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## The Changing Mix of Energy

**Don Lipari, RSM:** Hello, this is Don Lipari, National Private Equity for RSM, with another segment of "Powerhouses in Private Equity." Today, we're with Howard Newman, CEO and chairman of Pine Brook Partners. Hello, Howard.

**Howard Newman, Pine Brook:**  
Hi, Don.

**Lipari:** You've had a lot of experience in the energy space. As you peer through your crystal ball, what do you see is the future for global energy?

**Newman:** The world population is going to grow from 6 billion to 9 billion and people are going to get richer. That means that consumption of energy is going to increase; it's going to increase by huge amounts. There's no doubt about that. We can't have enough conservation built into the system to overcome the growth in population and income. It is not going to happen. Rich countries like the United States may hold their energy consumption constant, which we've kind of done for the past 40 years.

We've gotten much more efficient. But there's no way that energy consumption is not going to grow with population. That's what I think. So, you have to feed that consumption. I think the mix will move to lower carbon-generating sources, because we've invested enough capital in those from a social perspective to begin to make them economic. Wind and solar and all those things are getting to the point where they no longer need the subsidies we've been giving them.

**Lipari:** Right.

**Newman:** They're not going to eliminate the need for fossil fuels. They may and should eliminate the need for coal, but the marketplace eliminated the need for coal. It's called natural gas. If you produce electricity with natural gas, you produce half the carbon dioxide per kilowatt as you do with coal.

**Newman:** Now, we know where all the natural gas is. We don't need coal. We don't need to legislate or regulate coal out of existence. The market's going

to do that for us. So, looking forward, you'll see less coal and more natural gas. Oil? Oil is going to be driven by the growth of transportation in the developing world. If you were to ask me, "Is oil going to double?" No. If you asked me, "Is there a concept of peak oil on the consumption side?" Probably. Do I think it's 50 million barrels a day versus 100 a day? No, I don't think so. Is it 110 to 120? [It] might be. You can envision enough electric vehicles and enough developing world that the link between growth and oil is broken a little bit. But I don't see oil going away, at least not in my investing or post-investing horizon.