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ENERGY POLICY AND DISRUPTIVE TECHNOLOGY

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RISKS AND DISCLOSURES



Risks

Legislative, regulatory and diplomatic agendas are subject to change.

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By: *Kevin Book*

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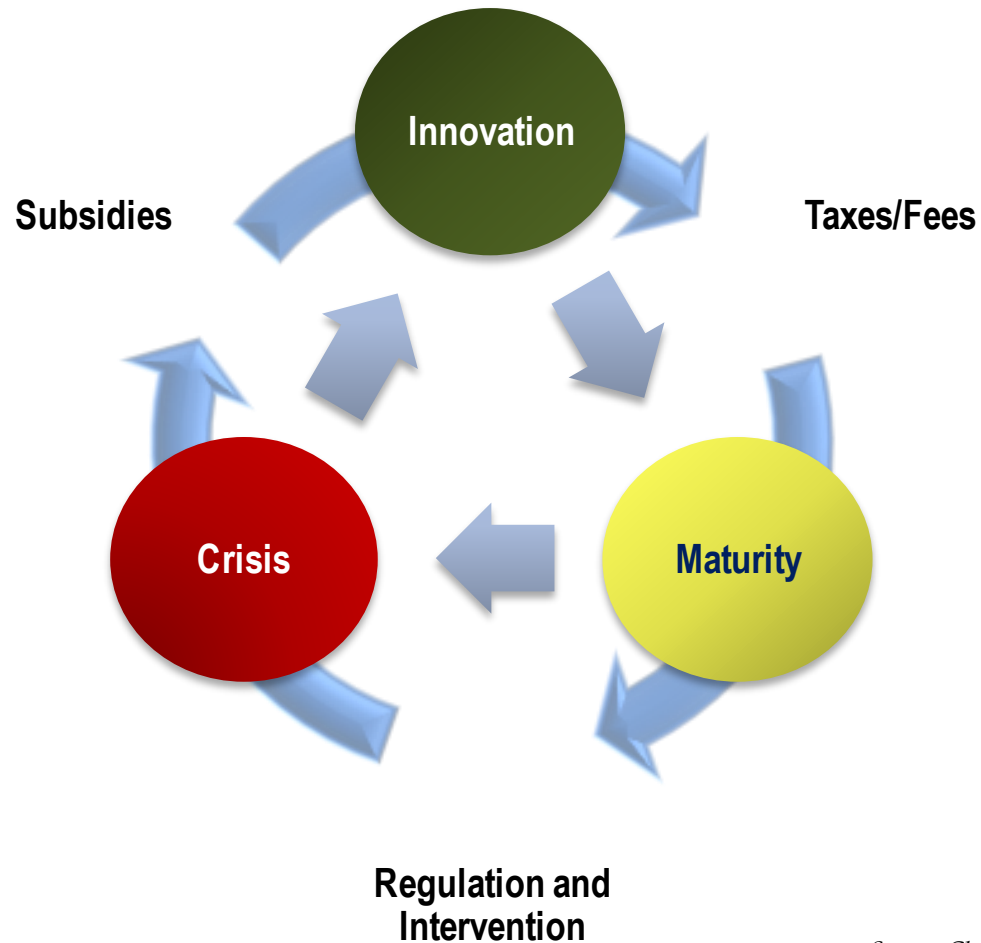
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GENERAL THEMES

