

# CONTENTS

<b>Preface</b>	<b>vii</b>
<b>Chapter 1. A Long Introductory Survey of Some Aspects of World Energy</b>	<b>1</b>
1. An Introduction . . . . .	2
2. Victory Begins Here (Sign over the Gate at Fort Jackson, South Carolina) . . . . .	4
3. A Preliminary Look at Oil and Gas, and Also Wind . . . . .	14
4. California’s “Deregulation Plan” and “Tough Love” . . . . .	26
5. Oil and Economic Logic . . . . .	34
6. Great Expectations: A Brief Perspective on Natural Gas . . . . .	47
7. A Nuclear Energy Tale . . . . .	59
8. Kyoto and Its Discontents . . . . .	65
9. “The Financialization of Energy” . . . . .	70
10. More Deregulation Blues . . . . .	76
11. Final Remarks and Conclusions . . . . .	79
Appendix: Observations on the Main Text — Units and Equivalencies . . . . .	84
<b>Chapter 2. Economic Theory and World Oil: A Survey</b>	<b>93</b>
1. Some Absolutely Essential Background . . . . .	97
2. More of the Same . . . . .	103
3. Some Further Aspects of Oil Production . . . . .	108
4. Some Algebraic Aspects of Production and Pricing . . . . .	110
5. A Few Comments on OPEC . . . . .	113
6. The Refining Gap . . . . .	119

7. Ancillary Issues . . . . .	123
8. Comments on Oil Derivatives and the War Against Risk . . .	125
9. Final Remarks and Conclusions . . . . .	129
Appendix: Some Quantitative Matters . . . . .	132
<b>Chapter 3. Oil and Saudi Arabia, Russia and Africa</b>	<b>141</b>
1. Introduction . . . . .	142
2. A Few General Observations . . . . .	144
3. The Annoying Truth about Saudi Arabia and Oil . . . . .	148
4. Some Aspects of Russian Oil . . . . .	152
5. A Beautiful Myth . . . . .	154
6. Near and Far . . . . .	158
7. African Skies . . . . .	162
8. Some Conclusions . . . . .	166
<b>Chapter 4. An Introduction to Natural Gas Economics</b>	<b>171</b>
1. Introduction . . . . .	172
2. Simple Geology and Economics . . . . .	180
3. Supply and Demand . . . . .	184
4. Gas and Microeconomics . . . . .	187
5. Storage, Hubs and Market Centers . . . . .	193
6. Some Economic Aspects of the Russian Gas Puzzle . . . . .	200
7. Liquefied Natural Gas (LNG) . . . . .	204
8. Some Unpleasant Gas Market Vibrations in the United States	208
9. Some Aspects of Risk Management . . . . .	211
10. Final Observations and Concluding Statement . . . . .	218
Appendix: The Deregulation of Natural Gas . . . . .	221
<b>Chapter 5. Coal and Its Discontents</b>	<b>229</b>
1. Some Background . . . . .	230
2. The World Coal Scene . . . . .	238
3. Coal Prices and Price Theory . . . . .	243
4. From Coal to Liquids . . . . .	249
5. Environmental Issues . . . . .	251
6. Concluding Remarks . . . . .	256

<b>Chapter 6. An Introductory Survey of Economics and Nuclear Energy</b>	<b>261</b>
1. Some Basic Physics and Economics of Nuclear Energy . . .	266
2. The Uranium Price, the Fast Breeder and MOX . . . . .	272
3. Nuclear in the Light of “Kyoto” . . . . .	275
4. A Conclusion . . . . .	283
Appendix: Swedish Nuclear Energy . . . . .	285
<b>Chapter 7. Economics and Electricity</b>	<b>303</b>
1. A Preliminary Discussion . . . . .	303
2. Basic Investment Theory . . . . .	306
3. The Cost of Fuel . . . . .	312
4. Investment and Capital Cost . . . . .	316
5. Capacity Factor, Efficiency and Some Thermodynamics . .	319
6. The Economics of Load Division (1) . . . . .	323
7. The Economics of Load Division (2) . . . . .	327
8. Final Remarks and Conclusions . . . . .	330
Appendix: Deriving an Important Equation, and Some Aspects of the Discount Rate . . . . .	333
<b>Chapter 8. Energy and Money</b>	<b>339</b>
1. A Futures Market Fable . . . . .	340
2. The Basic Mechanics of Futures Markets . . . . .	346
3. Simple Options Theory . . . . .	353
4. Another Look at Futures . . . . .	359
5. Basis Risk . . . . .	367
6. Some Further Aspects of Options . . . . .	372
7. Three More Topics: Exchange of Futures for Physicals, Options on Futures and Swaps . . . . .	376
8. A Final Comment . . . . .	381
Appendix: Some Further Aspects of Hedging and Options, and the Optimal Hedge Ratio . . . . .	381
<b>Chapter 9. A Faith-Based Approach to Global Warming</b>	<b>389</b>
1. Introduction . . . . .	389
2. Climate Change and Politics . . . . .	394

3. Emissions Trading . . . . .	397
4. Kyoto and Nuclear . . . . .	401
5. Final Comments and Conclusions . . . . .	405
<b>Chapter 10. An Energy Message for the 21st Century</b>	<b>409</b>
1. More Aspects of World Energy and the 21st Century . . . . .	413
2. A Loose End: Option Value . . . . .	427
3. Final Statement: Sweden's Electric Deregulation Failure . . . . .	431
<b>Index</b>	<b>441</b>