## \*\*\* 1NC

### 1NC

**A) Oil Prices High Now and Will continue to Rise**

Trefis 7/5

(Trefis, What's Driving the Stock, "Oil Prices Rebound on Rising Tensions With Iran; Other Factors," 7/5/12 pg online @ www.trefis.com/stock/cvx/articles/130703/oil-prices-rebound-on-rising-tensions-with-iran-other-factors/2012-07-05//arjun)

**Energy prices are posting a comeback** as the Brent benchmark reached the $100 level on the 3rd of this **week on new concerns that Iran may attempt to disrupt supplies passing through the Gulf of Hormuz**. [1] The recovery comes after energy prices posted a sharp drop over the past few weeks on higher output from Saudi Arabia and the weak economic news coming from Europe and other emerging markets**. Prices are also being pushed up because of an ongoing strike by Norwegian oil workers that has resulted in lower output from the country**. Oil prices are a major determinant of short term earnings of energy majors such as Chevron (NYSE:CVX), as a bulk of their valuation is derived from their upstream oil exploration and production businesses. We have a $110 price estimate for Chevron, which is at in line with its current market price. Click here for our full analysis of Chevron. Uncertainty The volatility displayed by oil prices makes it difficult to accurately forecast the trends in the industry**. Our outlook of a** **moderate increase in the prices over the Trefis forecast period is based on the fact that** **the demand for oil will continue to increase in the developing countries and constrained supplies and the increasing cost of exploring new resources**. However, in the short term, oil is influenced by geopolitical factors and risks as well as other operational issues. Prices are also influenced by OPEC production quotas and supply shocks. Over the past few weeks, higher output from Saudi Arabia and weak economic data from Europe helped pull prices down despite impending EU sanctions on Iran that could lower oil exports from the country**. The trend is being reversed by uncertainty over the Iranian response to the sanctions and the Norwegian strike, which has slashed the country’s output by 13%.** [1]

#### B) HSR quickly ends oil dependence – LARGE internal link to prices

USHSRA, US High Speed Rail Association, leading expert on HSR in the US, 2012, “ENERGY SECURITY”, <http://www.ushsr.com/benefits/energysecurity.html>

A national high speed rail system ends our oil dependency quickly & permanently Building an electrically-powered national high speed rail network across America is the single most powerful thing we can do to get the nation off oil and into a secure, sustainable form of mobility. A national network of high speed trains can be powered by a combination of renewable energy sources including wind, solar, geothermal, and ocean/tidal energy. America's dependency on oil is the most severe in the world, and inevitably pulls us into costly resource wars. It also pushes us into exploring for oil in extreme locations such as 10,000 feet deep below the Gulf of Mexico. We use 25% of the entire world's oil supply, yet we only have 5% of the world's population. We use 8-10 times more oil per person per day than Europeans, and they have faster, easier and better mobility than we do. The extremely high daily oil consumption of Americans is not due to a higher standard of living, but because of the extremely inefficient nature of our national transportation system – based on individual vehicles powered by internal combustion engines, combined with our sprawling community designs that force people into cars for every trip.

**C) High oil prices are key to Russia’s economy – outweighs their backup plans**

Time 7/5

(7/5/12, "Why Vladimir Putin Needs Higher Oil Prices", Michael Schuman, business.time.com/2012/07/05/why-vladimir-putin-needs-higher-oil-prices//Aspomer)

**Falling oil prices make just about everyone happy**. For strapped consumers in struggling developed nations, lower oil prices mean a smaller payout at the pump, freeing up room in strained wallets to spend on other things and boosting economic growth. In the developing world, lower oil prices mean reduced inflationary pressures, which will give central bankers more room to stimulate sagging growth. With the global economy still climbing out of the 2008 financial crisis, policymakers around the world can welcome lower oil prices as a rare piece of helpful news. **But Vladimir Putin is not one of them**. **The economy that the Russian President has built not only runs on oil, but runs on oil priced extremely high**. **Falling oil prices means rising problems for Russia** – both for the strength of its economic performance, and possibly, the strength of Putin himself. **Despite the fact that Russia has been labeled one of the world’s most promising emerging markets,** often mentioned in the same breath as China and India, **the Russian economy is actually quite different from the others**. While India gains growth benefits from an expanding population, Russia, like much of Europe, is aging; while economists fret over China’s excessive dependence on investment, Russia badly needs more of it. Most of all, **Russia is little more than an oil state in disguise. The country is the largest producer of oil in the world** (yes, **bigger even than Saudi Arabia**), and **Russia’s dependence on crude has been increasing**. About **a decade ago, oil and gas accounted for less than half of Russia’s exports; in recent years, that share has risen to two-thirds**. Most of all, **oil provides more than half of the federal government’s revenues.** What’s more, **the economic model** Putin has designed in Russia **relies heavily not just on oil, but high oil prices. Oil lubricates the Russian economy by making possible the increases in government largesse that have fueled Russian consumption**. Budget spending reached 23.6% of GDP in the first quarter of 2012, up from 15.2% four years earlier. What that means is **Putin requires a higher oil price to meet his spending requirements today than he did just a few years ago**. Research firm Capital Economics figures that the government budget balanced at an oil price of $55 a barrel in 2008, but that now it balances at close to $120. Oil prices today have fallen far below that, with Brent near $100 and U.S. crude less than $90. **The farther oil prices fall, the more pressure is placed on Putin’s budget, and the harder it is for him to keep spreading oil wealth to the greater population through the government.** **With** a large swath of the populace angered by his re-election to the nation’s presidency in March, and **protests erupting on the streets** of Moscow, **Putin can ill-afford a significant blow to the economy,** or his ability to use government resources to firm up his popularity. That’s why Putin hasn’t been scaling back even as oil prices fall. His government is earmarking $40 billion to support the economy, if necessary, over the next two years. **He does have financial wiggle room,** even with oil prices falling**. Moscow has wisely stashed away petrodollars into a rainy day fund it can tap to fill its budget needs**. **But Putin doesn’t have the flexibility he used to have. The fund has shrunk, from almost 8% of GDP** in 2008 **to** a touch more than **3%** today. **The package**, says Capital Economics, **simply highlights the weaknesses of Russia’s economy: This cuts to the heart of a problem we have highlighted before – namely that Russia is now much more dependent on high and rising oil prices than in the past**… The fact that the share of ‘permanent’ spending (e.g. on salaries and pensions) has increased…creates additional problems should oil prices drop back (and is also a concern from the perspective of medium-term growth)…The present growth model looks unsustainable unless oil prices remain at or above $120pb.