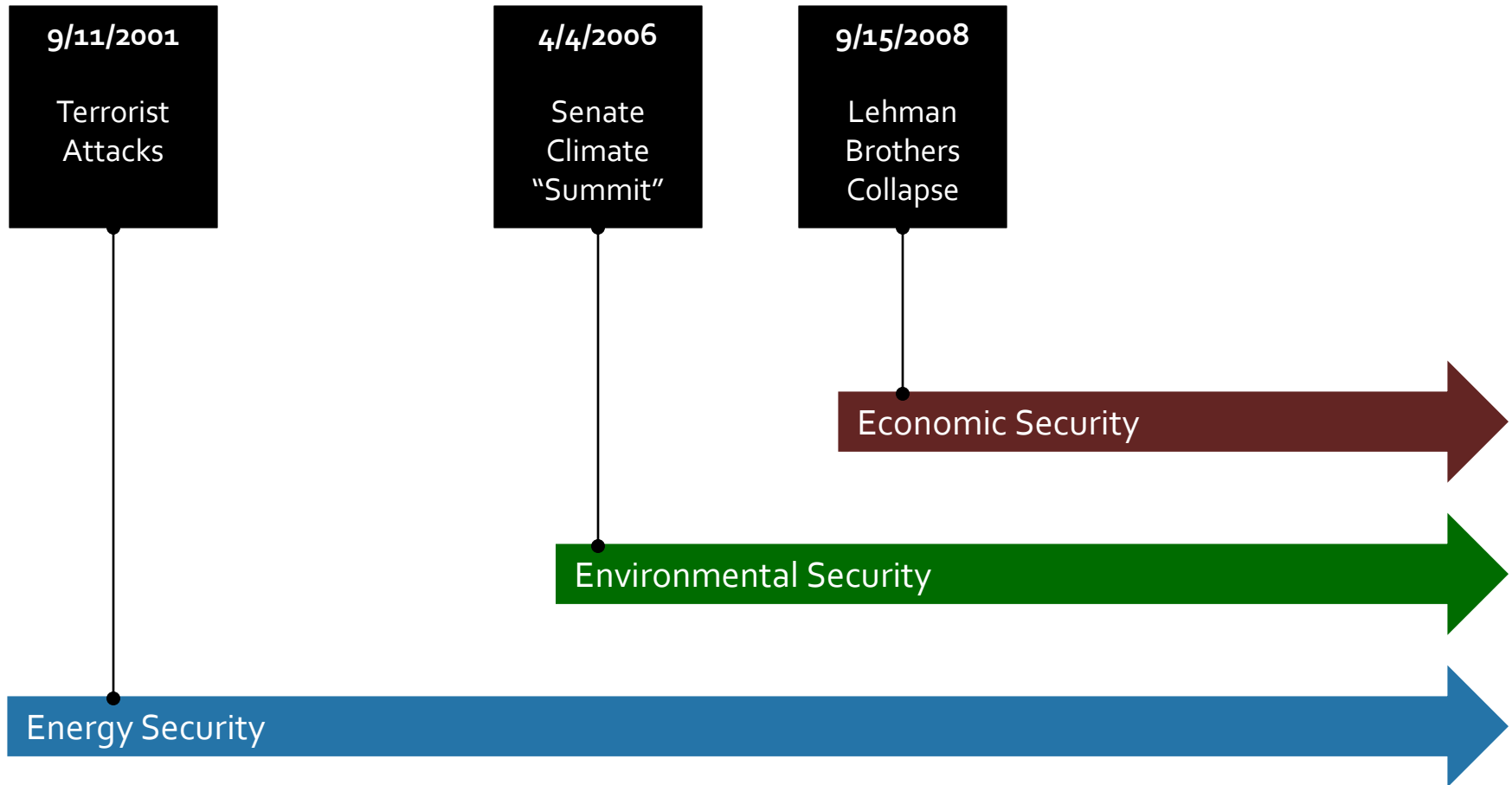
IN AN IDEAL WORLD, ENERGY POLICY WOULD RESPOND TO BUSINESS CYCLES



Source: ClearView Energy Partners, LLC

GENERAL THEMES

IN REALITY, THE DRIVER OF U.S. ENERGY POLICY CHANGES WITH MACRO EVENTS



Source: ClearView Energy Partners, LLC

GENERAL THEMES

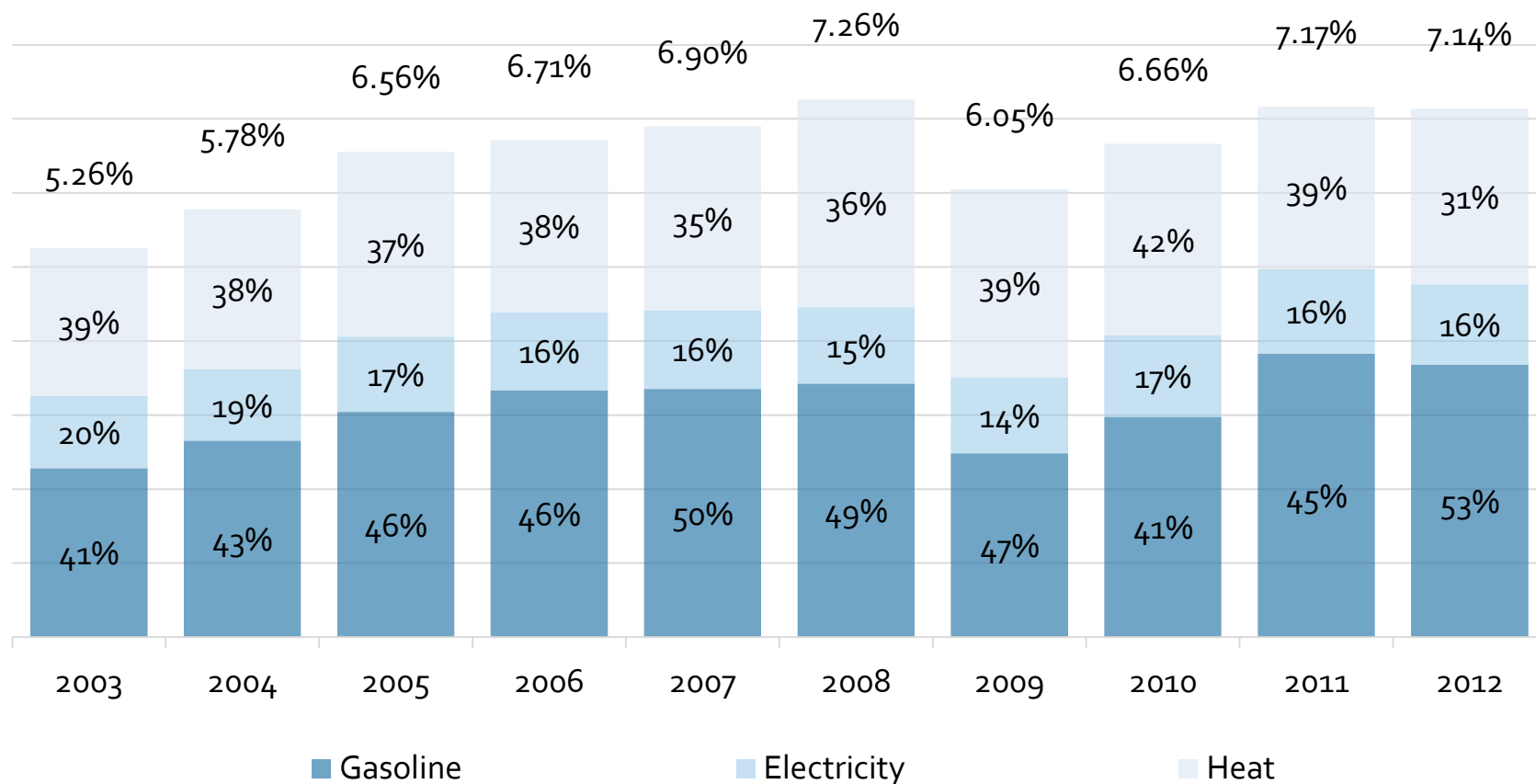
AS A RESULT, U.S. OFTEN CAN BE OUT OF SYNC WITH ENERGY INVESTMENT

| | ECONOMIC REALITY | U.S. ENERGY POLICY |
|-----------------|--|---|
| Supply | <ul style="list-style-type: none"> • <i>Slow</i>: years or decades for supply to come on-stream • <i>Sticky</i> because of debt service obligations • <i>Long-lived</i>: assets produce for decades | <ul style="list-style-type: none"> • <i>Short-term</i>: Budget: 1Y; Congress: 2Y; President: 4Y; "future": 10Y • <i>Sticky</i> due to political sentiment governing access • <i>Short-lived</i>: Political value of energy strategy expires at next election |
| Demand | <ul style="list-style-type: none"> • Long-term link to industrialization and structural efficiency • Short-term link to end-user economic capabilities • Policy-adjusted cost per Btu is ultimate determinant | <ul style="list-style-type: none"> • Long-term link to infrastructure and standards • Short-term link to monetary and fiscal policy • Cheap energy is a political imperative |
| Dynamics | <ul style="list-style-type: none"> • <i>Perspective</i>: forward-looking and opportunistic • Fixed cost amortization turns scarcity into profit • Companies choose sovereigns based on economics | <ul style="list-style-type: none"> • <i>Perspective</i>: backward-looking and defensive • End-user frustration turns scarcity into political disaster • Sovereigns need companies to monetize resources |

Source: ClearView Energy Partners, LLC

DEMAND SIDE: U.S. VOTERS CARE ABOUT ENERGY "WALLET SHARE"

