

PSA October 29, 2015 Johns Hopkins
University Luncheon Remarks
Peter Huessy, President, Geo-
Strategic Analysis

“Geostrategic Lessons, 1973-
2015: Oil Politics and
Emerging Conflict”

A map of Russian gas supplies to Europe via Ukraine

Major pipeline routes from West Siberian gas fields to Western European markets

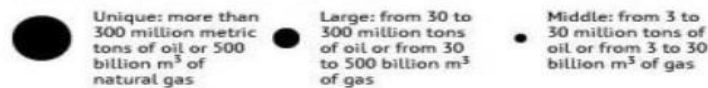


Russian oil and gas fields in the Arctic

Oil and gas fields containing immense reserves have been found in the Russian section of the Arctic sea-shelf



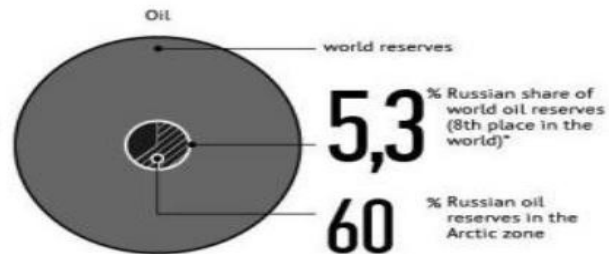
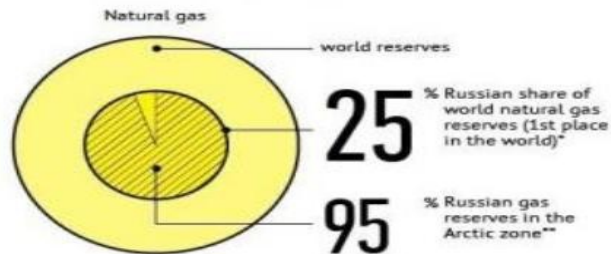
Field classification



