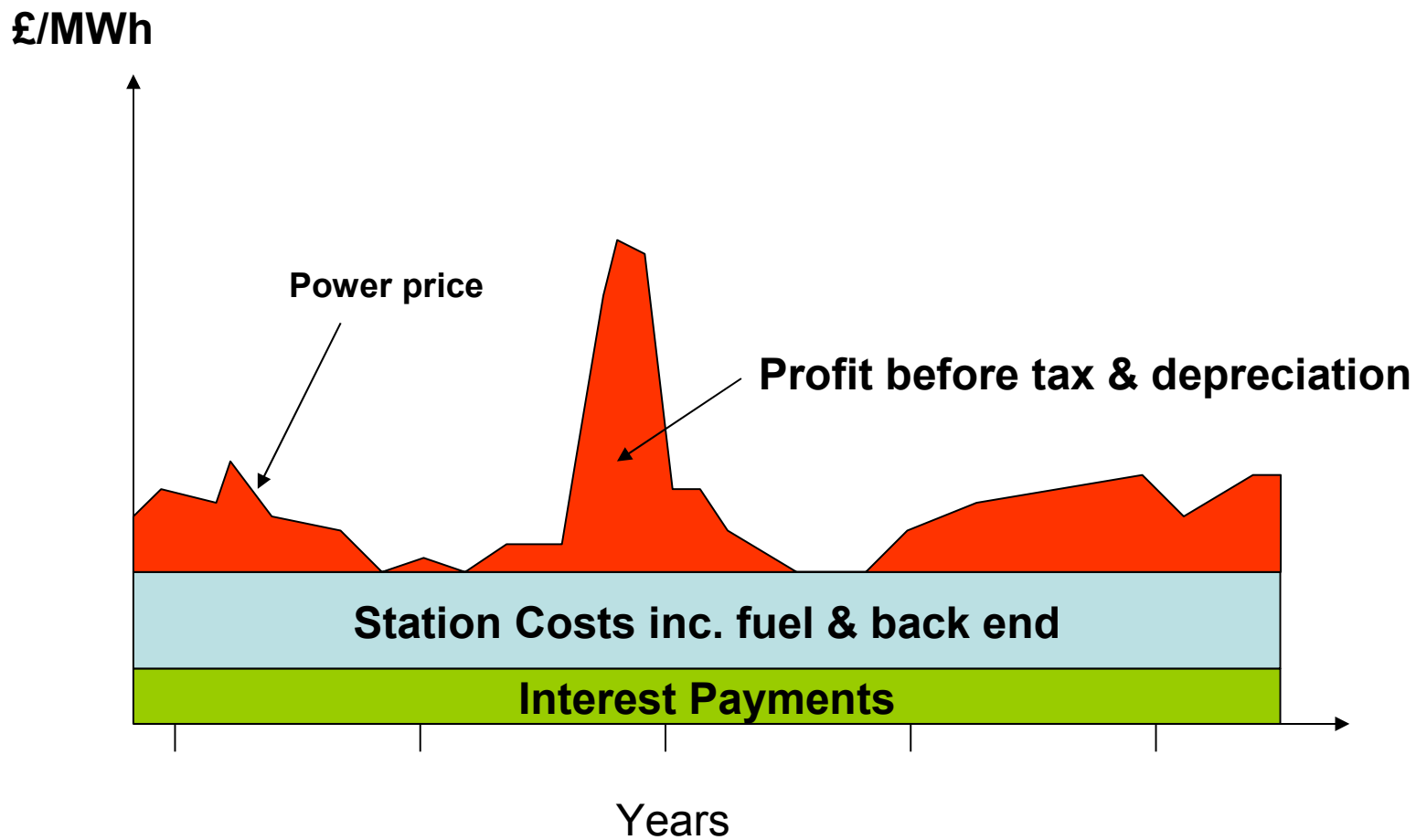
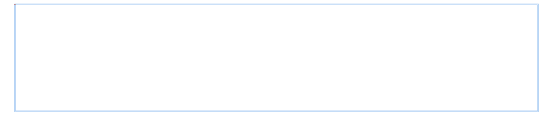