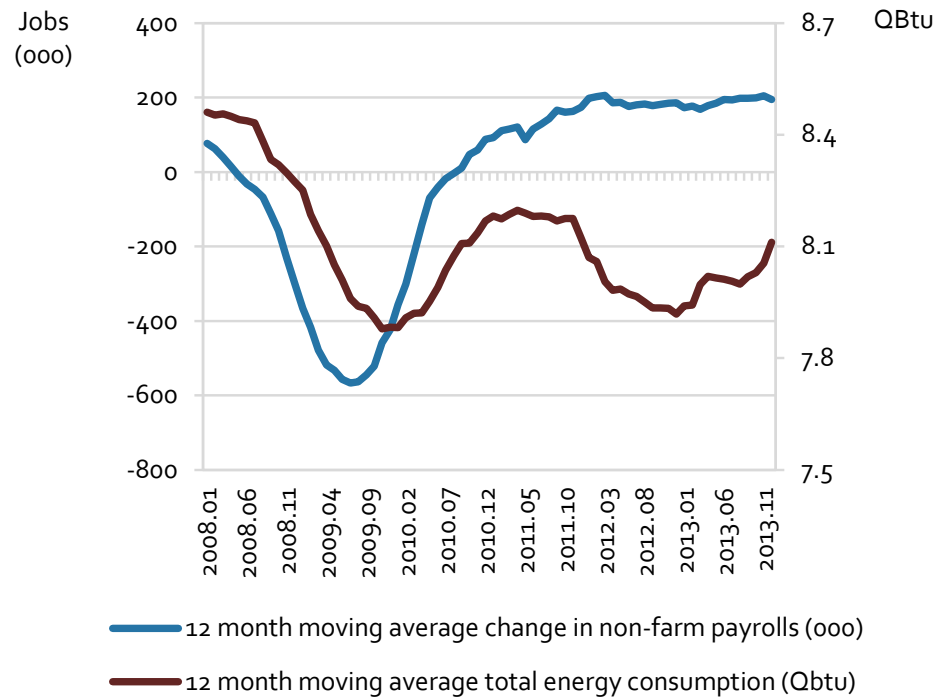
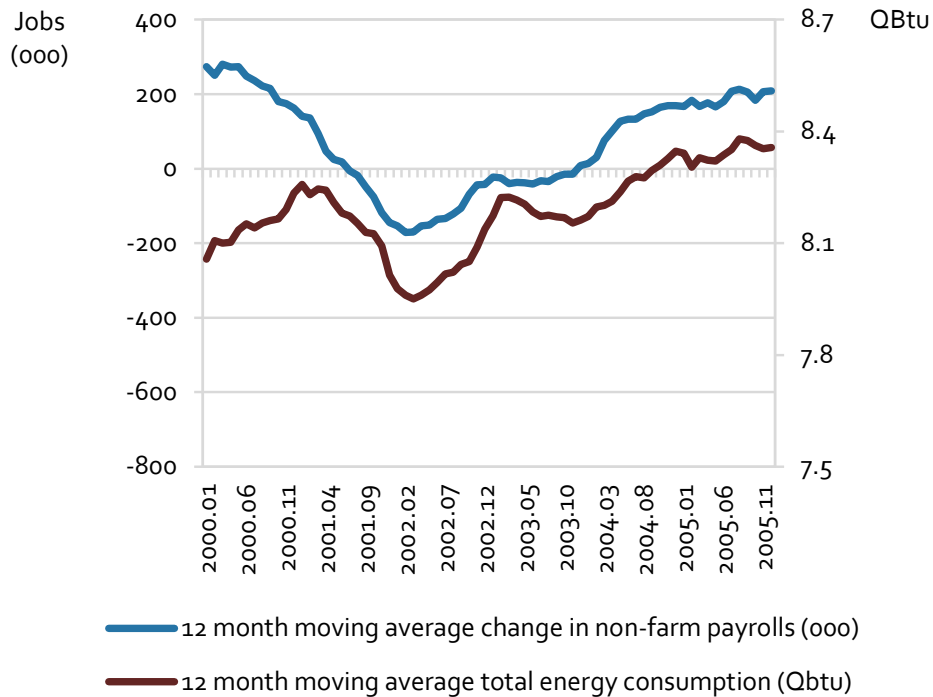
CONSUMER ENERGY LEVERAGE = % OF DPI ON GASOLINE, POWER, HEATING



