



Energy Cost and your Supply Chain

October 28 2008 – Las Vegas, NV - © Tim Radbourne 2008

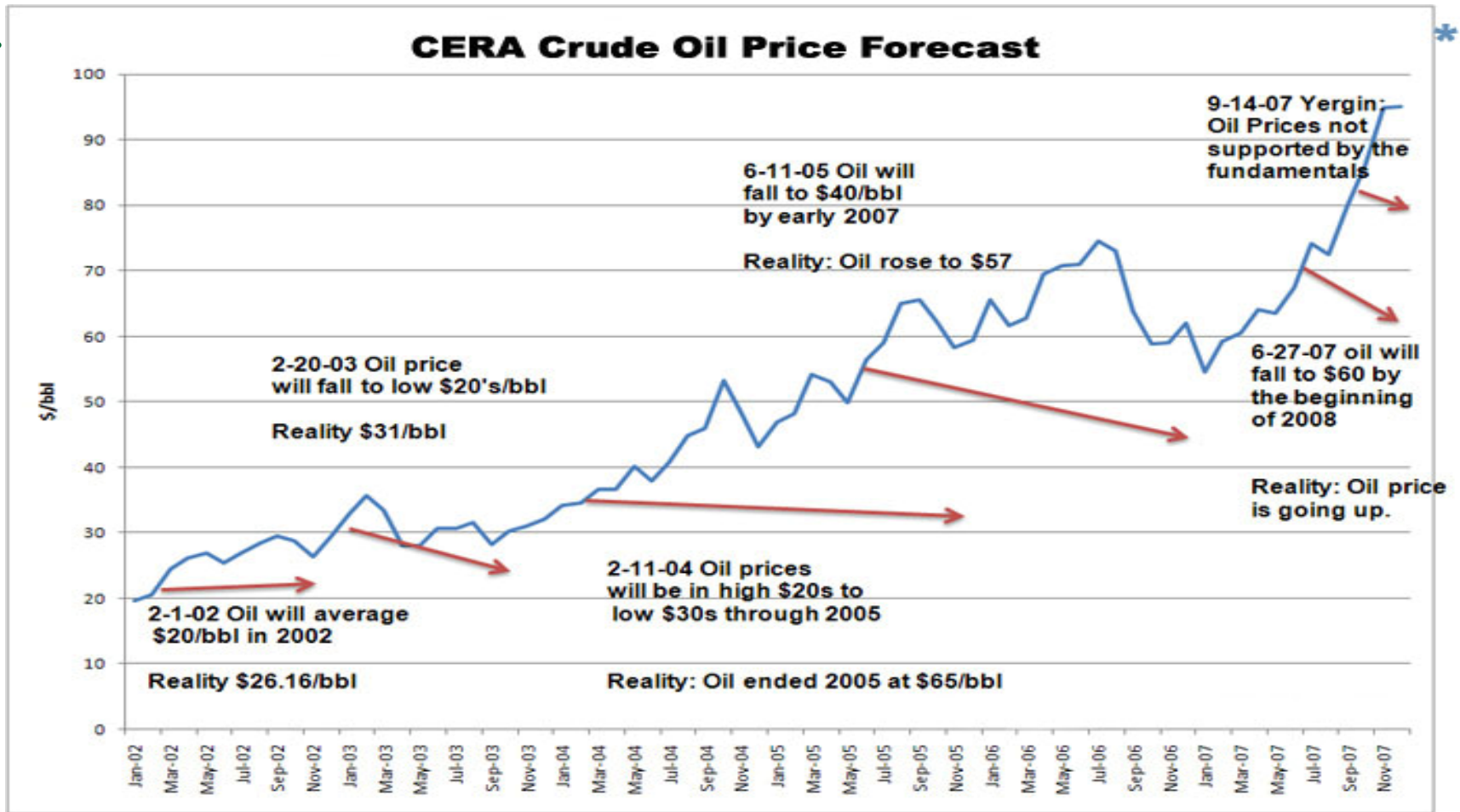
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Monday I went for a hike