Name, year of discovery, Sea depth

- Gas condensate
- Gas

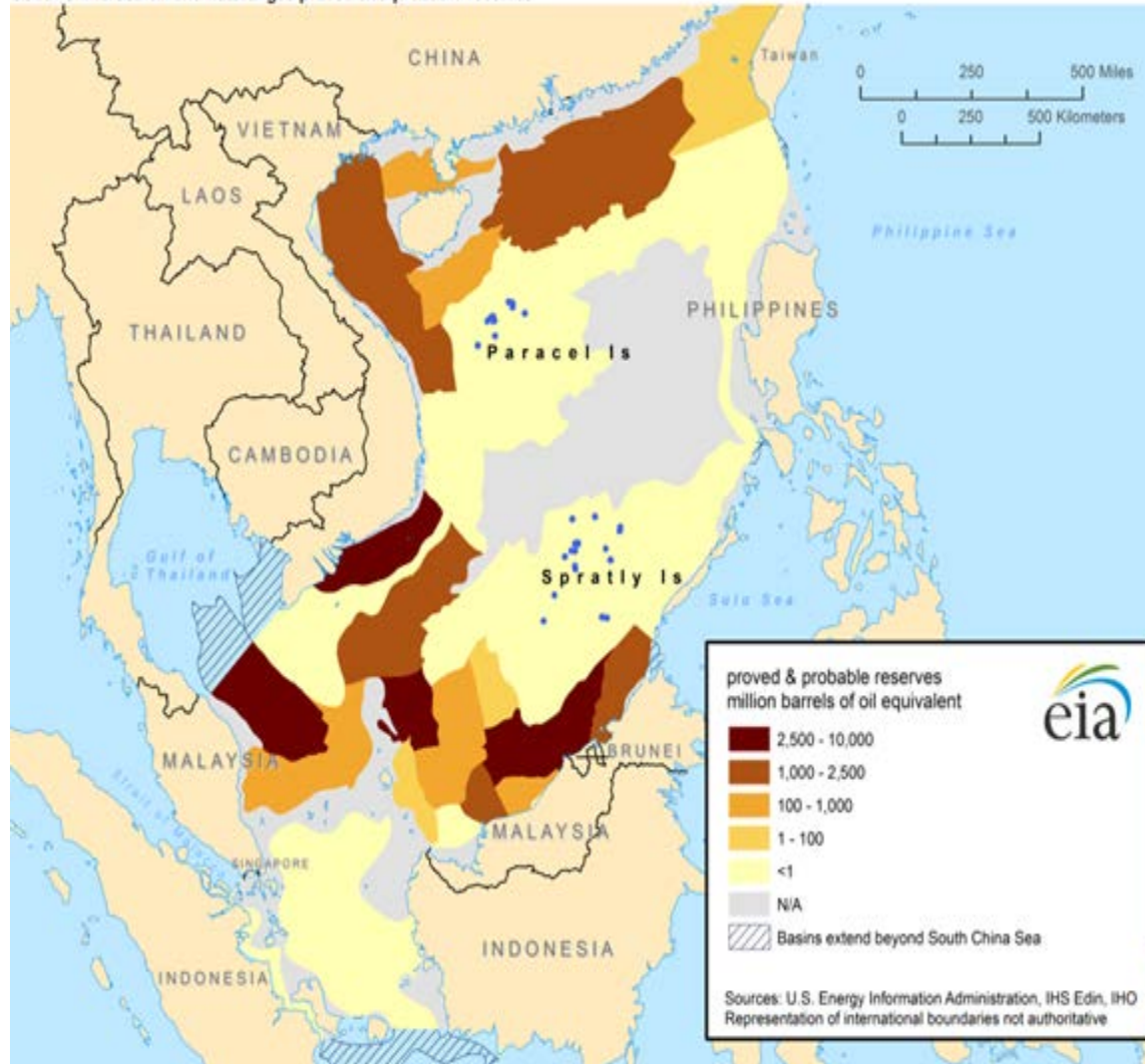
The Arctic in figures



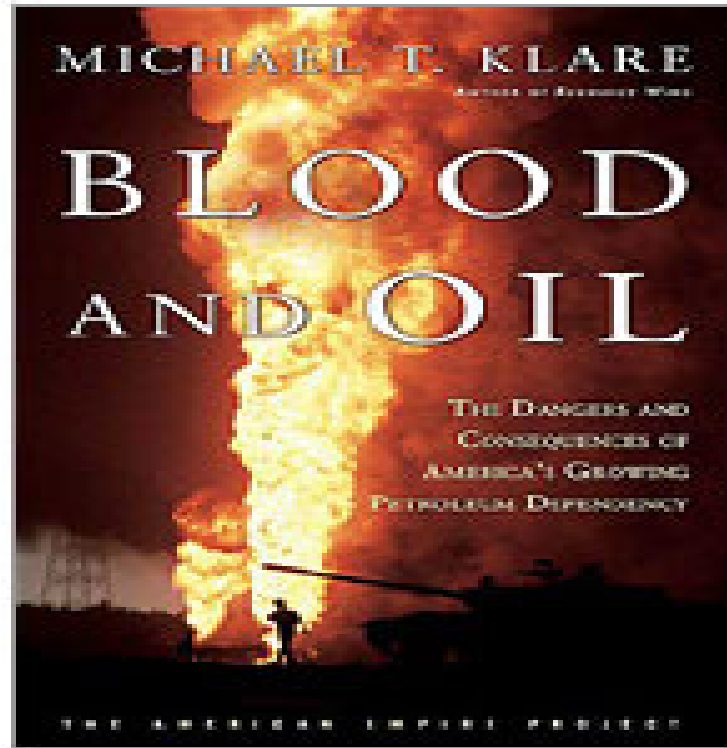
*CIA data

** according to Valery Yazayev, Vice Speaker of the State Duma of the Russian Federation; president of Russian Gas Society

South China Sea oil and natural gas proved and probable reserves



Conventional Wisdom: Its All About Oil



**THE REAL REASON
FOR WAR IN SYRIA:
ISRAEL GRANTS DICK CHENEY
& ROTHSCHILD OIL LICENSE