Source: ClearView Energy Partners, LLC using BEA, Bloomberg, BLS, Census, EIA, EPA, FHWA, GasBuddy data

GREAT RECESSION, WEAK RECOVERY

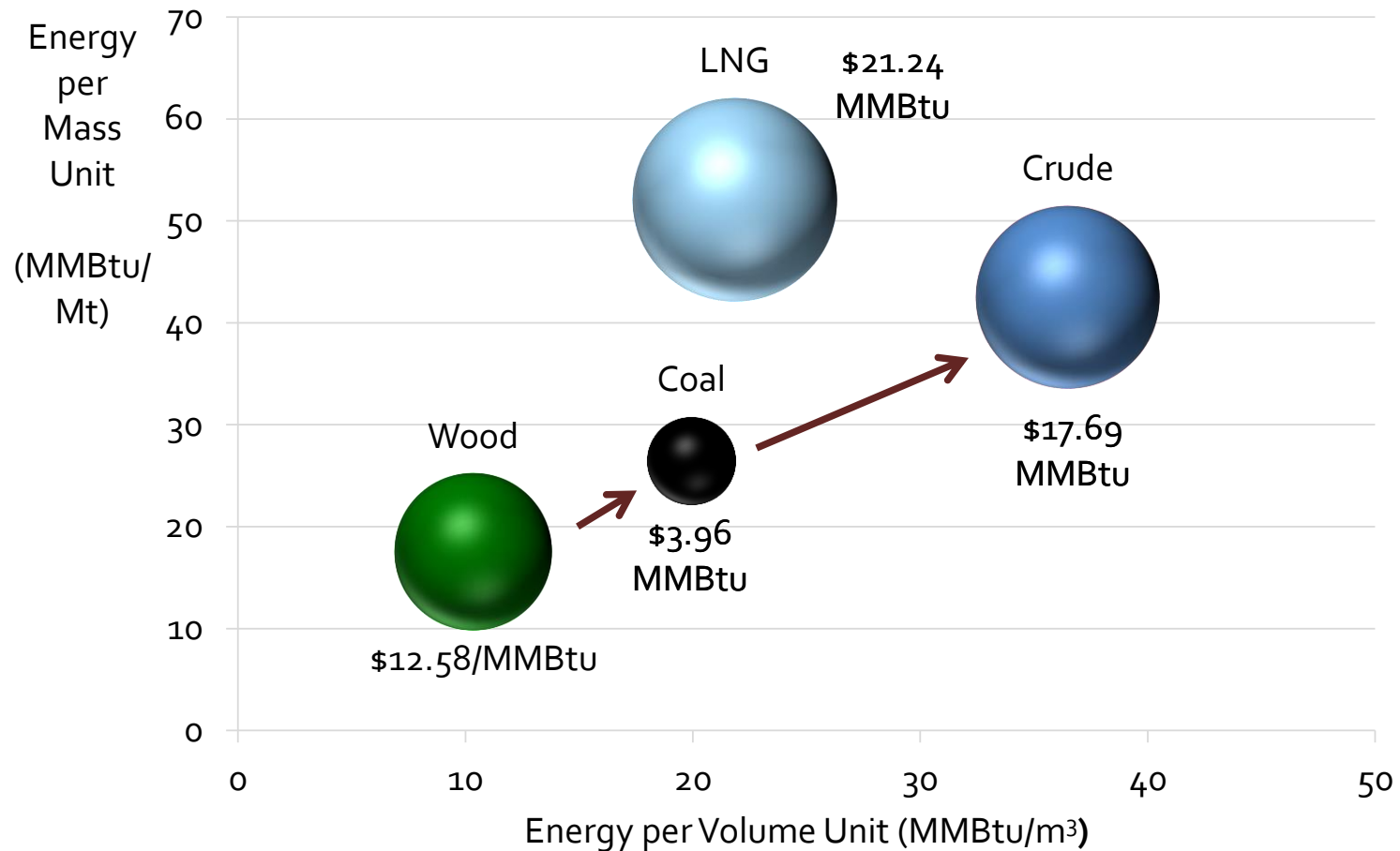
ENERGY CONSUMPTION PER JOB RECOVERED = ~20% THE LAST RECESSION



Source: ClearView Energy Partners, LLC using EIA and BLS data

THE TRANSITION FROM SCARCITY TO ADEQUACY

