

ARBOR OUTLOOK

From gas lines to electric cars



Margaret McDowell

“Change in the weather, change in the sea ... Come back, baby, you’ll find a change in me.” — from “Everybody’s Got to Change Sometime” as performed by Taj Mahal

Once in college I waited for more than two hours in a line for gas, and just when I reached the pump, the station owner

quickly and nervously slapped a sign over the nozzle. It read “Out of Gas.” Those were frightening days at the pump, and occasionally I marvel at how things have changed.

Numerous books have been written about how large oil companies and oil-producing countries were overstating their reserves, and how the fear of dry gas tanks could cripple the global economy should any one major producer seriously cut back on its oil output. The idea of “peak oil” was debated endlessly.

Since then, the concept of peak oil hasn’t

faded from the minds of investors; it’s just taken on a new meaning. These days, the peak oil scenario that investors fear is not that we might run out of oil, but rather that much of the oil still in the ground may never be extracted at all due to lack of demand.

According to recent estimates by both the International Energy Agency and many of the world’s biggest oil companies, global demand for oil is expected to peak in the next 20 to 40 years. Some say less, some say more. Most of the projections agree that electric cars, more

efficient combustion engines, self-driving cars and increased environmental regulation will reduce the demand for gasoline and therefore the demand for oil in the future. Estimates of future global demand diverge on varying projections of how quickly the developing world will adopt these more efficient technologies.

Those who see peak oil demand occurring further in the future point to a predicted increase in consumption by a growing middle class in China and India. Hundreds of millions of people will likely spend new

discretionary income on vehicles powered by gasoline.

Those who envision a shorter shelf life for oil demand point to the fact that electric vehicle use is skyrocketing the most in developing countries that have already seen the effects of roads overcrowded with gas-powered vehicles. In China, which is home to about half of all electric vehicles (and seemingly half of all pollution), only electric cars are allowed on city streets during “bad air” days.

Smart investors will recognize and prepare for this trend. It won’t

happen all at once, and some changes in the energy landscape will take decades. But you don’t have to be an investing genius to see the writing on the wall in the energy industry. Like the man said, it’s not a matter of if, it’s a matter of when.

Margaret R. McDowell, ChFC, AIF, author of the syndicated economic column “Arbor Outlook,” is the founder of Arbor Wealth Management, LLC, (850-608-6121 — www.arborwealth.net), a “fee-only” registered investment advisory firm located near Sandestin.