IN SYRIA'S GOLAN HEIGHTS**



And my favorite.....



Foreign oil interests in Libya

Libya's state-owned oil company controls most of its production, but foreign oil companies help sustain its output through joint ventures. Production of top international companies, in thousands of barrels per day:



*Exploration

**Wintershall subsidiary

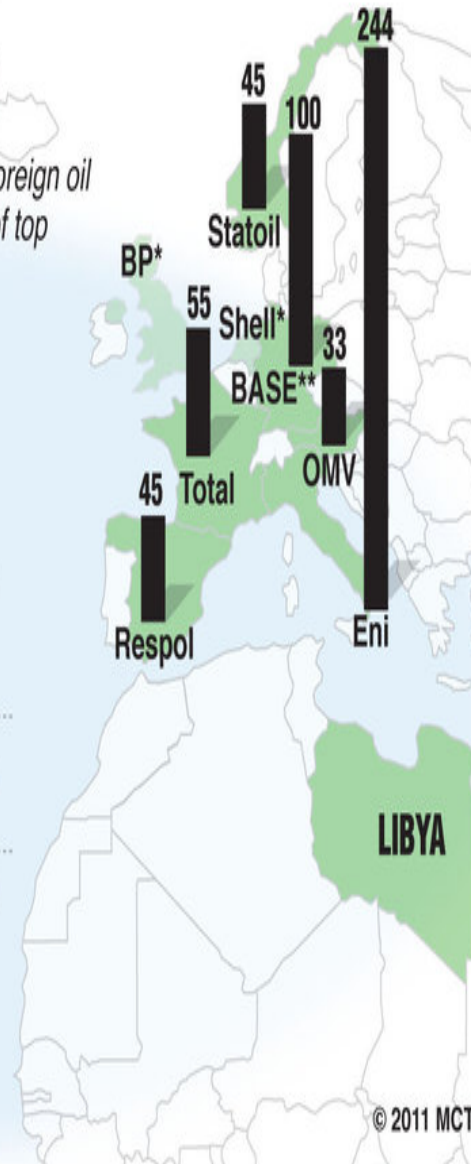
Source: Company reports, U.S. Energy Information Administration, Reuters
Graphic: Pat Carr

