

## ***TIGER IN THE TANK***

**REAL MONEY column for The Santa Fe New Mexican**

**By Rob Rikoon**

**3/2/2010**

There has to be at least one solid investment opportunity in any market environment and in my way of thinking, energy is the ticket for the next decade or more. Consider the fact that most experts agree the world has used up roughly half of the planet's irreplaceable stock of conventional liquid oil over the last 150 years and the other half will be gone in the next 4 decades. The rate we use oil is accelerating dramatically as countries like China and India come on line as consumer oriented societies. Seems like a no brainer that prices are bound to go up when supplies are declining while demand is increasing.

In considering how to benefit from this long term trend, we have a few small obstacles. First, more than 60% of the world's remaining stock of petroleum lies under the Middle East. Sorry to say, that is one darn good reason our young men and women in the armed forces won't be coming home soon. Here in the US, we use 25% of the daily global consumption of oil but our domestic production capacity has fallen by half over the last 40 years. This trend looks to be irreversible because apparently there are no more Alaskan North Slopes to discover and develop.

The Canadian oil situation is somewhat different because there are huge deposits of unused petroleum buried there. The environmental impact of injecting gobs of water into shale formations in order to entice lower quality oil out revs up when oil is over \$80 a barrel. Personally, I can't stomach that trade off. So, what's the answer to our nation's energy needs?

Coal is too dirty and hard to cart around except to industrial plants and large scale mammoth electricity generation facilities. Nuclear energy is poised to make a rebound after 30 years of being on the ropes due to astronomical costs, unsolved long term waste storage issues, and public distrust. Will this change over time as France and China lead the pack in dependence on this high tech solution? Maybe, but I doubt there is much money to be made by investors as ongoing government involvement will cap profits to investors.

My bet is on cost efficient, clean burning, and politically secure natural gas. It fits the bill from a financial and environmental perspective, and given some investment in infrastructure, private vehicles can run on it as our local buses do. Natural gas is very deep in the ground, so it takes a lot of money to get to it, transport it and keep it in a safe form. This is where my firm sees opportunities to make and keep money, no matter what the overall stock market is doing.

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