

Pickens' Plan

An Interview with T. Boone Pickens, Founder, BP Capital

EDITORS' NOTE *Legendary entrepreneur and energy executive T. Boone Pickens left the company he founded, Mesa Petroleum, in 1996 and formed BP Capital, an energy focused hedge fund dealing in both commodities and equities. He is the architect of the Pickens Plan to enhance U.S. energy security through an expanded use of renewables in power generation and by increasing the use of America's abundant supplies of lower-cost, cleaner-burning natural gas in heavy duty transportation applications to replace OPEC oil/diesel/gasoline. He argues that dependency is a key threat to the U.S. economy and national security.*



T. Boone Pickens

COMPANY BRIEF *BPC is a Commodity Pool Operator and General Partner for the BP Capital Energy Fund, L.P., and TBP is a Commodity Pool Operator and General Partner of BP Capital Management, L.P., the General Partner of BP Capital Energy Equity Fund II, L.P. Collectively, TBP and BPC are referred to as BP Capital (www.bpcap.net). BPC and TBP are private investment firms that focus on investments in energy futures and stocks of public companies in various energy sectors and energy dependent industries.*

You have been a leader in the discussion concerning America's addiction to foreign oil and lack of energy independence. Is the right dialogue taking place and are you optimistic that we're moving in the right direction?

It's moving slowly, but we have made progress. What we have been able to get in place is that most everybody now feels concerned about importing oil from OPEC.

It's generally believed that some part of the payment for that oil goes to the Taliban. Jim Woolsey, the CIA Director from the George H.W. Bush Administration, pointed that out in a *Wall Street Journal* Op-Ed piece in April 2010.

I've talked to many people who feel that the money is being paid to the Taliban to keep the Taliban out of the OPEC countries, not because they want to get at us; they're just paying ransom. So that ransom money goes to the Taliban and they go after us.

Is the political will there to do something to change this?

No. Historically, everyone who has been elected President, from Nixon on, has said that if you elect me, we'll be energy independent. In each case, they had no plan to back up what they said.

President Obama said that, in 10 years, we will not import any oil from the Mideast. He has never followed that up with a plan.

It's sadly amusing to see this unfold again, particularly since it's the one issue where Democrats and Republicans say the same thing.

I spent \$80 million in hopes that I could bring the media to the level where they would challenge the President about the pledge he made when he was nominated that in 10 years, we would not import any oil from the Mideast. Now, what is the plan? Nobody has asked him that.

You have applied your expertise and resources to developing a plan. Why isn't the government moving towards the implementation of that plan?

Because they aren't under pressure. We still have plenty of oil and, while the price is moving up, like we told them it was going to do, it hasn't moved up high enough to force their attention to it.

There is a huge, but subtle, element in play in that 70 percent of all the oil in the world is owned by state-owned oil companies. But that's a game in which we don't even have a team – the U.S. does not have a state-owned oil company.

People look at Exxon as state-owned, but 84 percent of Exxon's revenues come from offshore; they're an international oil company with shareholders.

So who is responsible for overseeing and securing the oil for America? Nobody.

Everybody seems to think there is plenty of oil around the world so everything will work its way out. But we're the only country in the world with no plan today, and we haven't had one for 40 years.

By 2020, we'll be looking at importing 75 percent of our oil instead of 65 and we'll be paying \$300 a barrel for it.

When you look at alternative energy sources, would you give me your thoughts on them: first as to nuclear power.

Nuclear power does not reduce imports. You don't use their power for the same demands that are met by oil. I like nuclear power. I like anything American.

Solar and wind?

They will work and they will be a key part of America's power generation future. But, right now, they aren't economical and are hard to get financed because they have to be priced off the margin against natural gas. Natural gas is \$4 and you can't finance a wind or solar deal to compete against that, so you have to have natural gas at \$6 before it starts to make sense.

So here we are with natural gas, a premium fuel that is cleaner by 30 percent than diesel, that's abundant, that's ours, and that's cheap, but we're not using it.

Why is so much of the attention to energy in the U.S. focused on the Middle East?

I don't understand our having all the people we do in the Mideast. I'm immediately suspicious of everything going on there; we're there because that is where the oil is.

But we have resources in America to replace that oil that we're so desperate to control or defend. With the right leadership, we can change the dominance of OPEC pretty quickly, and that would change a lot of things around the world.

In terms of the global markets, you recently took your first trip to China. Were you surprised at what you found and do you see opportunity in that market?

The numbers of people and the size of the cities are overwhelming, but they're practicing capitalism. They have the tools to shortcut their way to success and their system is set up to allow them to do that. The Chinese are our competitors, not our enemies.

What concerns you most about the U.S. going forward?

The key issue is security, because the Muslims have control of the oil and there are a lot of problems with their animosity towards us. At some point, we could be cut off from the oil in the Mideast.

Two-thirds of the trade deficit is related to the purchase of oil, so you could cut that down; we're spending \$1 billion per day for foreign oil, so we could cut that down. And when you cut that down, you create jobs in the U.S.

Are you optimistic we'll get there?

We're going to get there. We have to.



Many suggest regulation today is squelching entrepreneurship in the U.S. Is enough being done to support entrepreneurship?

Yes. Look at the people who made money in the tech business. Some of those people are pretty generous, which is good for the country.

I'm amused at the way our government sometimes looks at those who make money – they seem to either think they are dishonest or that they inherited it. It's not looked at realistically.

At the same time, government brings in a lot of people who have never made money to guide thinking on it. These people have never had jobs where they had to take risks.

But if you're going to make a lot of money as an entrepreneur, you're going to take risks. You're going to find yourself in trouble at times because you took too much risk and you have to start over again. I have been there several times; in the downturn in 2008, we took a \$2-billion loss.