#### D) Russian econ instability causes political instability and nuclear war.

Filger 9  [Sheldon Filger, columnist and founder of GlobalEconomicCrisis.com, May 10, 2009, “Russian Economy Faces Disastrous Free Fall Contraction,” http://www.huffingtonpost.com/sheldon-filger/russian-economy-faces-dis\_b\_201147.html]

In Russia, historically, economic health and political stability are intertwined to a degree that is rarely encountered in other major industrialized economies. It was the economic stagnation of the former Soviet Union that led to its political downfall. Similarly, Medvedev and Putin, both intimately acquainted with their nation's history, are unquestionably alarmed at the prospect that Russia's economic crisis will endanger the nation's political stability, achieved at great cost after years of chaos following the demise of the Soviet Union. Already, strikes and protests are occurring among rank and file workers facing unemployment or non-payment of their salaries. Recent polling demonstrates that the once supreme popularity ratings of Putin and Medvedev are eroding rapidly. Beyond the political elites are the financial oligarchs, who have been forced to deleverage, even unloading their yachts and executive jets in a desperate attempt to raise cash. Should the Russian economy deteriorate to the point where economic collapse is not out of the question, the impact will go far beyond the obvious accelerant such an outcome would be for the Global Economic Crisis. There is a geopolitical dimension that is even more relevant then the economic context. Despite its economic vulnerabilities and perceived decline from superpower status, Russia remains one of only two nations on earth with a nuclear arsenal of sufficient scope and capability to destroy the world as we know it. For that reason, it is not only President Medvedev and Prime Minister Putin who will be lying awake at nights over the prospect that a national economic crisis can transform itself into a virulent and destabilizing social and political upheaval. It just may be possible that U.S. President Barack Obama's national security team has already briefed him about the consequences of a major economic meltdown in Russia for the peace of the world. After all, the most recent national intelligence estimates put out by the U.S. intelligence community have already concluded that the Global Economic Crisis represents the greatest national security threat to the United States, due to its facilitating political instability in the world. During the years Boris Yeltsin ruled Russia, security forces responsible for guarding the nation's nuclear arsenal went without pay for months at a time, leading to fears that desperate personnel would illicitly sell nuclear weapons to terrorist organizations. If the current economic crisis in Russia were to deteriorate much further, how secure would the Russian nuclear arsenal remain? It may be that the financial impact of the Global Economic Crisis is its least dangerous consequence.

## \*\*\* Uniqueness

### Prices High

**Oil Prices High or Rising Now –**

**A) Middle East Tensions**

AFP 7/23

**(AFP, "Oil prices hit 2 month high on Mideast tensions," 7/23/12 pg online @ www.oilandgaseurasia.com/news/p/0/news/15716//arjun)**

**World oil prices hit 2 month highs as traders fretted over the impact of simmering geopolitical tensions in the crude rich Middle East.** InNew York, light sweet crude for delivery in August soared $2.79 to $92.66 per barrel the highest close since May 17. In London Brent North Sea oil for delivery in September jumped $2.64 to $107.80 per barrel the highest close since May 22. Carsten Fritsch, analyst of Commerzbank, said that «**Prices have climbed. The conflict in Syria which has already been under way for 16 months appears to be escalating. The Iran conflict is also coming into increasingly sharp focus, Israel having blamed Iran for the attack on Israeli tourists in Bulgaria**». **Tensions in Syria rose as fighting in the capital Damascus entered its fifth day**, Syrians fled across the border into Lebanon in their tens of thousands and the Syrian opposition was said to be in control of all the border crossings between Iraq and Syria. **World powers remained in deep disagreement on how to end the fighting** with Russia and China vetoing a Western backed UN Security Council resolution that paved the way for sanctions **and moved a step closer toward military intervention.** Susan Rice, US Ambassador to the United Nations, said that the UN Security Council had failed on Syria. «We will intensify our work with a diverse range of partners outside the Security Council to bring pressure to bear on the Assad regime and to deliver assistance to those in need». Mr Tamas Varga analyst of PVM Oil Associates said that «**Syrian oil production capacity is only around 400,000 barrels per day but when a suicide bomber kills a minister who was a close ally of the ruler of the country, it is inevitable that oil prices go up**». Meanwhile, **Israel accused Iran and Lebanese group Hezbollah of carrying out a deadly attack against Israelis in Bulgaria setting the stage for new tensions in the Middle East.** Mr Benjamin Netanyahu PM of Israel said that «all the signs point to Iran linking Wednesday's blast to a string of attempts to attack Israelis around the world. Israel will respond forcefully to Iranian terror. Iran responded by saying it strongly condemns all terrorist acts». **Market sentiment was also boosted after figures showed American crude stocks sank 800,000 barrels in the week ending July 13th 2012 for a fourth weekly decline in a row. Prices had risen at the start of the week on tensions over major crude producer Iran which said that US military deployment in the Gulf was a source of insecurity**».

**B) Investor Predictions**

**MarketWatch 7/23**

**(MarketWatch, "Speculators reverse bets against higher oil prices," 7/23/ pg online @ www.marketwatch.com/story/speculators-reverse-bets-against-higher-oil-prices-2012-07-23-1248526//arjun)**

LONDON--**Speculators in Brent crude upped their bets Brent prices would rise for the first time since the beginning of the month last week**, according to the InterContinentalExchange Inc.'s ICE +0.06% weekly Commitment of Traders report published Monday. **The move coincided with a week-long rally that saw Brent rise to its highest since late May as geopolitical tensions and hopes of further monetary stimulus in the U.S. helped lift prices, encouraging speculators to up their bets oil would continue to climb.**

**C) Crude Shortages**

Talley 12

(Ian Talley, Dow Jones Newswires, 2012 pg online @ www.4-traders.com/news/IMF-Sees-Oil-Prices-Somewhat-Declining-In-2012-2013--14263930//arjun)

The IMF said **that a sudden shortage in crude supplies could force prices up** temporarily, "but the ensuing slowdown in global growth could lead to a decline in the prices of other commodities." The IMF's assessment, reported in a chapter of the fund's annual World Economic Outlook, comes as tensions simmer between **major oil exporter Iran and Western nations seeking to halt Tehran's alleged nuclear weapons program. Iran has threatened to shut the Strait of Hormuz, a supply route through which travels roughly one fifth of the world's oil**. Furthermore, **analysts warn that a military campaign against Iran could disrupt Iranian exports as well as supply from nearby producers such as Saudi Arabia**. The IMF's full economic outlook is due to be published next week. Fund staff said the weak global economic outlook suggests that commodity prices are unlikely to increase at the pace of the past decade, with commodity prices forecast to "decline somewhat" through 2013. "Sizable downside risks to global growth also pose risks of further downward adjustment in commodity prices," the fund said. If oil prices were to spike as a result of supply shortages, "this could unexpectedly depress global demand and eventually lower the prices of all other commodities," staff said. Still, a sudden price spike would have devastating impacts on poor countries, pushing up to 31 million people into poverty, according to one IMF scenario. "A further spike in commodity prices could have severe macroeconomic and social consequences," the fund warned. Over the longer term, the IMF said **commodity prices may be experiencing a long upswing and could stay close to current historic highs.**