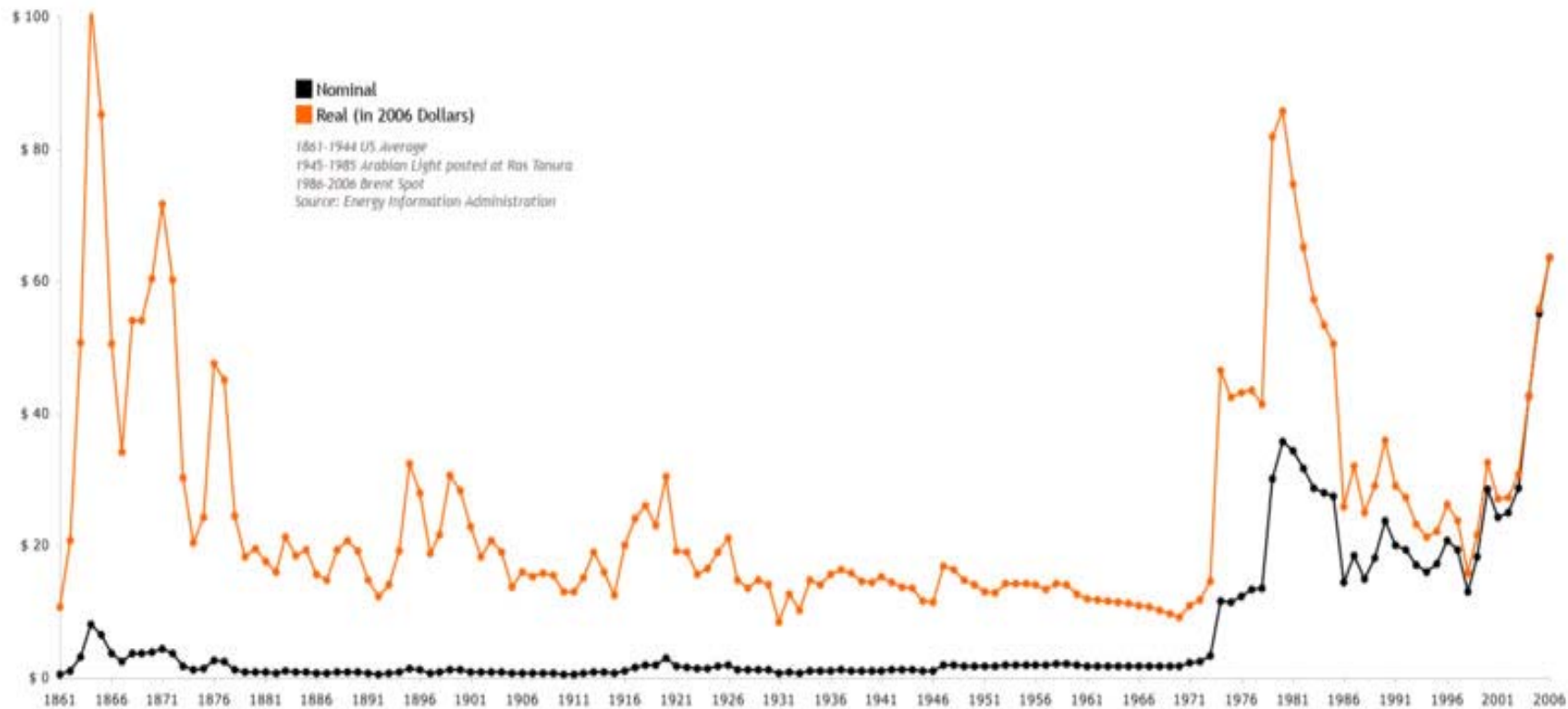


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Oil Prices go for a wild ride