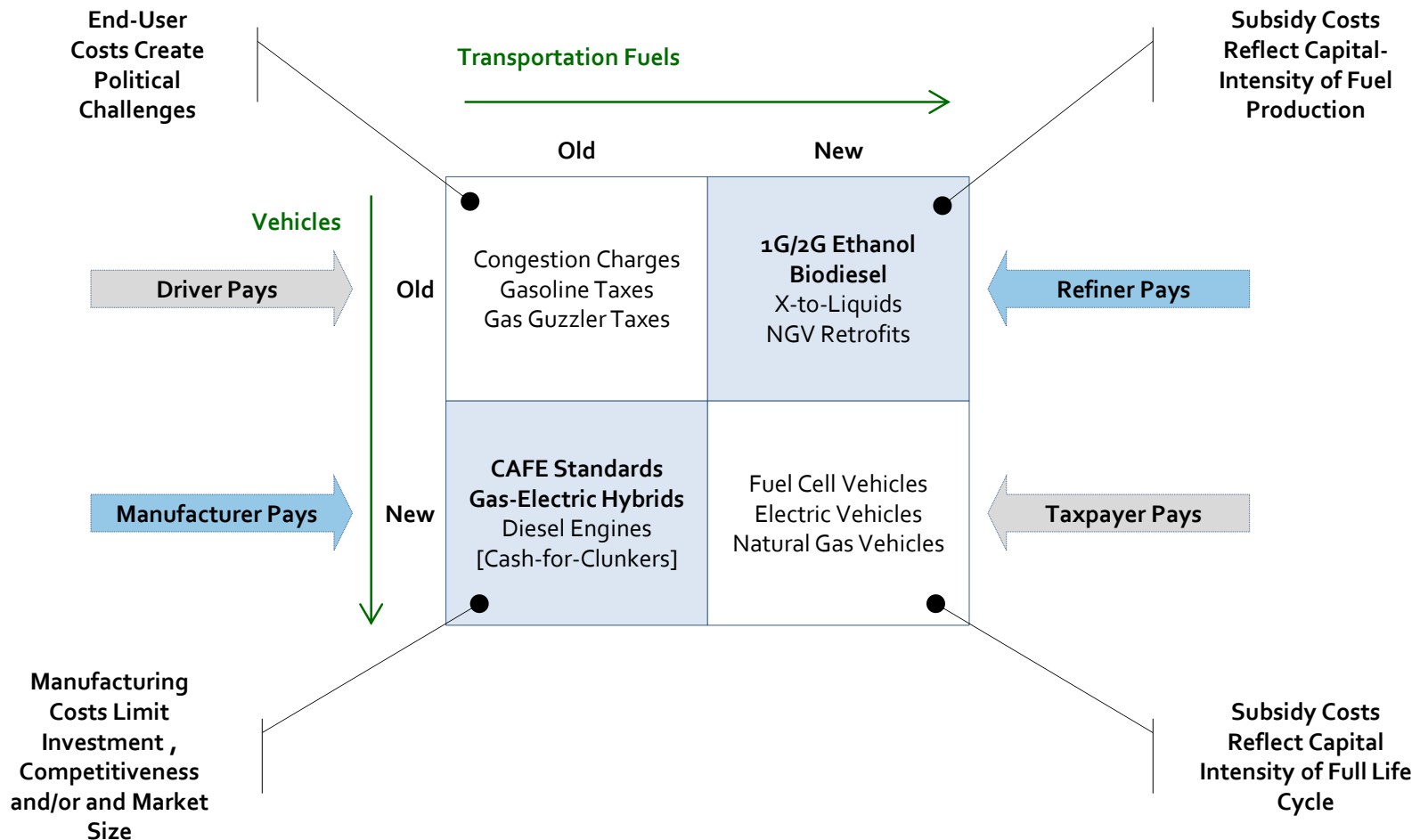
THE APPEALING SIMPLICITY OF METRICS-BASED ENERGY POLICY?



Source: ClearView Energy Partners, LLC

THE TRANSITION FROM SCARCITY TO ADEQUACY

TRANSPORTATION POLICY OPTIONS: NEW FUELS, NEW CARS OR BOTH?



Source: ClearView Energy Partners, LLC



QUESTIONS / DISCUSSION