**D) Iran**

Cattaneo 7/19

(Claudia Cattaneo, 7/19/12, "Oil prices hit 8-week high as Mideast tensions raise fears of supply disruptions," pg online @ business.financialpost.com/2012/07/19/oil-prices-hit-8-week-high-as-mideast-tensions-raise-fears-of-supply-disruptions/?\_\_lsa=4ceac0f7//arjun)

CALGARY — **Oil prices defied expectations and raced to an eight-week high on Thursday, up for a seventh straight session, as concerns that Middle East tensions could result in supply disruptions trumped worries about slumping demand due to the weak global economy. Crude for August delivery jumped** US$2.79, or 3.1%, to settle at US$92.66 a barrel on the New York Mercantile Exchange. The price has risen 10% in seven days of gains. Brent oil for September advanced US$2.64, or 2.5%, to settle at US$107.80 a barrel on the London-based ICE Futures Europe exchange. People are getting wrapped up in some of these geopolitical tensions and that has driven a whole pile of short covering **“People are getting wrapped up in some of these geopolitical tensions and that has driven a whole pile of short covering,”** said Martin King, vice-president of institutional research at First Energy Capital Corp. in Calgary. Also, “there seems to be vague hope floating around in the market that there will be some form of quantitative easing [by the U.S. Federal Reserve] at some point, and that is feeding on itself.” Mr. King said he remains cautious about oil prices and sees the oil surge as “a bit overdone.” Prices of Canadian crudes also moved up, as did the Canadian dollar, which rose 0.29¢ to US99.23¢, its highest close since May 15. The differential between Canadian crude and U.S. crude has narrowed from early in the year when it as about $35, but remains in the $20 range. Related Oil demand growth will slow to trickle: OPEC Morgan Stanley’s outlook for the 14 most important commodities in the world Is Saudi Arabia succumbing to the resource curse? **The geopolitical premium on oil widened after Israeli Prime Minister** Benjamin **Netanyahu blamed Lebanon’s Iranian-backed Hezbollah organization for Wednesday’s killing of Israeli tourists in Bulgaria and threatened a forceful response**. In Damascus, **Syrian government forces battled rebels in retaliation for a blast that killed three top anti-insurgency leaders. “People are very concerned about what’s going on in the Middle East and that’s giving oil a boost,”** said Jason Schenker, president of Prestige Economics LLC, an Austin, Tex.- based energy consultant**. “Iran is back in the spotlight and the situation in Syria is deteriorating.”** The Bulgaria incident comes amid heightened tension over the Islamic Republic’s nuclear program, which Israel says is intended to produce weapons for use against the Jewish state**. Iran has threatened to close the Strait of Hormuz, a transit point for about 20% of the world’s traded crude, as the European Union imposed sanctions on Iranian oil on July 1.**

**E) Iran Sanction**

**CSM 6/10**

(CSM, Christian Science Monitor, Ron Scherer, 6/10/12 "Gas prices jump, with summer vacations in full swing," pg online @ www.csmonitor.com/Business/2012/0710/Gas-prices-jump-with-summer-vacations-in-full-swing//arjun)

**Behind the recent rise in gasoline prices seems to be some queasiness in the oil markets over saber rattling in the Strait of Hormuz following Western sanctions against Iran. The Iranians have been running military drills in the waterway, and the United States has beefed up its naval presence**. At the same time**, a labor dispute involving Norwegian oil workers hasn’t helped, as some crude production from the oil-rich nation has been cut off. “With global supply already tight following sanctions on Iran, additional supply disruptions would be expected to put upward pressure on oil prices**,” says Mr. Ash in an analysis. **As the price of oil has risen, so has the price of gasoline**. According to AAA, prices have increased in 33 states and the District of Columbia. The most dramatic increases, Ash says, have been in the Midwest, where the average price is up more than 10 cents a gallon. In some Midwest states, the rise has been even bigger. In Indiana and Ohio, the price has soared by 26 cents a gallon. Kentucky pump prices are up 16 cents a gallon, and Illinois prices are up 14 cents a gallon. The sharp rise in these states is in part because of increased volatility in the Chicago spot market for gasoline, Ash says. “When prices came down in June, they had the largest declines,” he notes. According to Mr. Cohan of Energy Security Analysis, supplies on the East Coast have also been tight because of logistical problems getting gasoline from the Gulf Coast to consumers. **Fuel stations have needed to get their gas from the Gulf because some major refineries closed in the Philadelphia area and have not yet reopened under new ownership. “Fuel supplies** in the East **are tighter** than the rest of the country,” Cohan says.

**F) European Sanction and Economy**

**The Gainesville Sun 6/10**

(The Gainesville Sun, Staff Report, 6/10/12, "Gas prices begin inching higher nationally, AAA reports," pg online @ www.gainesville.com/article/20120710/ARTICLES/120719990/1002/news?Title=Gas-prices-begin-inching-higher-nationally-AAA-reports&tc=ar//arjun)

**Changes in political and economic conditions on the other side of the world are being felt here as the national average price for regular retail gasoline increased** last week for the first time in three months. Facts Current and past price averages Regular Unleaded Gasoline Current National: $3.381 Florida: $3.263 Georgia: $3.211 Tennessee: $3.089 Week ago National: $3.330 Florida: $3.189 Georgia: $3.131 Tennessee: $3.010 Month ago National: $3.555 Florida: $3.387 Georgia: $3.321 Tennessee: $3.238 Year ago National: $3.594 Florida: $3.553 Georgia: $3.523 Tennessee: $3.425 The price of regular in Gainesville remained largely unchanged since the previous week, at $3.30, according to AAA’s weekly Fuel Report. The website GasBuddy.com gave a low in Gainesville of $3.23 and a high of $3.49, with an average price of $3.29. "Although oil prices retreated at the end of last week, it's likely motorists have seen the last of the summer price reductions at the pump," said Jessica Brady, AAA spokeswoman, The Auto Club Group. The national average price of regular unleaded gasoline is $3.38, 5 cents more than last week. Florida’s average of $3.26 increased 7 cents from last week. While Georgia’s state average of $3.21 rose 8 cents from last week. The price of gas peaked the week of April 6, when the weekly average was $3.92, AAA reported. Prices then entered a downward trend until last week **when motorists saw prices jump overnight. Bullish news hit the market at the start of the month and caused oil prices to spike, which has led to the rise at the pump. The two main factors that pushed oil prices higher** last week, AAA reported, **were imposed European sanctions against Iran and an agreed upon plan by European leaders to save the euro and resolve the ongoing debt crisis.** **The European news, among other things, pushed oil prices** to $88 a barrel last week, however the upward pressure soon dissipated after more pessimistic economic news was released. A barrel of oil settled Friday at $84.45 on the New York Mercantile Exchange—51 cents less than the prior week.