Libya's oil industry

Total production, barrels per day
(Third largest in Africa) **1.8 million**

Total reserves
(Largest in Africa) **44 billion**

Estimated net exports, 1.5 million
barrels per day
(Most to Europe)

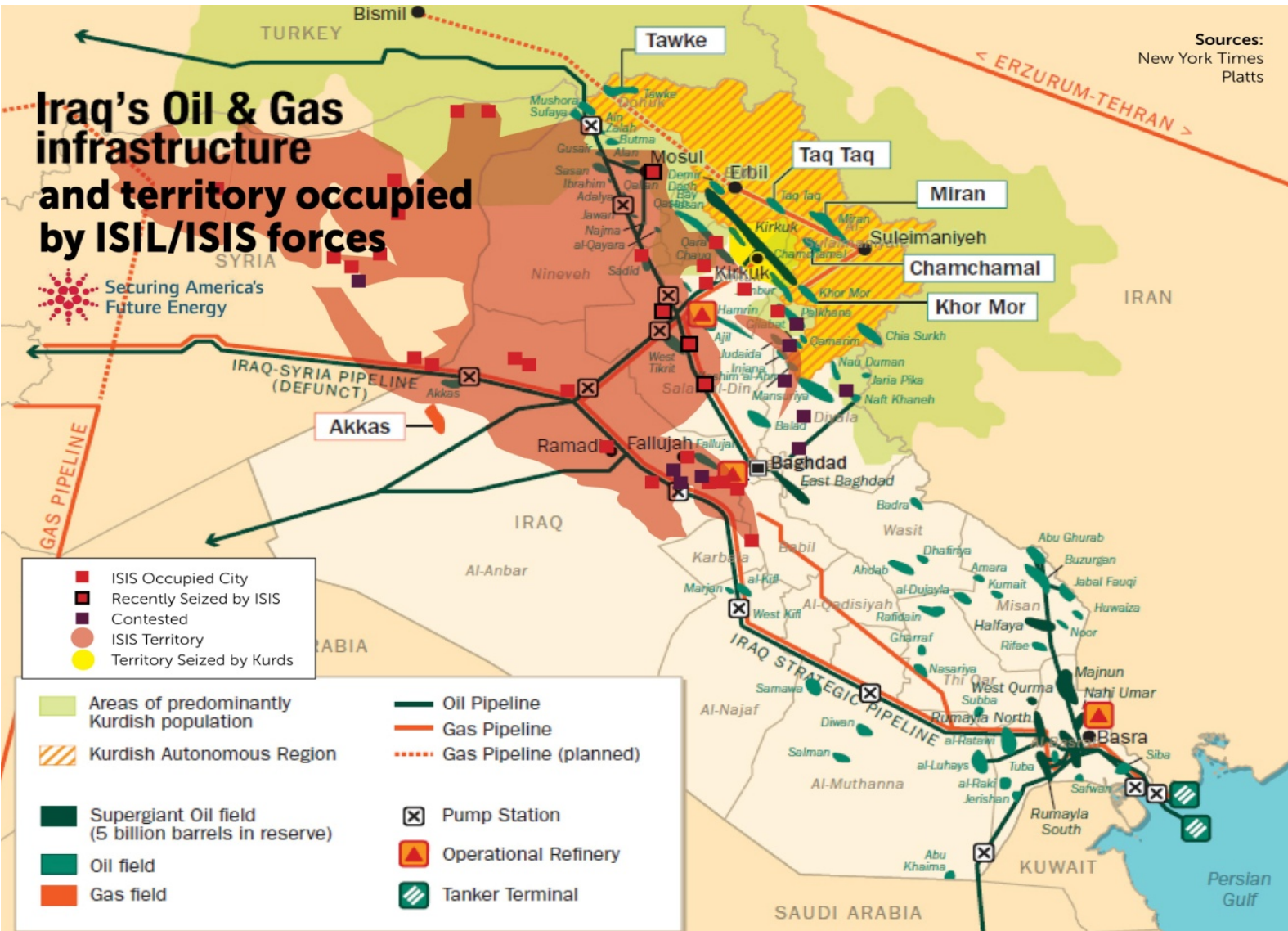


© 2011 MCT

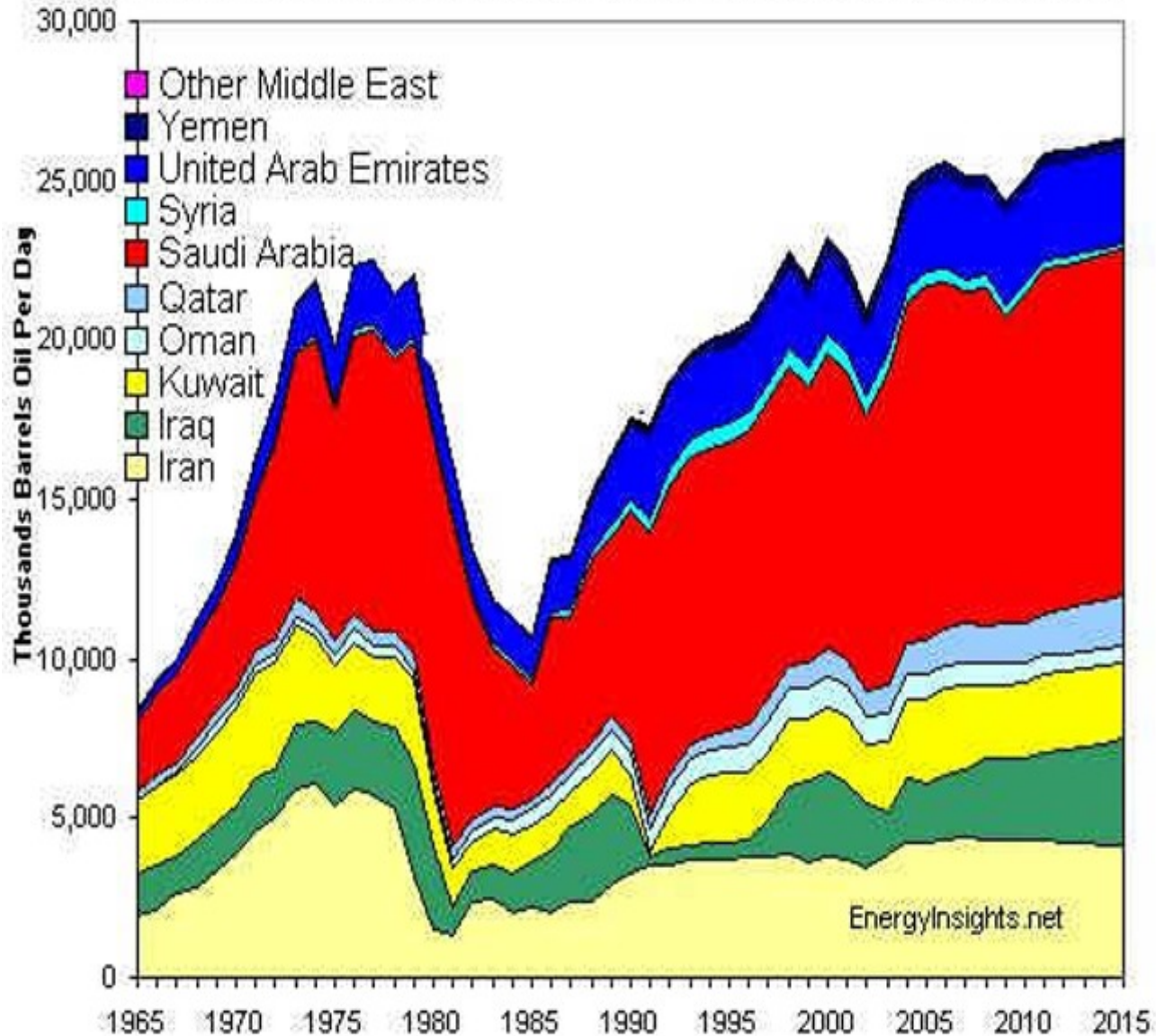
Iraq's Oil & Gas infrastructure and territory occupied by ISIL/ISIS forces