But over 140 years



Source: Energy Information Administration





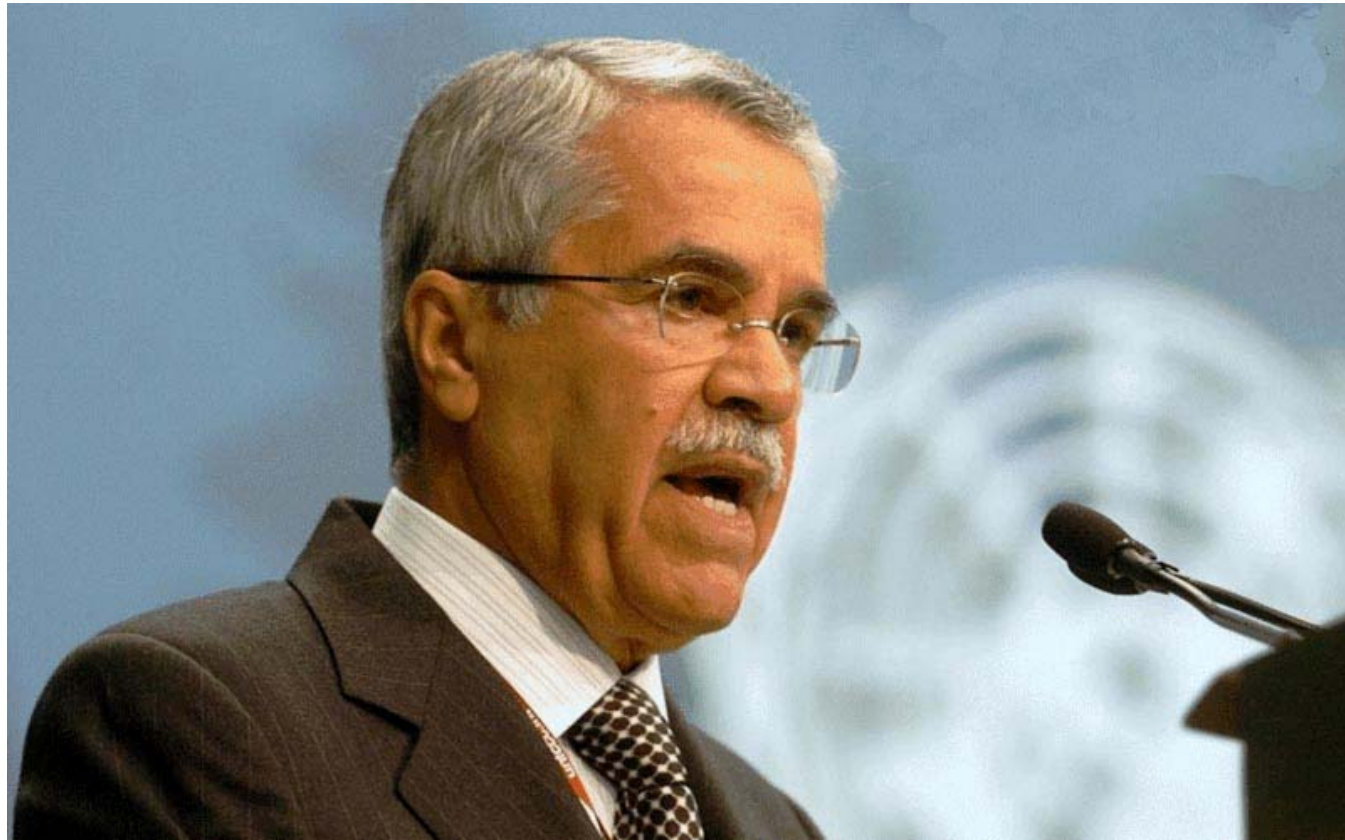
OPEC Annual Meeting March 08

- GW Bush, "OPEC needs to increase production"
- OPEC, "Production Increase Unnecessary"
- GW Bush, "It's hard to ask something they may not be able to do"





June 22, Saudi Oil Minister adds 200 billion barrels to reserves, promises more production. Oil price goes up...



Oil in free fall - Oct 24, OPEC threatens to cut production. Oil price goes down...



Emergency OPEC Energy Meeting Oct 08

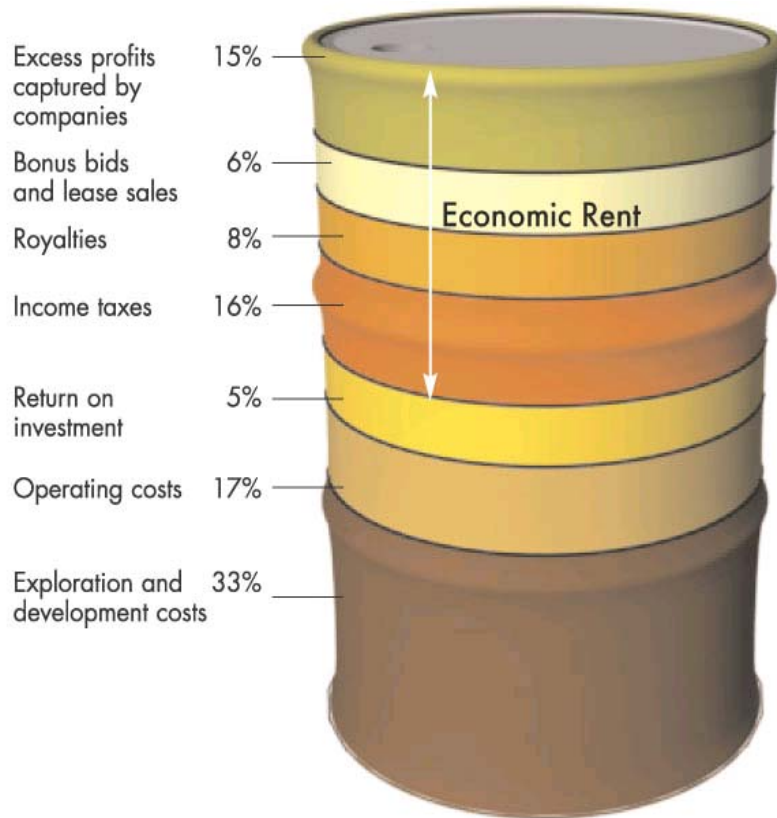


3 States have much to lose

- Iran needs \$75 oil to stabilize balance of payments
- Hugo Chavez's Venezuela needs \$90 oil to continue his ways
- Russia can make do with \$70 oil.



Where does our oil money go?



- After Peak Oil, exploration and operating costs will increase dramatically.
- Jack #2 in 7000 ft of water then 20,000 ft further to oil (Gulf of Mexico)
- It costs big money to dig for oil and it will cost bigger money tomorrow.

Running out not problem, uncertainty of price is the problem.

- Oil companies don't want us worrying about running out of oil, and they are right. We won't.
- But we have run out of cheap oil.
- As a supply chain expert, I would suggest the effect is the same.
- In the future you won't be able to depend on oil.





Strategies for Supply Chains

- Global Supply Chains are heavily exposed.
- How energy intensive is your supply chain?
- Design supply chains for oil uncertainty.
- Re-evaluate global vs. local sourcing.





Timing is now

- Days of dependable cheap energy behind us.
- Market is helping the transition, but expect price turbulence ahead...
- Fast, flexible, low petroleum dependency supply chains will win.





We'll be using oil for many years to come

- Oil is not running out, it just is getting harder to find.
- Don't be lulled by temporary oil price reductions. We'll pass \$147.
- Search for what's next gets hotter.



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