**G) Norwegian Strike**

**Fox Buisness 6/27**

(Fox Buisness, Dow Jones Newswire "OIL FUTURES: Crude Rises Ahead OF Inventory Survey," 6/27/12 pg online @ www.foxbusiness.com/news/2012/06/27/oil-futures-crude-rises-ahead-inventory-survey//arjun)

**Separately, crude prices are also finding support from an oil workers' strike in Norway. The strike has shut down 240,000 barrels a day**, or 15% of the country's oil production**,** according to the country's Oil Industry Association. **The strike was launched Sunday** due to a disagreement over the workers' pension deal**. About 700 oil workers on four offshore installations are on strike. The strike comes just days ahead of the European Union's oil embargo on Iran, due to take effect July 1. Although EU countries have been scouring for alternate sources of oil in recent months ahead of the embargo, the strike could lend support to prices.** Matt Smith, analyst at Summit Energy, said **a number of forces are driving crude prices Wednesday, "from weekly inventories to potential supply disruptions from impending Iranian sanctions and striking oil workers in Norway."**

**H) Middle Eastern Instability**

**Resource Investing News 6/10**

(Resource Investing News, Business Insider, "Volatile Crude Market Bringing Out the Bears," 6/10/12 pg online @www.businessinsider.com/volatile-crude-market-bringing-out-the-bears-2012-7//gh-arjun)

Iranian tensions Earlier this year**, the European Union’s decision to implement Iranian oil sanctions resulted in substantial crude price reactions. Prices for West Texas Index** (WTI)**, a grade of crude used as a benchmark in oil pricing, peaked well above $100 per barrel, and fears that Iran might cut supplies to global markets by blocking off the Strait of Hormuz helped propel the price of a barrel of Brent crude, sourced from the North Sea, to over $128. Iran sparked a substantial price increas**e earlier this yea**r as it sparred with the western world over its nuclear program. When it held military exercises in the Gulf, oil prices surged, while fears of a prolonged conflict – and what that might do to global supplies – eventually drove WTI oil to $110 per barrel**. Fast forward five months and the market is currently focused less on Iran and more on global economics. **“Iran is still trash talking**, but what’s even more frightening is the bigger picture,” said Tom Kloza, chief oil analyst at Oil Price Information Service. “The economy just hasn’t looked good. There’s a sense that this malaise will march on.” Over the past few months, market sentiment has undergone a dramatic transformation, with a glut-like scenario very much in the cards. For the quarter, spot Brent and US oil futures fell 20.4 percent and 17.5 percent respectively - their steepest quarterly percentage drop since the 2008 financial crisis.

### AT: Peak oil

#### Peak oil is wrong – empirics and tech solves

BBC 6/19

(Roger Harrabin, Environmental analyst, "Shortages: Is 'peak oil' idea dead?", 6/19/121, www.bbc.co.uk/news/science-environment-18353962//Aspomer)

Since humans found that oil was better than coal for shifting vehicles, people have fretted over oil wells running dry. Bouts of anxiety are periodic. In the seventies a Shell geoscientist, M King Hubbert, sounded an alarm that supplies would peak by 1995 "if current trends continue." They didn't peak. Fear is a powerful motivator and forecasting a shortage can be a good way of avoiding one. Instead of seeing the 1970s oil crisis end in a long-term shortage, we responded by developing more fuel-efficient cars and burning less oil for heating. And what's more, oil production continued to grow. It all disturbed President George W Bush. And his fears over energy security brought him into alignment with Tony Blair, who was pressing to combat climate change. The two agendas fortuitously converged - for a while - in the shape of home-grown energy sources like renewables and nuclear. And by 2006 it looked as though the oil doomsters were being proved right. Production actually fell, and by 2008 the UK Industry Taskforce on Peak Oil and Energy Security began warning that an oil shortage could destabilise economic, political and social activity potentially by 2015. A new parliamentary committee on Peak Oil amplified their concerns. And the government-funded UK Energy Research Centre (UKERC) said forecasts suggesting oil production will not peak before 2030 were "at best optimistic and at worst implausible". Fears over Peak Oil have been exacerbated by the extraordinary surge of car ownership in China - 14.5 million new cars shipped to dealers last year. Oil production has been boosted by new technologies to get it out of the ground But the reflexive response we saw in the 70s has repeated itself. Thanks to government rules and fear of rising oil prices, new cars are using much less fuel. And what do you know? In 2008 we reached a new production high of 73.71 million barrels a day according to the IEA, thanks largely to new technologies for getting the stuff out of the ground. Oil comes from fragments of vegetable matter laid down amongst particles of rock. Even by 1980 we could only recover about 22% of the oil from a typical well. Technology has now driven that figure to 35%. Same oil wells, more oil. A surge of car ownership in China has exacerbated concerns about peak oil Supply has been boosted by unconventional oil extracted from rocks which were previously uneconomic to exploit - like oil shales and tar sands. It takes much more energy and water to separate the oil from these rocks than conventional oil drilling so it's much worse for the environment. But your car doesn't know or care whether it's running on conventional oil or tar sand oil. Fears over "peak oil" haven't evaporated, but the advent of unconventional oils has driven the peak further into the distance. There's also a boom in unconventional gas production that's made the Americans relax about energy security. Gas can be turned into diesel - at a cost - pushing peak oil further into the distance. If things get really bad we can also turn coal into diesel.

**Peak oil is empirically prove wrong**

Rupert Taylor, Associate Professor of Political Studies at the University of the Witwatersrand, Johannesburg. He completed a BA degree in Politics and Government at the University of Kent in 1980, followed by an MSc at the London School of Economics in 1982 and a PhD in Sociology at Kent, completed in 1986.[1] He was formerly a Visiting Research Fellow in the Department of Political Science at the New School for Social Research in New York, Adjunct Professor in the Department of Political Science at Columbia University and a Visiting Research Fellow in the School of Politics, Queen's University Belfast, Jun 2, 2009, “The Geopolitics of Oil”, <http://suite101.com/article/the-geopolitics-of-oil-a122340>

Almost 40 years ago, The Club of Rome published a report that spooked everyone; the world was running out of oil it said. The “Limits to Growth” study predicted the world’s oil reserves would be exhausted by 1990. Oops. The Club of Rome’s experts said, in 1972, there were only 550 billion barrels of oil left. Since then, there have been many other doom and gloom predictions about oil shortages. So far, they’ve all been wrong. According to The Oil and Gas Journal (January 1, 2009), there are about 1.3 trillion barrels of proven oil reserves left in the world. At the current rate of use – about 85 million barrels a day – there’s enough oil left to last 41 years. And, this doesn’t take into account the-who-knows-how-many barrels of undiscovered reserves.