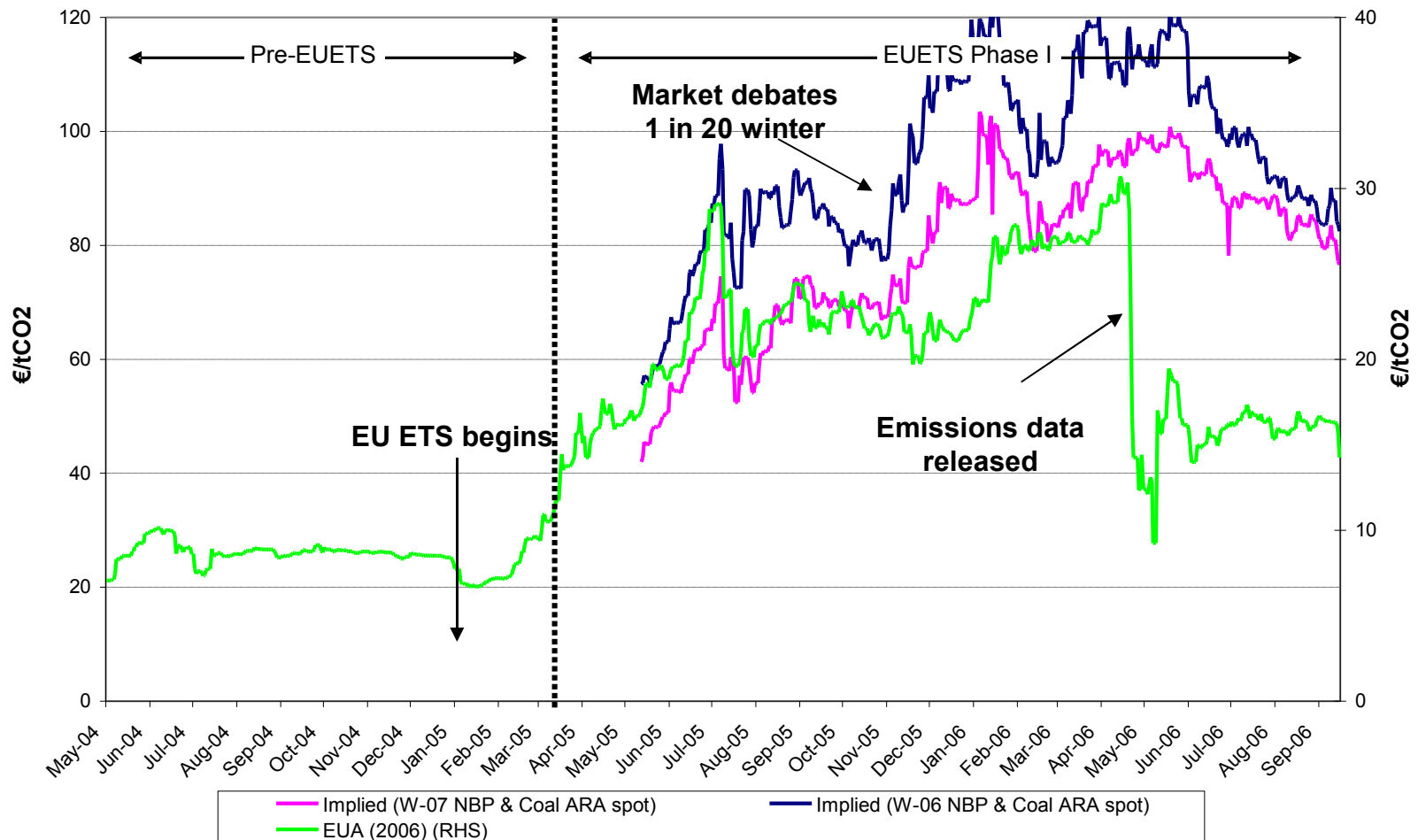
Fig 6



Carbon Pricing

Another variable?

The European scheme so far...



Effects so far...



- Higher prices
- Windfall profits for utilities
- Little change in operation
- No change in investment behaviour
- Large investment in the developing world

Why?



- Prices not high enough?
- Grandfathering – no need to buy until 2007
- Low gas prices?
- Arrival of International Transaction Log
- No visibility post 2012
- Prudent financial forecasts
- Oversupply????

...but if we need investment?



- Longer price visibility
- US to come to party
- Less conservative financial forecasts
- Additional measures?

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