

Should Oil States Hedge Oil Revenues?

Conclusions

- At the end of the workshop, sentiment definitely favored hedging. "Alaska is a farmer of oil," says Brogard, "and farmers have hedged their crops for more than a century. Alaska has almost a fiduciary responsibility to hedge. How can Alaska continue to do nothing when the oil producers are hedging their revenues?"
- The choice of the ideal hedging instrument is not obvious. Opinions differed on whether to pursue a futures hedge, options insurance, a swap, a securitization plan, or a combination of the different tools. As Brogard said, "the actual decision to manage volatility and implement a price hedging program is really the key. The hedging instruments most suited will become obvious as the goals of the program are developed and defined by the hedging committee."
- Alaska should promptly initiate a pilot hedging program and an education effort to gain "hands on" expertise and public awareness. If Alaska has in place a hedging capability and another world event takes place to drive up prices, Alaska could take advantage of the opportunity to lock in high forward oil prices.
- While hedging alone cannot solve Alaska's fiscal gap, closing the gap and locking in prices through hedging are interrelated problems. "For example," said Shimko, "assume Alaska can fill in its current fiscal gap. Later, if oil prices fall significantly, Alaska is immediately faced with a new fiscal gap. Thus, a closed budget gap can stay closed if oil revenues are secured."
- Hedging is superior to maintaining a reserve as a method of smoothing a volatile revenue stream. Saving windfalls to cushion shortfalls is difficult, and government forecasts of oil prices are typically overestimated.
- Alaska can elect to establish different hedging percentages for different time periods. Since the markets are deeper in near months, Alaska can hedge a higher percentage of its

oil revenue near-term. Alaska can then progressively increase the hedging percentages as time elapses.

Mary Lindahl

University of Alaska, Anchorage

IA
EE

Publications

Oil & Caviar in the Caspian: A Balance of Power & A Balance of Interest (1995). Price: £95 European Price, £110 Non-European Price. Contact: Menas Associates Ltd., P.O. Box 513, London E17 6PP, United Kingdom. Phone: 44-181-520-8067. Fax: 44-181-520-1688.

Utility Organizations of the World (1995). 450+ pages. Price: \$780.00. Contact: ABS Energy and Power, 32/33 High Street, Ascot, Berkshire SL5 7HG, United Kingdom. Phone: 44-1344-291828. Fax: 44-1344-291024.

Energy Outlook for the Former Soviet Republics (1995). Price: \$4500.00. Contact: PlanEcon, Inc., 111 Fourteenth Str., NW, Ste. 801, Washington, DC 20005-5603. Phone: 202-898-0471. Fax: 202-898-0445.

Coal: Resources, Properties, Utilization, Pollution (1995). 500 pages. Price: \$100.00. Contact: Dr. Orhan Kural, ITU, Mining Faculty, Maslak, 80626 Istanbul, Turkey.

World Power Map (1995). Price: \$120.00 Contact: The Petroleum Economist Ltd., PO Box 105, Baird House, 15/17 St Cross Street, London EC1N 8UN, United Kingdom. Phone: 44-171-831-5588. Fax: 44-171-831-5313.

Ownership and Performance: The International Evidence on Privatization and Efficiency. By Michael G. Pollitt £39.50. Oxford University Press, 57 Woodstock Road, Oxford OX2 6FA, United Kingdom. Phone: 44-1865-311377. Fax 44-1865-310527.

Indonesia: The Political Economy of Energy. By Philip Barnes. £29.50. Oxford University Press, 57 Woodstock Road, Oxford OX2 6FA, United Kingdom. Phone: 44-1865-311377. Fax 44-1865-310527.

Nigeria: The Political Economy of Oil. By Sarah Ahmad Khan. £29.50. Oxford University Press, 57 Woodstock Road, Oxford OX2 6FA, United Kingdom. Phone: 44-1865-311377. Fax 44-1865-310527.

Calendar

4-7 February 1996, The North American Energy Summit 1996. JW Marriott Hotel, Houston, TX. Contact: Conference Coordinator, Institute for International Research, 708 Third Avenue, 4th Floor, New York, NY 10017-4103.

4-7 February 1996, The Future of Brazil's Power Industry. Westin Galleria Hotel, Houston, TX. Contact: Mr. Alan Smith, Dir., International Conferences, IBC Conferences, Sydney, Australia. Phone: 61-2-319-3755. Fax: 61-2-699-3901

26-27 February, 1996, Workshop on Electricity Privatization. Bangalore, India. Contact: Prof. V. Ranganathan, Indian Institute of Management, Bangalore, 560076, India. Phone: 9180-6632450. Fax: 9180-664-4050. e-mail: ranga@iimb.ernet.in

27 February - 1 March, 1996, Latin Energy Week in Dallas. Fairmont Hotel. Latin Energy Finance, 27-28 February. InterAmerican Petroleum and Gas Conference (IPGC '96) 29 February - 1 March. Contact: The Conference Connection, Houston Office, Phone: 713-667-1567. Fax: 713-667-3134.