**No peak oil – studies prove**

**Gholz and Press ‘7**

[Eugene Gholz is an associate professor at the LBJ School of Public Affairs at the University of Texas at Austin, and Daryl G. Press is an associate professor of government at Dartmouth College and coordinator of War and Peace Studies at the John Sloan Dickey Center for International Understanding, “Energy Alarmism The Myths That Make Americans Worry about Oil”, No. 589, <http://www.cato.org/pubs/pas/pa-589.pdf>]

In the past decade, the authors of several widely read books and articles have raised alarms about the quantity of the world’s remaining oil reserves. According to the peak oil hypothesis, the world has recently passed an ominous milestone: half of the recoverable oil has already been consumed, and the rate of global oil production has therefore begun, or will soon begin, an irreversible decline.20 The implication, according to proponents of that hypothesis, is that in the coming decades oil prices will soar as supplies dwindle and demand grows.21 Some observers argue that the United States should use foreign policy tools to ensure access to the “American share” of oil supplies in that difficult environment;22 others ominously warn that it is exactly that sort of “mercantilism,” which they view as an inevitable consequence of passing the oil supply peak, that will draw the United States into resource wars.23 The pessimistic claims about peaking oil supplies should be treated with skepticism. For decades, analysts have argued that oil sup- plies were dwindling and that the peak rate of production would soon been reached. In fact, the most eminent advocate of that argument today once predicted that the global produc- tion peak would occur in 1989, but since then global crude oil production has grown by 23 percent, and oil supply (crude oil and other petroleum liquids) has grown by more than 28 percent.24 More telling, the world’s ultimately recoverable resources (URR) have been growing over time, largely because many fields contain substantially more oil than was originally believed.25 One reason URR are growing despite the world’s continuing consumption of oil is that improved technology has allowed a far greater fraction of reserves to be extracted from oil fields. In 1980 only 22 percent of the oil in the average field was recoverable, but with better extraction technology average recovery is now up to 35 percent, effectively increasing URR by more than 50 percent. The results of the growing URR and recovery rate are striking: in 1972 the “life-index” of global oil reserves, the length of time that known reserves could sup- port the current rate of production, was 35 years; in 2003, after 31 more years of accelerating oil extraction, the life index stood at 40 years.26 In short, no one knows how much oil is ultimately recoverable from the earth, but **there is no compelling evidence that reserves are running out or that production is near the peak**.27

## \*\*\* Link

### Generic

**Better Infrastructure reduces Oil Prices**

EPIC 11

(EPIC, Energy Policy Information Center, "DOT: Friend or Foe to a Better Transportation System," 2011 pg online @ energypolicyinfo.com/2011/08/dot-friend-or-foe-to-a-better-transportation-system//arjun)

Last week, a GOP lawmaker spoke on the radio about the discrepancy regarding the appointment of a federal agency to handle state-dependent transportation issues. Representative Cory Gardner (R-CO) suggested that the Department of Transportation (DoT) was serving as a somewhat ineffective middle man, and that states should be left to handle their own functions. While his concerns are mainly focused on Colorado being a net loser with regards to the federal gasoline tax**, there is value in maintaining a centralized, federal agency to coordinate efforts to improve the national transportation system. The current U.S. transportation system is outdated and requires massive infrastructure improvemen**ts. According to the “Urban Mobility Report” released by Texas Transportation Institute, in 2009**, Americans wasted 4.8 billion hours in traffic, equating to $115 billion and 3.9 billion wasted gallons of fuel. With high energy sources and oil dependence being at the forefront of many political discussions, not less, but more, focus needs to be placed on the DoT as an agency that has the potential to improve transportation infrastructure. The United States is currently ranked 15th in infrastructure competitiveness globally. A national infrastructure strategy is necessary to improve our current system. Effective reforms can help facilitate substantial reductions in U.S. oil consumption. Reducing unnecessary spending on fuel can help protect Americans from the volatility of oil prices**, as well as to reduce the trade deficit.

**Public Transportation and Alternative Transportation decreases Oil Dependence and Oil Prices**

Weiss 12

(Daniel J. Weiss, Daniel J. Weiss is a Senior Fellow and Director of Cimate Strategy at the Center for American Progress, "How to Slash Oil Dependence," 3/7/12, pg online @ thinkprogress.org/climate/2012/03/07/439477/how-to-slash-oil-dependence//arjun)

The recent spike in oil and gasoline prices is not a first-time event. It has occurred twice previously in the past four years. Fortunately, we are better prepared to withstand its impact because we are using less oil due to the vehicle fuel economy standards adopted by President Obama in 2009. We are also producing more of our own oil. For the first time since President Clinton, the United States is producing a majority of the oil we rely on to power our vehicles and economy. We are less reliant on other nations for oil and send less of our treasure abroad. This progress, however, cannot mask the fundamental fact that **we rely too much on a single fuel and are thus extremely vulnerable to volatile prices or international events beyond our control. To end the oil price rollercoaster** that inflicts real damage to our economy and middle class, **we must dramatically curtail our reliance on oil as our primary transportation fuel.** As you know, high oil and gasoline prices slow economic growth and take a real toll on families’ already-strained budgets. Unlike many other commodities, demand for gasoline does not significantly decrease even as prices increase because most people cannot quickly and significantly reduce the amount they drive by changing jobs or buying a new home. Our last two presidents recognized that there are no quick fixes to reduce high oil or gasoline prices. In 2008 President George W. Bush said that “if there was a magic wand to wave, I’d be waving it” to lower prices. Last month President Obama said that “there are no silver bullets short term when it comes to gas prices—and anybody who says otherwise isn’t telling the truth.” He also noted that the United States uses 20 percent of the world’s annual oil consumption but has only 2 percent of the reserves. In lieu of wands, bullets, or slogans, this long-term problem requires long-term solutions. **We need a long-term “all of the above” strategy that generates long-term investments in modern fuel economy standards, alternative fuels, and public transportation that can reduce our vulnerability to future oil and gasoline price spikes.** In 2005 President Bush supported this idea when he said, **“I will tell you with $55 oil,** we don’t need incentives to the oil and gas companies to explore. There are plenty of incentives. What **we need is to put a strategy in place that will help this country over time become less dependent.”** President Obama has demonstrated leadership in using less and producing more oil. In 2011, we consumed the least amount of oil since early 2001, and even more savings are imminent as we implement modern vehicle fuel economy standards. We are producing the most oil in at least eight years. In addition, the administration and many in **Congress have supported investments in alternative-fuel vehicles, particularly electric passenger vehicles and natural-gas-powered trucks.** Congress must act on these proposals. Unfortunately, **the pending House transportation bill would disinvest in public transportation—something that’s essential to us using less oil** and protecting families from high gasoline prices. While withholding investments for alternatives to oil, we continue tax breaks for Big Oil companies even though the price of oil is nearly double compared to when President Bush said that such support was unnecessary. This includes tax breaks for the big five oil companies—BP, Chevron, ConocoPhillips, ExxonMobil, and Shell—which made a record $137 billion in profits in 2011 while they produced 4 percent less oil. It makes little sense to continue $4 billion in annual oil and gas tax breaks for oil and gas companies. Instead, we should invest these revenues in helping Americans reduce their oil and gasoline use and save money. There is a proven tool to provide some temporary relief now from high prices. Selling a small amount of oil from the Strategic Petroleum Reserve in coordination with sales from International Energy Agency reserves would boost world oil supplies. Such a sale has occurred under the last four presidents and has lowered oil and gasoline prices every time. This can cut prices and burst the “bubble” caused by Wall Street speculators driving up oil prices for a quick profit. Finally, the Commodities Future Trading Commission must finalize the position limits on large Wall Street speculators to reduce their impact on volatile, high oil prices. Today’s hearing on high gasoline prices is like the rerun of a bad movie. It’s up to you to change the finale**. Congress must slash oil dependence by supporting the doubling of vehicle fuel economy standards, investing in alternative fuels, rejuvenating our public transportation infrastructure**, and paying for it by ending Big Oil tax breaks. The American people would give this ending a standing ovation.