Securing America's Future Energy

Sources:
New York Times
Platts



Oil Production in Middle East since 1965 and forecast to 2015



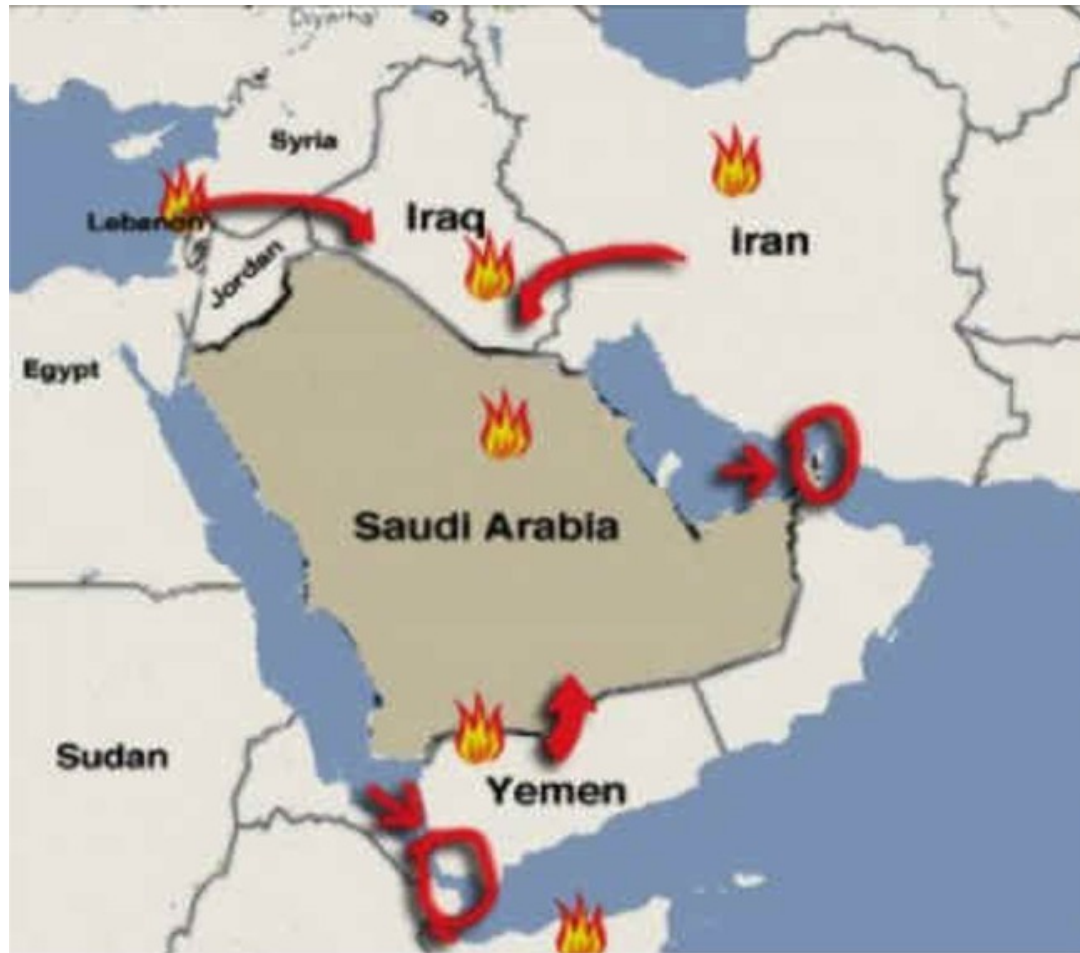
EnergyInsights.net

Estimated distribution of Sunni Muslims in the Middle East

5-20% 21-40% 41-60% 61-80% 81-100%

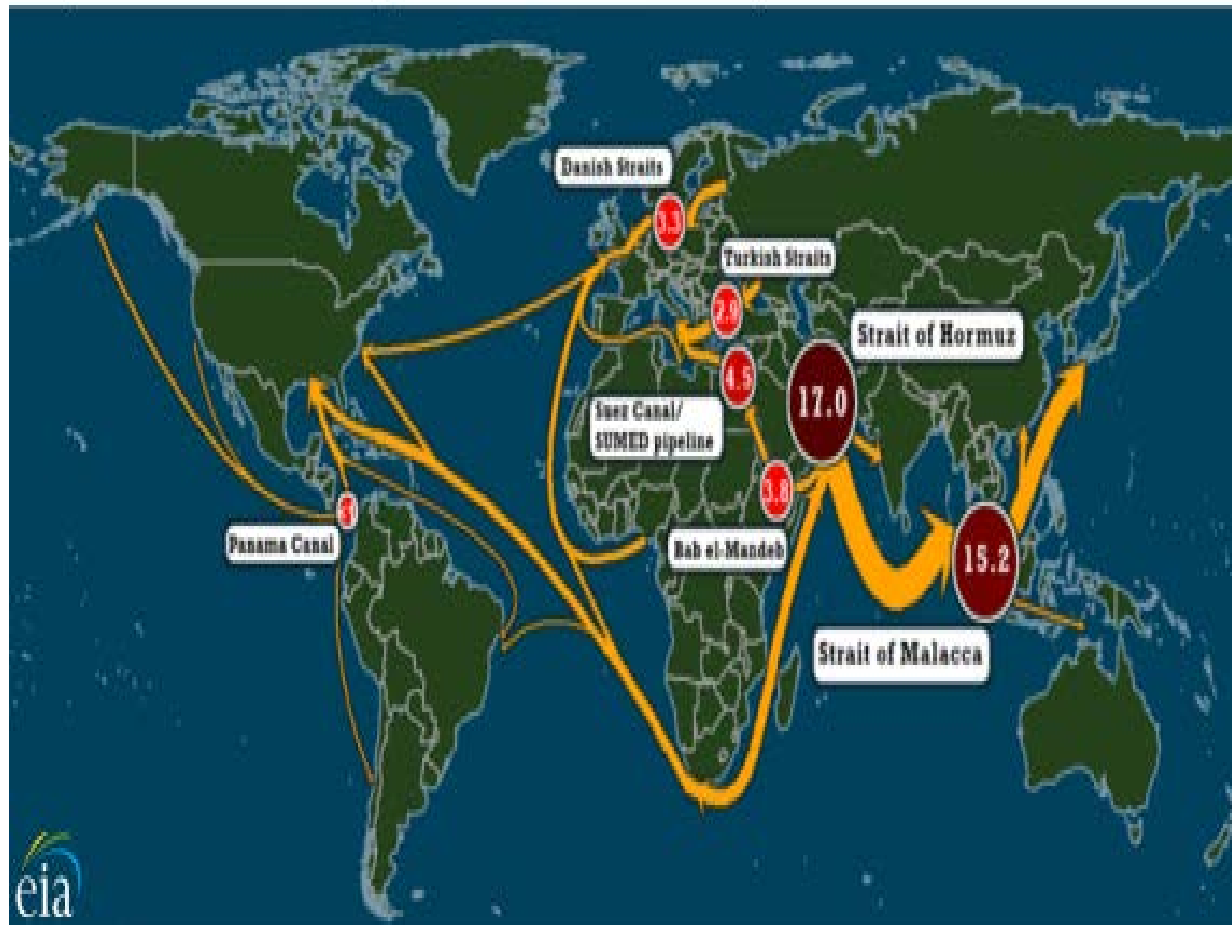


It Has Nothing to Do With KSA



Five (5) Choke Points: 46% of world oil

Daily transit volumes through world maritime oil chokepoints



Russian Air Force in ME First Time Since 1973



Country	Imports	% of Total in 2013	% Change since 2003
1. Canada	2.57	33.3%	65.8%
2. Saudi Arabia	1.33	17.2%	-23.2%
3. Mexico	0.85	11.0%	-45.8%
4. Venezuela	0.76	9.8%	-36.2%
5. Colombia	0.37	4.8%	121.1%
6. Iraq	0.34	4.4%	-29.1%