4-6, March 1996, Building Energy. Combined events of 1) 1st International Solar Electric Buildings Conference, 2) 12th

Annual Quality Building Conference, 3) RENEW '96. Boston, MA, USA. Contact: Paul Lipke, Northeast Sustainable Energy Association, 50 Miles Street, Greenfield, MA 01301. Phone: 413-774-6051. Fax: 413-774-6053.

11-13 March 1996, Understanding Energy Derivatives. Mayfair Inter-Continental, London, U.K. Contact: The Customer Services Manager, The International Faculty of Finance, 2nd Floor, Market Towers, 1 Nine Elms Lane, London, SW8 5NQ, England. Phone: 44-171-344-3833. Fax: 44-171-344-0083.

11-14 March 1996, New Renewable Energy Week. Sheraton Rotorua Hotel, Rotorua, New Zealand. Contact: Graham Diedrichs, Energy Efficiency and Conservation Authority, PO Box 37-444, Parnell, Auckland, New Zealand. Phone: 64-9-377-5328. Fax: 64-9-366-0531. E-Mail: graham.d@eeca.ak.planet.co.nz

1-3 April 1996, The 7th Global Warming International Conference & Expo. Vienna, Austria. Contact: Conference Fax Hotline: 708-910-1561 (U.S. number).

14-17 April 1996, Eleventh International Symposium on Alcohol Fuels. Sun City, South Africa. Contact: Professor R K

(continued on page 32)



IAEE MEMBERS

GAIN ACCESS AND A PRESENCE ON THE INTERNET

IAEE is pleased to announce its endorsement of WEB Marketing, an internet provider, and designer of HomePages. WEB Marketing has developed IAEE's HomePage which expands the services of the IAEE to its membership. Please view the IAEE HomePage at:

<http://www.IAEE.org>

WEB Marketing has agreed to expand its services and internet development to all IAEE members at phenomenal rates. If you are currently on the "net" or are considering gaining access, we strongly recommend that you contact WEB Marketing to inquire about their services. In particular, for those members who are currently on the web, the following services are now made available exclusively to IAEE members.

1. **FREE listing in the IAEE Directory** with a Hyperlink to your own E-Mail box and/or HomePage for one year. Log onto IAEE's HomePage and take our "Directory" option to enter yourself in the directory. You will be prompted to leave a descriptive listing of your areas of energy expertise. Members may then search the directory and then have direct access to either your E-Mail box or HomePage. This is a must for all IAEE members who wish to "network" over the "net". Please note that this free listing will only last for one year. Subsequent years in the IAEE Directory will cost \$15.00 and will be billed annually.
2. **HomePage, E-Mail Box and 600 words (text only).** WEB Marketing will custom design your own personal HomePage with an URL of "<http://www.IAEE.org/yourname>". Here you will be added as a SubPage under IAEE's own HomePage with your personal E-Mail Box. Those members regularly visiting IAEE's HomePage will have a greater chance to view your own HomePage to see the services and products that you have available. This is a must for energy consultants. Further, your name will be added into IAEE's Directory and no yearly fee will be charged. The costs for this service is: \$60.00 one time set-up charge - \$30.00 monthly charge.
3. **Domain, HomePage, E-Mail Box, two linked pages and 1800 words (text only).** WEB Marketing will custom design your own HomePage registered with your own personal domain name (example: <http://www.yourname.com>). This service provides you with your own distinctive site on the World Wide Web. Additionally, you will be listed in the IAEE Directory with no yearly fee. This service is a must for those individuals/companies who desire their own presence on the Web, detached from IAEE's HomePage. The costs for this service is: \$225.00 one time set-up charge - \$80.00 monthly charge.

For those IAEE members who are interested in these services we recommend that you contact WEB Marketing directly at:

Phone - 216-595-0286
Fax - 216-595-0486
E-Mail - PMotz@WebMrkt.com

Please identify yourself as an IAEE member in order to receive the above discounted prices. Gain access and a presence on the World Wide Web today!! Contact Web Marketing!!

Calendar (continued from page 30)

Dutkiewicz, Energy Research Institute, University of Cape Town, PO Box 207, Plumstead, Cape Town, 7800, South Africa. Fax: 27-021-705-6266.

14-18 April 1996, Renewable Energy Conference & Workshop. Cairo, Egypt. Contact: Fuad Abulfutoh, Conference Chairman, c/o National Renewable Energy Laboratory, 1617 Cole Blvd., Golden, CO 80401-3393. Phone: 303-275-3000.

17-18 April 1996, 3rd Annual Utility Strategic Marketing Conference: Shaping the Competitive Environment. Orlando, Florida, USA. Contact: Conference Registrar, Synergic Resources Corporation, 111 Presidential Blvd., Ste. 127, Bala Cynwyd, PA 19004-1008. Phone: 610-667-2160. Fax: 610-667-3047.

27-30 May 1996, 19th IAEE International Conference - "Global Energy Transitions: With Emphasis on the Last Five Years of the Century". Budapest, Hungary. Contact: IAEE Headquarters, 28790 Chagrin Blvd., Ste. 210, Cleveland, OH 44122. Phone: 216-464-5365. Fax: 216-464-2737.