### HSR

**HSR solves oil dependence - empirics**

CSM '10

(Steve Yetiv, professor of political science at Old Dominion University, "US high-speed rail to the rescue", 2/1/10, www.csmonitor.com/Commentary/Opinion/2010/0201/US-high-speed-rail-to-the-rescue//Aspomer)

**What if you could travel** the 347 miles **from Los Angeles to San Francisco in a fraction of the time it takes to drive** this distance **and without the security checks**, the clogged terminals, **and flight cancellations** that seem to plague air travel these days? **What if you could also save money,** substantially decrease pollution and the need to build expensive highways, and create American jobs while you were at it? Seem like a pipe dream? It's not. **The technology is already here** but it's underrated, underutilized, and often overlooked. **High-speed rail is an important part of the answer to** much of America's travel and environmental woes, not to mention potentially **easing American oil dependence**. The United States, as Obama pointed out recently just needs to take it seriously. Around the world, **high-speed trains have roundly beaten planes on price, overall travel time, and convenience** at ranges of up to 600 miles. **Consider** what happened in **Europe: Commercial flights all but disappeared after high-speed trains were established between Paris and Lyon**. And in the first year of operation, a Madrid-to-Barcelona high-speed link cut the air travel market about 50 percent. Traveling by train from London to Paris generates just 1/10th the amount of carbon dioxide as traveling by plane, according to one study. Consider Asia: While America fumbles, China has seen the light. It plans to build 42 high-speed rail lines across 13,000 kilometers (some 8,000 miles) in the next three years. The Chinese Railway Ministry says that rail can transport 160 million people per year compared with 80 million for a four-lane highway. In addition to the central goal of decreasing oil use and pollution, China seeks to bolster its economy with investment in rail and also to satisfy the demands for mobility of its growing middle class. For America, **as fewer people opt for gas-guzzling air or car travel, a high-speed rail system would hit US oil dependence right where it counts: in the gas tank.** High-speed rail is most economical in areas of high population density. In August 2009, Nobel Prize-winning economist Paul **Krugman found that America has a "bigger potential market for fast rail than any European country."** Meanwhile, the US Department of Transportation has identified 11 high-speed corridors, including Los Angeles to San Francisco. And Congress has wisely dedicated $8 billion to pay for high-speed rail projects across the country as part of last year's stimulus package. A few states such as Florida are actively considering the viability of high-speed rail. Yet California is one of the few states that have made noticeable strides toward rail. Indeed, in November 2008, California voters OK'd $10 billion in funding for a rail system linking L.A. and San Francisco. This system will include trains capable of traveling 220 miles per hour, cutting travel time from about six hours via Route I-5 to just 2-1/2 hours. According to a study by the California High-Speed Rail Authority, building the rail system there will create 150,000 construction jobs and 450,000 permanent jobs. It will also "bring economic benefits worth twice the cost of construction," including the development of business centers, and create less environmental impact than a two-lane highway. The system would "save up to 5 million barrels of oil per year and reduce pollutant emissions," while even managing to "avoid 10,000 auto accidents yearly with their attendant deaths, injuries, and property damage compared to expanding only highways." **We spend a lot of time bemoaning US oil dependence**, the job market, and horrible air travel, **but high-speed rail is the answer right in front of us.** What should be done to make it a reality nation-wide? First, state leaders should encourage citizens to really consider the long-term benefits. **High-speed rail would** not only create jobs for Americans, it would actually increase our national security over time by **help**ing **us get off our oil addiction** – an addiction that strengthens our adversaries and leaves us vulnerable to foreign crises and oil disruptions. Investment in rail is well worth it.

**HSR solves oil dependence**

Dutzik et al '11

(Tony Dutzik, Elizabeth Ridlington,Rob Kerth and Travis Madsen,Frontier GroupDaniel Gatti,Environment AmericaResearch & Policy Center "Getting Off Oil", Summer 2011, ,www.environmentamerica.org/sites/environment/files/reports/Getting-Off-Oil---Environment-America.pdf//Aspomer)

High-Speed Rail The policy: **Build high-speed rail lines in 11 high-priority corridors by 2030. The savings** (compared with business as usual case): 6 million barrels per year by 2020 **15 million barrels** per year by 2030 Nations around the world have operated high-speed rail lines for more than 50 years, dating back to the launch of Japan’s Shinkansen bullet train in 1964. **True highspeed rail lines are operated on electricity, potentially substituting for the use of two transportation modes that are highly dependent on oil—cars and airplanes. In addition, high-speed rail lines that operate at high capacity can be signiﬁcantly more energy efﬁcient than airplane or car travel.** 114 Finally, **high-speed rail can be** designed to encourage more compact forms of development, **providing an incentive for the location of businesses in densely developed districts near train stations** and **serving as a focal point for expanded and improved transit service.** The U.S. Department of Transportation has designated 11 corridors for high-speed rail nationwide. **Completing construction of high-speed rail lines** in those corridors—while simultaneously making investments in improved conventional passenger rail service and intercity bus service—**can deliver significant oil savings while laying the groundwork for a less oil-intensive intercity transportation network for the future.**

#### HSR Ends oil dependence

Louise M. Slaughter, House Rep 28th district, Feb 8, 2011, “A Bold Investment in Our Future”, <http://www.louise.house.gov/index.php?option=com_content&view=article&id=2423:a-bold-investment-in-our-future&catid=69&Itemid=59> , KENTUCKY

A national high speed rail system would provide a national security defense here at home. It would serve as a modern network to move both civilian and military personnel at a moment’s notice, while freeing our freight rail lines to move goods and supplies. In addition, recent events in the Middle East have again reminded us of how closely tied we are to the oil-rich Middle East to meet our energy needs. This dependency is bad for America’s national security interests, and will only get worse as the world’s oil supply reaches its peak and begins to decline. A national high speed rail system ends our oil dependency quickly and permanently, and prevents our country from being dragged into future struggles to secure oil to meet our energy needs. In addition to our dependence on foreign oil, we face an increasingly urgent climate crisis, with more severe and dangerous storms grinding commerce to a halt, stranding millions, and threatening human life. These storms are just the latest reminder that the benefits of a greener rail system can no longer wait.