7. Kuwait	0.33	4.2%	56.7%
8. Nigeria	0.24	3.1%	-71.3%
9. Ecuador	0.23	3.0%	64.0%
10. Angola	0.20	2.6%	-44.4%

Data from Energy Information Administration

© Robert Rapier

OPEC/Non-OPEC/USA

Production and Price: 1970-3

- OPEC 1973: 10.6 bb/year
- Non-OPEC: 20.8 bb/year
- US: 4.6 bb/year (2008-Nadir)
- Price: \$3.35 1970/b

Production and Price 2015

- OPEC 2016: 12 bb/year
- Non-OPEC: 29.2 bb/year
- US: 9.2 bb/.year
- Price: \$36—1980; \$133—7/2008

OIL & DOW JONES & JOBS

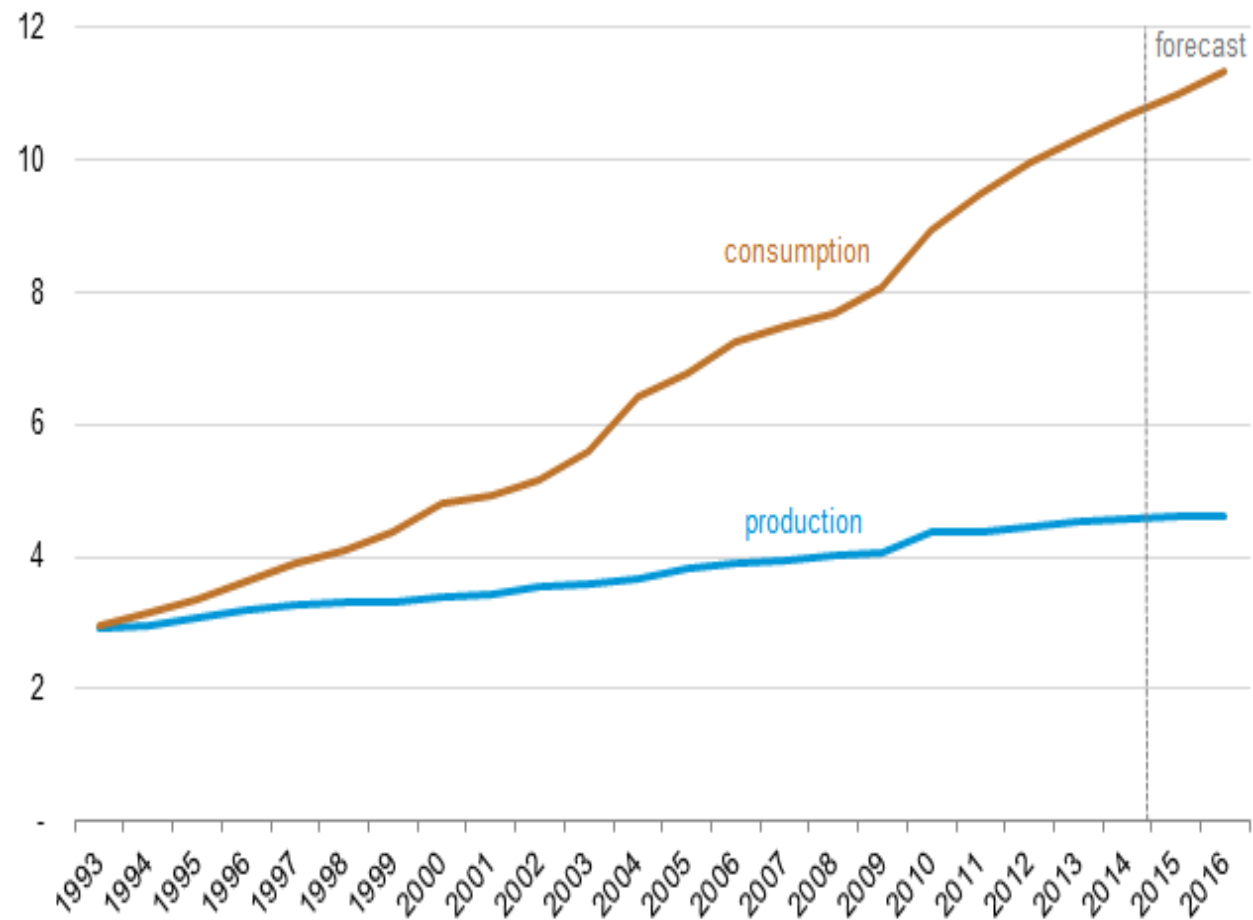
- 1983-2000 UP 15.2% ANNUAL GROWTH
- ADDED \$9.9 TRILLION IN WEALTH, 50% OF THE CAPITALIZATION OF ALL STOCKS ON THE NEW ORK STOCK EXCHANGE
- OIL PRICES AVERAGED \$17 BARREL
- OVER 37 MILLION JOBS CREATED

