



Missive

MARCH 19, 2024

Saved by Zero

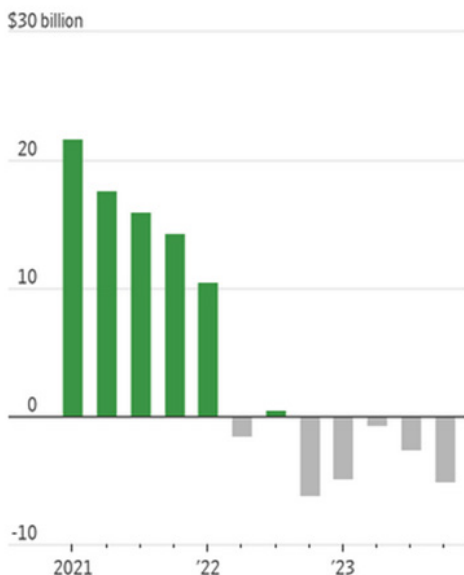
Dear fellow investors,

Nothing is more charming than well-meaning people practicing bad economics. To understand what is happening, consider the song "Saved by Zero" from The Fixx:

*Maybe someday, saved by zero
I'll be more together*

The U.S. Federal Government has set a net zero carbon goal by 2050. Tremendous resources have been applied with borrowed money to fund these goals and subsidize money-losing green investments. After pouring money into green investments, investors are wisely fleeing the fantasies associated with the environmental movement's agenda. Are we really more together?

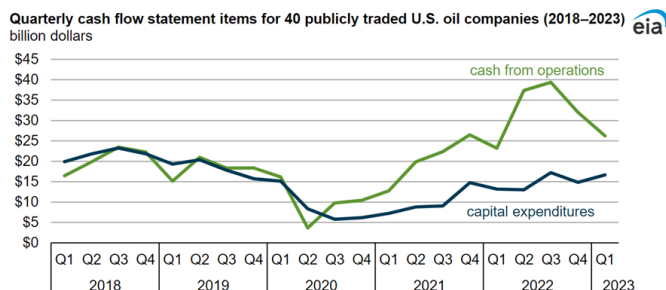
Quarterly flows into publicly traded ESG funds



Source: Morningstar

*Stretched by fewer thoughts that leave me
Chasing after my dreams, disown me, loaded with danger*

The danger comes from dissuading investors from new fossil fuel possibilities:



Data source: Evaluate Energy
Note: Q=Quarter

In response to being ridiculed and obstructed from drilling for more oil and gas, the industry has been [drilling for oil on the NYSE](#). The largest companies (Exxon Mobil [XOM], Chevron [CVX] and ConocoPhillips [COP]) have been buying what we call the mid-large companies like Pioneer Resources and the Hess Corporation. What they are doing is extending the life of their company by adding control of much-needed oil and gas supplies in the ground. In the process, they escape the criticism of the environmental movement. Exxon CEO Darren Woods explains why this consolidation is happening in a recent [article](#) with *Bloomberg*, saying, "Woods is also becoming much more strident about climate goals in speeches and interviews, arguing that fossil fuels will still be needed for years to come to meet energy demand and the world is not on a path to net-zero carbon emissions by 2050 because people are unwilling to pay for cleaner alternatives."

*So maybe I'll win (saved by zero)
Maybe I'll win (saved by zero)
Holding onto words that teach me
I will conquer space around me*

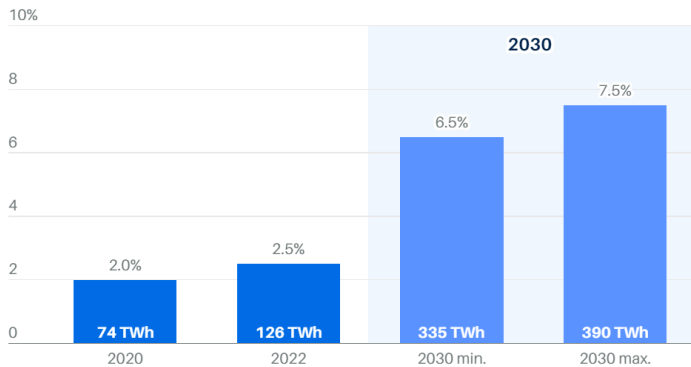
So, how do we conquer the space around us? First, we assume that the scarcity created by the shaming of the industry will cause rising prices for oil and gas. Second, we need to recognize that electricity is going to become incredibly valuable. Estimates exist for a huge increase in electricity needed because of the ramping up of Artificial Intelligence (AI). Combine AI demand with electric car adoption and the death trap called natural gas could become a victorious industry.

Saved by Zero

AI's Heavy Demand

Driven in part by AI, data centers are expected to account for an increasing portion of U.S. electricity usage.

% of U.S. electricity consumption (in terawatt hours)



Note: 2030 estimate represents a range depending on future usage of generative AI.
Source: Boston Consulting Group

*So maybe I'll win (saved by zero)
Maybe I'll win (saved by zero)
Maybe I'll win (saved by zero)
Who needs to win (saved by zero)*

Darren Woods from Exxon goes on to say:

The dirty secret nobody talks about is how much all this is going to cost and who's willing to pay for it," he said in a recent Fortune podcast. The world "waited too long" to consider all the solutions needed to reduce emissions.

Since we practice a discipline of buying meritorious companies and fear stock market failure, winning over the next five to ten years will be about milking the best possible economics in industries like oil and gas, real estate and banking. Our job is to find a way to win for our investors and be saved by zero.

Warm Regards,

Bill Smead
Chief Investment Officer

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