#### HSR is a step towards a clean energy economy

Elgie **Holstein ‘11**

**Holstein** is co-chairing the Department of Energy review team, was a [senior energy adviser](http://gristmill.grist.org/story/2008/8/22/105719/253) to the Obama campaign, the associate environmental director at the Office of Management and Budget, and a special White House assistant for economic policy on the National Economic Council. “Thinking Long Term On America's Energy Future” 4/11, http://blogs.edf.org/energyexchange/2011/04/01/thinking-long-term-about-americas-energy-future/

On Wednesday, President Obama, speaking at Georgetown University, set out a [multi-pronged approach to boosting America’s energy security](http://www.whitehouse.gov/the-press-office/2011/03/30/fact-sheet-americas-energy-security). We agree that America “cannot keep going from shock to trance on the issue of energy security, rushing to propose action when gas prices rise, then hitting the snooze button when they fall again." President Obama’s goals to leverage alternative fuels, increase efficiency, and invest in smart grid technology, advanced vehicles, high speed rail, and public transit are critical steps toward a truly clean energy economy.

The core objectives of our [Energy Program](http://www.edf.org/page.cfm?tagID=50986&redirect=energy) are to help accelerate the deployment of large-scale, clean technologies into the nation’s energy system and remake the market for efficiency and innovation. Our goal is to reduce the environmental impact of energy production, delivery, and use. Why? Because investments in clean technology will bring about the clean energy revolution we need by greatly reducing our use of dirty fuels and improving air quality and, thus, the health of millions of Americans – especially children and the elderly.

### Hydrogen

**Plan causes renewable transition**

**Parthemore 10**

[Christine Parthemore, Fellow at the Center for a New American Security, September 2010, “Fueling the Future Force Preparing the Department of Defense for a Post-Petroleum Era,” <http://www.cnas.org/files/documents/publications/CNAS_Fueling%20the%20Future%20Force_NaglParthemore.pdf>, accessed on 7/11/12, Kfo]

**The best way to begin DOD’s energy transition will be to begin with fast-tracked efforts at bases in the** continental **U**nited **S**tates. The services are already increasing renewable power generation at their installations, and leaders at several bases have even set goals of becoming net-zero energy consumers (in other words, producing as much energy as they consume) and developing resilient microgrids. In several conversations with energy managers at U.S. bases during the course of our research, **there was a tangible sense that increasing efficiency and use of renewable energy domestically contributed to the broader goal of DOD improving its long-term energy security**. To date, **DOD** has focused heavily on generating renewable electricity at domestic installations, but it **should expand this focus to include reducing petroleum use in vehicle** fleets. **Moving to alternative fuels in ground vehicles will be easier than displacing aviation fuels, which require an array of additional specifications.** At its installations, DOD also has more alternative fueling options that those designed for use in aviation (e.g., **DOD** cannot fly its aircraft with electricity today, but it **can adopt electric ground vehicles** if they meet the guiding principles outlined above). **This added flexibility allows individual bases to invest in energy sources that make sense given regional renewable energy production capabilities and infrastructure.**

### Renewable Energy

#### **Renewable Energy would cause a decrease in Oil Prices by creating competition**

UCS ‘05

(UCS, Union of Concerned Scientists, Citizens and Scientists for Environmental Solutions," 2005, pg online @ www.ucsusa.org/clean\_energy/our-energy-choices/renewable-energy/public-benefits-of-renewable.html//arjun)

Renewables offer benefits not only because they can reduce pollution, but because they add an economically stable source of energy to the mix of US generation technologies. Depending on only a few energy resources makes the country vulnerable to volatile prices and interruptions to the fuel supply. As the figure shows, the United States relies heavily on coal, with nuclear power and natural gas supplying most of the rest. Natural gas is generally considered the fuel of choice for new power generation, because it is cleaner than coal and sometimes less expensive. But overreliance on natural gas could also create problems. Fossil fuels are susceptible to supply shortages and price spikes.[29] Since most renewables do not depend on fuel markets, they are not subject to price fluctuations resulting from increased demand, decreased supply, or manipulation of the market. And since fuel supplies are local, renewable resources are not subject to control or supply interruptions from outside the region or country. Some industrial customer trade groups have supported new renewable energy development primarily for their diversity benefits. For example, Associated Industries of Massachusetts, a trade group of manufacturers, testified in support of a utility restructuring settlement including a renewables fund, stating: "Fuel diversity is important to the Commonwealth's future. It would not be advisable to place all our eggs in the natural gas basket."[30] An additional benefit of increased competition from renewables-and thus reduced demand for fossil fuels-could be lower prices for electricity generated from fossil fuels. Several analyses reviewed in Chapter 2 show that competition from increasing renewables could reduce natural gas prices. A comprehensive modeling project of the New England Governors' Conference found that an aggressive renewables scenario, in which renewables made up half of all new generation, would depress natural gas prices enough to lead to a slight overall reduction in regional electricity prices compared with what prices would be if new generation came primarily from fossil fuels.[31] The nation's fossil fuel dependence also has serious implications for national security, since the United States could again be forced to protect foreign sources of oil to meet our energy needs. During the Persian Gulf War in 1991, US troops were sent in partly to guard against a possible cutoff of the US oil supply. The public continues to pay taxes to support the protection of overseas oil supplies by US armed forces. Reliance on foreign oil also makes the United States vulnerable to fuel price shocks or shortages if supply is disrupted. In 1997, about a third of US oil came from the Middle East. By 2030, if energy policy does not change, the country may be relying on Middle Eastern, and possibly Central Asian, oil for two-thirds of its supply. Some analysts believe that oil discovery peaked in the early 1960s and that a decline in global oil production, and the beginning of increasingly high prices, will occur within 10 to 12 years.[32] Some regions, especially New England, still use significant amounts of oil for electricity generation even though nationwide most oil is used for transportation. Electric vehicles, especially if powered from renewable sources, could also play an increasingly important role in reducing oil use and emissions from the transportation sector. And higher oil prices, absent sufficient fuel competition, could lead to higher prices for other fossil fuels.