DOW JONES & RECESSIONS

- FIVE RECESSIONS SINCE AND INCLUDING 1973
- LOSS OF JOBS HAS BEEN 1.7-7.5 MILLION
- 16 MILLION TOTAL LOSS IN JOBS
- NEW YORK STOCK LOSES \$17 TRILLION
- OIL PRICES UPSWINGS OF 70-400%

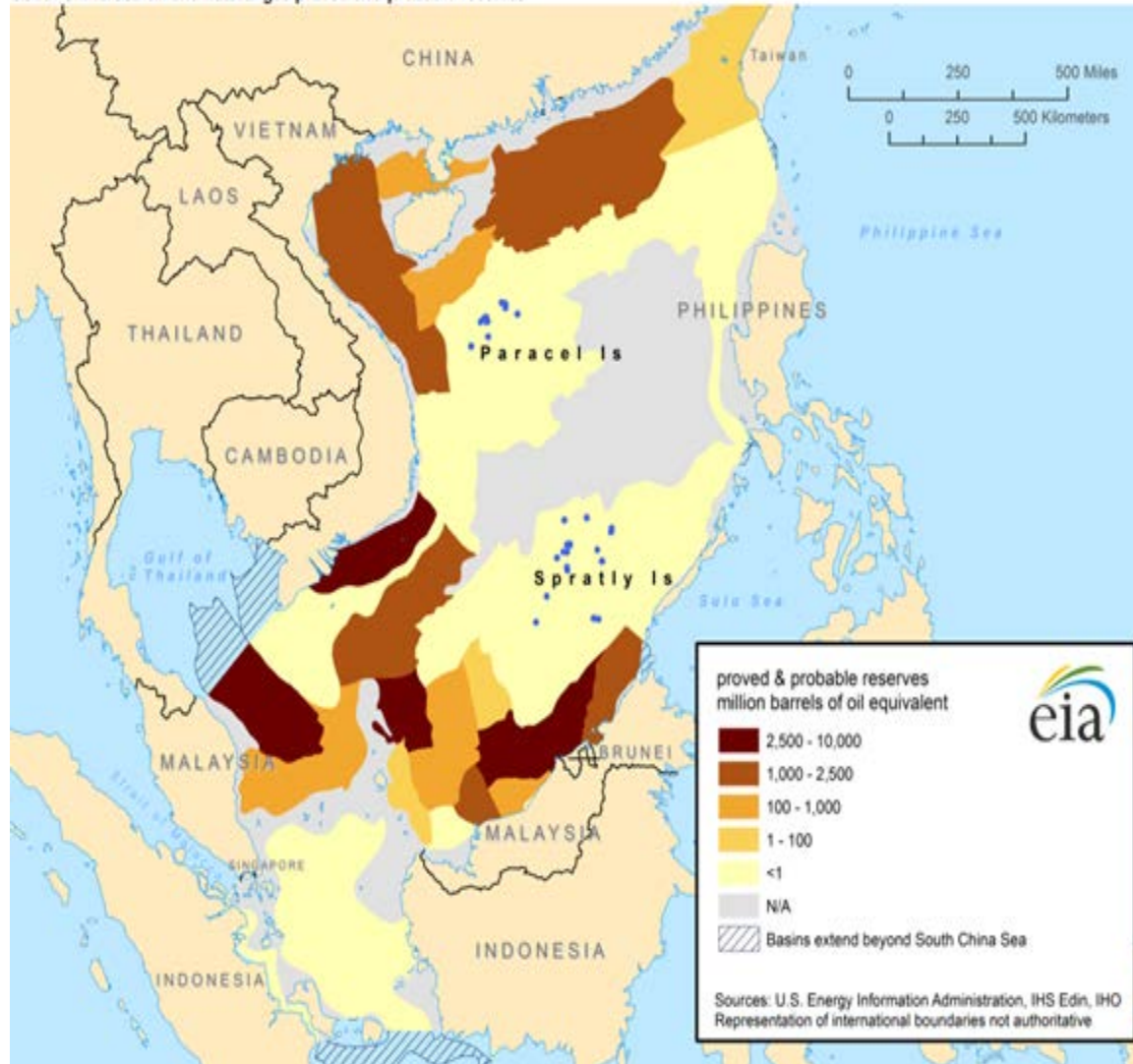
China's oil production and consumption, 1993-2016

