Oil & Energy Investor
with Dr. Kent Moors

your INSIDE ACCESS to EXTREME WEALTH

How to Become A "New Energy" Millionaire

by Dr. Kent Moors

This is your chance…

Back in 1916, oil made the world's first *billionaire* out of John D. Rockefeller. In fact, it made him the richest man in history – his net worth today would surpass $200 billion.

Fortunes of the likes of Buffett, Gates, and Walton don't even come close.

It's no secret. Energy has been producing millionaires for a century now. That isn't likely to change for the *next* 100 years, either.

What *is* changing, even now, is how these new millionaires will be made.

Investors who "play the majors" will get less than their fair share of this newfound wealth. Buy shares of **Exxon Mobil Corp.** (NYSE:XOM), and you might end up with a slightly better annual return than the average bank CD... if you're lucky.

In the months ahead, windfall profits are reserved for a handful of small, niche companies poised to become the biggest winners. Inventors who can dream up and touch off revolutionary new technologies. Firms that can drive down costs.

If you can make a more reliable valve or a faster pump or a longer-lasting drill bit, *this is your golden moment.*

Build a faster oil tanker, a more efficient water purifier, or a cheaper wind turbine, and you deserve our investment money. Because you will double or triple it in the months ahead.

And if you put your money in the powerful little sub-sector I'll show you today, you could do even better.

Indeed, the new global power broker in oil has emerged. As you'll see, this small – but important –group of companies now holds all the leverage…

Taking Control of the Oil Market

This story begins in, of all places, Uganda.

In its tiny landlocked territory in East Africa, the country has found oil… and lots of it. There's just one problem.

It lacks the ability to turn this crude into needed oil products, like gasoline, diesel, jet fuel, and low sulfur heating oil.

Unless it can develop a *local* way to process the oil coming out of the ground, it must rely upon exporting that production as raw material – at a far lower price than the refined product would command. That, in turn, places the nation's economy outside of its own control and at the mercy of the international market.

The battle shaping up in capital city Kampala looks much like the decisions facing a number of other developing markets.

The "petroleum curse" is all about how oil holds producing nations captive. But the real problem comes from not being able to *use* at home the oil being *produced* at home. That ultimately translates into the nation having to forego domestic diversification and expansion of its local employment and revenue bases.

Yet the problem is hardly limited to producing countries. And here is where the investor needs to take stock of the changing landscape in the hunt for oil profits…

To be sure, refining capacity is quickly taking over as the barometer of actual oil market control…

It's Cheaper to Import Oil Products Than Crude

The key to profits now lies less with the extractor of crude oil than with the processor of that crude oil into refined product.

Consider the following. Much has been said about the U.S. failing over the last 30 years to build a new refinery anywhere in the country. Environmental regulations and NIMBY ("Not in My Back Yard") opposition are often given as the causes. Yet these are not the real reasons. It turns out that, by the time a new refinery in the States could move into production – six years *or more* if the project were to start today – it will become cheaper to import the oil products from plants abroad.

For several years, we have been doing just that.

The importing of oil products into the U.S. has actually been increasing faster than the import of crude oil. In other words, as we continue to fix attention on the rise of raw material likely to be coming into the country – especially with the uncertainty surrounding offshore drilling following the Gulf blowout – we fail to notice our increasing reliance on foreign refineries for more and more of the gasoline, diesel, and jet fuel consumed at home.

And that is the real reason new refineries here are not going to happen. It's just not an effective way to drive down a company's bottom line (or drive up its profits). National security considerations aside, therefore, the refinery market will become increasingly driven by plants built close to production locations, especially in developing countries.

That's why I have recommended to both the parliament and the ministry in Uganda that they oversize any refineries likely to be built in the country.

Domestic demand alone probably cannot justify a plant producing more than 150,000 barrels a day. But the larger regional market, and genuine prospects to export value-added (and higher-priced) oil products, could easily justify several much bigger refineries. And when the local market begins to expand from a careful oil policy, the supply required to meet increasing demand will have a local (and expandable) refinery capacity ready to handle it.

Profiting from the "Refinery Rush"

As a result, it is little wonder that, while there are no American companies vying for the oil production licenses, Swiss company **Foster Wheeler** (NasdaqGS:FWLT) is currently conducting a feasibility study to build a refinery in Uganda. It is further along in plant constructions in countries such as Turkey, Morocco, and Kuwait.

Moving forward, this is the wrinkle in the global energy market that may well provide a substantial return on investments.

Watch the companies building refineries in developing countries to service demand, both domestic and export. The overall capital needed to build the facilities there is lower, as are operating costs, while there's a significant discount in access to a guaranteed raw material flow to the expense of building the plant elsewhere and importing the crude.

In addition to Foster Wheeler, there are several high-profile engineering and construction companies currently emphasizing the building of refineries in developing production countries to straddle both the domestic and export markets. The list includes Texas-based **Fluor Corp.** (NYSE:FLR) and California-based **Jacobs Engineering Group Inc.** (NYSE:JEC), along with the ever-present **KBR Inc.** (NYSE:KBR) and **AMEC** (LSE:AMEC.UK).

This is an exploding market. While aggregate refinery capacity in developed countries shows only an anemic improvement over the past several years, those figures are rising significantly in other parts of the world. That means, as demand rises in the more established markets – and that is already beginning, as the global recession recedes – more of that demand will be met by imported oil products.

Don't be surprised if somebody puts together an exchange-traded fund (ETF) to highlight the engineering and construction companies at the leading edge of providing refinery capacity in developing nations to meet the rising needs in other parts of the world.

Rest assured – that trend is only going to increase.

Dr. Kent Moors *is the editor of* Oil & Energy Investor *and the* Energy Advantage*, a monthly advisory service that uncovers the most profitable opportunities in the new energy market. He's also a career energy industry consultant. For the last 31 years, he's been advising six of the top 10 oil companies, leading natural gas companies, international banks, and top officials from governments around the world. To get his specific stock recommendations, including "10 Ways to Double Your Money in Energy," here's how to become – as Kent puts it – Texas Rich.*