3-7 June 1996, The 6th International Energy Conference and Exposition - Energex '96. Beijing, China. Contact: Liu Feng, China International Conference Center for Science and Technology, 44 Kexueyuan Nan Road, Shuangyushu, Beijing 100086, China. Phone: 86-1-257-5681. Fax: 86-1-257-5691.

24-26 June 1996, Understanding Energy Derivatives. Mayfair Inter-Continental, London, U.K. Contact: The Customer Services Manager, The International Faculty of Finance, 2nd Floor, Market Towers, 1 Nine Elms Lane, London, SW8 5NQ, England. Phone: 44-171-344-3833. Fax: 44-171-344-0083.

25-27 June 1996, Joint IEW/JSER International Conference on Energy, Economy, and Environment. Contact: Assoc. Prof. Pyong Sik PAK, Secretary of NOC, Department of Informa-

tion Systems Engineering, Faculty of Engineering, Osaka University, 2-1 Yamadaoka, Suita, Osaka 565, Japan. Phone: 81-6-879-7831. Fax: 81-6-879-7832.

27-30 October 1996, 17th Annual North American Conference of the USAEE/IAEE - "(De)Regulation of Energy: Intersecting Business, Economics and Policy". Boston, Massachusetts, USA. Contact: USAEE/IAEE Headquarters, 28790 Chagrin Blvd., Ste. 210, Cleveland, OH 44122. Phone: 216-464-5365. Fax: 216-464-2737.

29 October - 2 November 1996, Energy and Power 1996 - EP China '96. China International Exhibition Centre, Beijing, P.R. China. Contact: Mr. Perry Tang, Adsale Exhibition Services Ltd., 14/F, Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong. Phone: 852-25163346. Fax: 852-25165024.

25-29 November 1996, International Symposium on Infrastructure of the Future: Power, Transportation, Telecommunication and Environment. Bangalore, India. Contact: Secretary ISF 96, Association of Consulting civil engineers (India), 2 UVCE Alumni Association Building, K.R. Circle, Bangalore 560001, India. Phone/Fax: 91-80-2219012 or 6622001.

26-30 November 1996, 2nd Conference: Dam Safety Evaluation. Trivandrum, India. Contact: C.V.J. Varma, Member Secretary, Central Board of Irrigation & Power, Malcha Marg, Chanakyapuri, New Delhi-110021, India. Phone: 91-11-3015984/3016567. Fax: 91-11-3016347.

15-17 January 1997, 20th IAEE International Conference. New Delhi, India. Contact: IAEE Headquarters, 28790 Chagrin Blvd., Ste. 210, Cleveland, OH 44122. Phone: 216-464-5365. Fax: 216-464-2737.

11-15 November 1997, Fifth Chemical Congress of North America. Cancun, Quintana Roo, Mexico. Contact: 5NACC Congress Secretariat, c/o American Chemical Society, Room 420, 1155-16th St., NW, Washington, DC 20036. Phone: 202-872-4396. Fax: 202-872-6128.

IAEE Newsletter

Volume 5, Winter 1996

The *IAEE Newsletter* is published quarterly in February, May, August and November, for and on behalf of the IAEE for distribution to its members. Items for publication and editorial inquiries should be addressed to the Editor at 28790 Chagrin Boulevard, Suite 210, Cleveland, OH 44122 USA. Phone: 216-464-5365; Fax: 216-464-2737. Deadline for copy is the 20th of the month preceding publication.

Contributing Editors: *Paul McArdle* (North America), Economist, US Department of Energy, Office of Policy, Planning and Analysis, PE-50, Washington, DC 20585, USA. Tel: 202-586-4445; Fax 202-586-4447. *Tony Scanlan* (Eastern Europe), 37 Woodville Gardens, London W5 2LL, UK. Tel 44-81 997 3707; Fax 44-81 566 7674. *Marshall Thomas* (Industry) 3 Ortlely Avenue, Lavallette, NJ 08735, USA Tel 908-793-1122; Fax: 908-793-3103.

Advertisements: The IAEE Newsletter, which is received quarterly by over 3300 energy practitioners, accepts advertisements. For information regarding rates, design and deadlines, contact the IAEE Headquarters at the address below.

Membership and subscriptions matters: Contact the International Association for Energy Economics, 28790 Chagrin Boulevard, Suite 210, Cleveland, OH 44122, USA. Telephone: 216-464-5365; Fax: 216-464-2737; e-mail: IAEE@IAEE.org; Homepage: <http://www.IAEE@IAEE.org>

Copyright: The *IAEE Newsletter* is not copyrighted and may be reproduced in whole or in part with credit given to the International Association for Energy Economics.

IAEE Newsletter

International Association for Energy Economics
28790 Chagrin Boulevard, Suite 210
Cleveland, OH 44122 USA

BULK RATE
U.S. POSTAGE
PAID
Cleveland, OH
Permit No. 1297