So does it upset you? Of course, but you know that can happen if you're taking a risk.

I think there is opportunity for entrepreneurship today. We're going to have more entrepreneurs in America than anywhere else in the world because we've grown up with it. We've seen people who came up with a good idea, worked hard, and got rich.

I don't think other countries have had that same heritage. So there is plenty of incentive for entrepreneurship in America.

Did you know early on that you had the entrepreneurial instincts?

Ever since I was 12 years old, I always had money in my pocket. I had a paper route, cut lawns, and did other things. I wasn't investing at that point, but now that I look back, it was the first step. You have to make a little money and learn that you want to have money in your life, and figure out how you can get it.

Many look at Boone Pickens and all you have accomplished, but you touched on those times throughout your career when things weren't smooth. Were there moments when you thought it might not work or did you always feel you would find a way to succeed?

You always think you can find a way. You don't ever go into something and think it won't work.

When you do make those bets, you usually don't put up too much money. It's a long shot.

But whether you make it big or lose big, it's where you're convinced you have a winning hand that you're going to have to play out. But you go in confident that you have a winner.

You have been a big supporter of education. It's an area that gets tremendous attention, but the system remains broken. Why hasn't the U.S. been able to achieve true reform and are you concerned it's going to lose its global competitive edge?

We are losing our edge. With education reform, as with other things, the key word is leadership. If you don't have leadership, you're not going to fix anything. So how do you get leadership? You get the best people and give them the responsibility and authority to make changes. That is where things start to break down. We can't agree on how much authority they get, what the game plan is, and how it will be carried out. There are some great people out there, but you have to get them into position and let them do the job.

You're approached often to support many worthy causes. How do you decide which areas to focus on?

We try to stay focused – we don't try to cover every base. When you do that, you end up spending a lot of time looking at deals people present to you. Some of the proposals are about issues we know well and they don't have to explain much to us. Those are the projects we concentrate on.

In business, you're results-oriented with clear end goals. In the charitable area, do you need those same metrics in place to measure the impact, or is it looked at differently?

I don't think you change the way you think; everything has to make sense. In our different charities, as with our business, we want to see something for our money. We don't go away, but we're also not constantly looking over someone's shoulder. But everyone knows that we expect to accomplish what we paid for.

There have recently been a number of high-profile commitments to charity from successful entrepreneurs. Should corporate leaders in general be doing more to support philanthropy?

Sure, more can be done. In the corporate world, there are a lot of people who run major corporations who are not entrepreneurs. There are a lot of people in those jobs who are not generous with their own money. When you see corporations giving large amounts of money, it is from the shareholders, not from management. A lot of the CEOs take credit for those gifts as if it's their own money. I'm always interested in a CEO and what he gives personally. It's surprising and shocking sometimes how little they do give and how they believe the company money is their money.

But there is nothing entrepreneurial at all about some of these people who run these companies.

Do you see a lack of leadership today?

Throughout Congress, for instance, the overriding theme of elected officials is how to get reelected. They're not all that way, but I think the majority are. Having that is a conflict of interest and stifles leadership.

What do you look for in attracting talent?

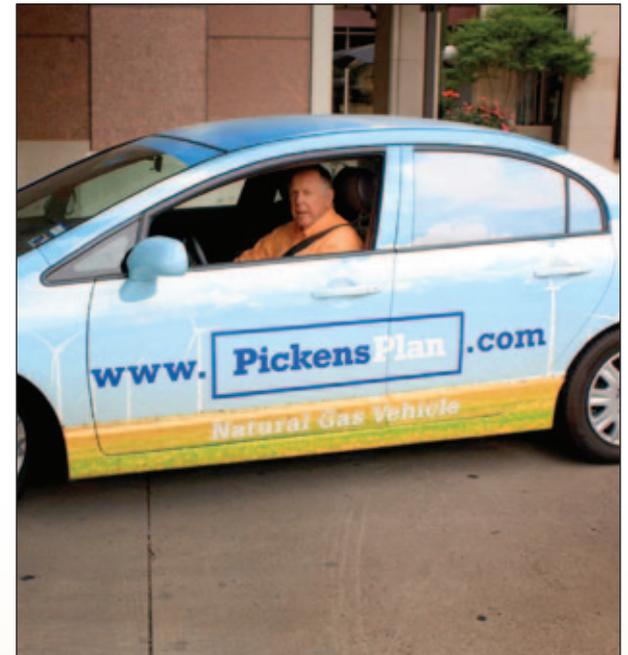
Intelligence is a given, but work ethic is of utmost importance with me. And if you don't think you're playing on the best team, go someplace else to play. We have a very high regard for what we're doing and we think we're smart guys. And if nobody can outwork us, how can we lose?

If I was talking to some of those who have worked with you over the years, without you in the room, and I asked what it was like to work for Boone Pickens, what do you think they'd say?

I tell my guys, the best partner you will ever have is me, so communicate with me. If you come up with a good idea and we try it and fail, then you will find I'm the best partner you can have because I'm in it with you all the way.

If you decide you're going to go for it, and we don't communicate, then I say, you're out there by yourself on this one.

The majority of the problems that occur in an organization can be traced back to a lack of communication.



Do you take the time to reflect on all you've accomplished or are you always looking ahead?

I reflect because I'm pretty good at not getting my fingers mashed in the same door. So that makes it prudent to reflect.

I work with a lot of young people. I can take them back 20 years or more and say, this is what happened and these are the similarities to what we're talking about here. So my recall has been very useful. ●

T. Boone Pickens holds a San Diego town hall meeting in April 2009 aboard the USS Midway (top left); T. Boone Pickens, who drives a compressed natural gas vehicle, launched the Pickens Plan to reduce U.S. dependence on foreign oil in July 2008 (June 2009 photo, above right).