million barrels per day



Source: Energy Information Administration and Short-Term Energy Outlook, May 2015

South China Sea oil and natural gas proved and probable reserves



The Oil Disrupters

- This gives the commodity and its major reserve holders, mainly Russia and the members of the OPEC, inordinate power on the world stage. And while it may appear to some that this power is eroding, we should be clear: as long as oil remains the sole commodity which makes the world go around, consumers will be exposed to periodic oil shocks and vulnerable to one degree or another to the decisions made by the oil cartel and its fellow travelers.

Cooperative US-China Energy Policy

- To shield the global economy from the ruinous impact of future oil shocks it is necessary for the transportation sector to be open to fuels derived from other energy commodities in addition to petroleum. This way, if oil returns to unfriendly territory, consumers will be able to shift on-the-fly to cheaper fuels and hence drag the price back to equilibrium.
-
- Breaking oil's virtual monopoly over the transportation fuel sector should be a common goal for the world's two largest economies: China and the United States. China's car fleet is currently 90 million strong, but it is growing by leaps and bounds. By 2020 China will have 200 million vehicles, according to the China Association of Automobile Manufacturers, a fleet nearly the size of the United States.'
-

The Russian Chess Match

- According to Russia's Ministry of Finance, Russia needed an average oil price of just \$50 to \$55 per barrel to balance the budget in 2008 but by 2012-14, that minimum had increased to \$117.
- *Russian President Vladimir Putin's seizure of Crimea from neighboring Ukraine was a dangerous political-military action without precedent in post-World War II Europe. Putin's consistent policy of increasing state economic control may well be leading Russia on the path to stagnation and economic decline. The only way such a regime can survive is to grab more territory while distracting its citizens through ultra-nationalist propaganda.*

The 21st Century Central Struggle?

- “The world now faces a choice between the cooperative exploitation by the East and West of natural resources or a wasteful struggle that could cost a fortune in blood and treasure. Regional conflicts in the Caucasus and Central Asia threaten to deny Western access to the vital oil and gas reserves the world will need in the 21st century. The wars in Chechnya, between Armenia and Azerbaijan, and in Georgia were started or exacerbated by the Russian military, and the outcome of these wars may determine who controls future pipeline routes. Moscow hopes that Russia will. Powerful interests in Moscow are attempting to ensure that the only route for exporting the energy resources of Eurasia will pass through Russia.”



China's oil imports

Volume (barrels per day)



Source: General Administration of Customs of China

The Oil Reality?

- *Oil competition is a dangerous undercurrent in Putin's Middle Eastern policy. **The Russian leader hopes that when its ally Iran re-enters the global oil and gas market, Russia will somehow share in the profits, perhaps through new pipelines across Syria. He also wants to stop the Saudis from establishing export routes in Syria. Now that Russian energy supremacy in Europe also is at stake, Putin's determination to resolve the Syrian conflict on his terms can only grow.***

Mark Mills, Manhattan institute

- “Geopolitically, and economically, everything in the Middle East pivots around oil and its hydrocarbon cousin, natural gas. Its entire economy is utterly dominated by oil exports. For Saudi Arabia, oil provides 90 percent of revenues; for Russia, oil and gas account for 70 percent of exports.

Putin: This Matters

- “Three facts motivate Putin. First, two regions utterly dominate world oil markets. The Middle East and Russia together ship 60 percent of all oil traded (45 and 15 percent, respectively).
- “Second, oil matters. It provides 97 percent of the global fuel needs for all the engines that transport everything on land, sea and air.
- “Finally, price matters. Here the U.S. has upset the apple cart.

CONCLUSION

- In conclusion, we face a confluence of factors in Asia, Europe and the Middle East around the supply of oil and gas, geostrategic ambitions of nuclear armed powers and price instability that has caused the loss of trillions of dollars in American wealth since 1973 but with both a (1) US energy policy aimed at making our use of energy more efficient but without leverage in international energy markets because of an unwillingness to provide an alternative transportation fuel and (2) US security policy aimed at making concessions on Palestinian statehood to lessen the grievances of Gulf States and terror groups—both of which leaves the US economy hostage to the very actors who are our adversaries.





GLOBAL WARMING
is the BIGGEST
THREAT to
AMERICA...