### US Modeled

#### US action to decrease oil consumption would cause China and India modeling.

Steve A. Yetiv and Lowell Feld, Fall 2007. Professor of political science at Old Dominion University and senior international oil markets analyst at the U.S. Energy Information Administration until March 2006. “America's Oil Market Power: The Unused Weapon Against Iran,” World Policy Journal, <http://findarticles.com/p/articles/mi_hb6669/is_3_24/ai_n29403801/> ,

As world oil demand is projected to increase at least through 2025, some might argue that this would diminish the impact of a U.S. 3 MMBD reduction plan. This is not the case. All other things being equal, the 3 MMBD reduction in oil demand would lead to higher spare capacity and lower oil prices. Recall that we are discussing reductions from current baseline projections of future global demand, which include rising demand from China and India. These projections do not include the type reductions envisioned in our plan. Thus, one can reasonably expect the program to impact price, even under the expectation of rising global demand. In addition, the 3 MMBD plan is merely a conservative starting point for an overall, long-term strategy. Over time, the United States could continue to take action towards cutting its oil consumption, and that could spur other countries to follow suit. But even if other nations choose not to pursue similar policies, U.S. action alone would likely decrease oil prices.

### Mass Transit

#### Affs mass transit causes oil prices to tank – new drilling doesn’t affect it

Lisa Margonelli, directs the New America Foundation's energy initiative, March 27, 2012 “A New Green Agenda for Commuters”, [http://www.thenation.com/article/167078/new-green-agenda-commuters#](http://www.thenation.com/article/167078/new-green-agenda-commuters)

As gasoline prices passed $3.50 a gallon nationally, the politicking predictably kicked into overdrive. “There’s no reason we can’t get gasoline down to $2 and $2.50 a gallon,” said Newt Gingrich, who in February promised he would accomplish this via an agenda he called “Drill here, drill now, pay less.” Two days later three prominent Democrats, including Representative Ed Markey, called for President Obama to release oil from the Strategic Petroleum Reserve to lower gas prices. The huge difference between the thinking of Republicans and Democrats disappears when it comes to gas prices. Both subscribe to the same dubious premise: we can lower prices by increasing supply. But over the past decade, such policies have had little effect on the global oil market. It’s time to change our approach: rather than trying to increase supply in a vain attempt to cut prices, progressives should be embracing policies that will reduce the amount of gasoline we use, thus reducing the impact of prices on household budgets and the national economy. High prices this early in 2012 put us on track for a repeat of 2011, when Americans spent nearly $500 billion on gasoline. Last year’s increase in prices in effect wiped out the benefits of the $100 billion payroll tax cut. Now increased gas prices may affect the outcome of the presidential election. More crucial, they are hampering the economic recovery, and the growing costs of cars and fuel are driving middle-class budgets into the ground. Last September I interviewed Darren Flenoy, a Northern California security guard who had lost his full-time job in 2008 and counted himself lucky to work part time seven days a week. Unfortunately, he has to commute 560 miles a week—so he spends an astounding 51 percent of his income on gas, insurance, car payments and tolls. A complicated set of economic realities trap Flenoy and dozens of other workers I interviewed last year for EnergyTrap.org, a project of the New America Foundation: they hold mortgages on houses far from low-wage jobs and own old and inefficient cars that force them to spend more and more of their income on gasoline—wreaking environmental as well as economic havoc. There is almost no limit to what Flenoy will pay to get to work. “If gasoline goes up to $5, I have to pay it,” he told me. People should not be forced to pour their salary into a gas tank. We should have other ways to get to work and spend our income. Progressives should establish a new green agenda that takes the dialogue away from the empty promises of Republicans, who persist in the fantasy that more drilling will bring lower prices. We have much to gain if we make energy (and by extension the environment) a tangible pocketbook issue for the middle class. Instead of talking about abstractions like green jobs and green energy, candidates have to focus on greener rides—and greener wallets. Three big policy initiatives could put families back in control of their money and their lives: a loan guarantee program for efficient cars, a set of incentives that involve employers in worker transit, and a reorientation of highway and transit funding to encourage innovation and choice in transit. As I’ll discuss below, these strategies—while markedly different from most of the green proposals under discussion—deliver large environmental, economic and political benefits quickly, while building a platform for deeper cuts in carbon emissions and larger markets for green services in the future.

### Link – Magnifier

#### 550 million barrels away

Chad Vander Veen, Author for govtech, and reporter on technology, June 18, 2010, “High-Speed Rail Would Save Oil, Create Jobs, Study Finds”, <http://www.govtech.com/technology/High-Speed-Rail-Would-Save.html> , KENTUCKY

A frank discussion about realities of high-speed rail's economics and viability was one of the high points of this week's Meeting of the Minds conference on sustainable cities this week. With billions in U.S. taxpayer dollars being spent on high-speed rail projects, panelists sought to sort out facts from fiction. Stephen Robillard, vice president of High Speed Rail USA at Siemens AG -- which builds trains and light rails -- said that if 10 percent of drivers switch to high-speed rail ridership, the U.S. would save 550 million barrels of oil annually and that one high-speed railcar equates to taking 200 cars off the road.

### Link – Perception based

#### Hyped talk about market triggers the disad – it turns the case

Martin Feldstein, Chairman of the Council of Economic Advisers under President Reagan, is a professor at Harvard and a member of The Wall Street Journal's board of contributors, 7/1/2008, “We Can Lower Oil Prices Now,”, The Wall Street Journal, <http://online.wsj.com/article/SB121486800837317581.html?mod=opinion_main_commentaries>,

Unlike perishable agricultural products, oil can be stored in the ground. So when will an owner of oil reduce production or increase inventories instead of selling his oil and converting the proceeds into investible cash? A simplified answer is that he will keep the oil in the ground if its price is expected to rise faster than the interest rate that could be earned on the money obtained from selling the oil. The actual price of oil may rise faster or slower than is expected, but the decision to sell (or hold) the oil depends on the expected price rise. There are of course considerations of risk, and of the impact of price changes on long-term consumer behavior, that complicate the oil owner's decision – and therefore the behavior of prices. The Organization of Petroleum Exporting Countries (the OPEC cartel), with its strong pricing power, still plays a role. But the fundamental insight is that owners of oil will adjust their production and inventories until the price of oil is expected to rise at the rate of interest, appropriately adjusted for risk. If the price of oil is expected to rise faster, they'll keep the oil in the ground. In contrast, if the price of oil is not expected to rise as fast as the rate of interest, the owners will extract more and invest the proceeds. The relationship between future and current oil prices implies that an expected change in the future price of oil will have an immediate impact on the current price of oil. Thus, when oil producers concluded that the demand for oil in China and some other countries will grow more rapidly in future years than they had previously expected, they inferred that the future price of oil would be higher than they had previously believed. They responded by reducing supply and raising the spot price enough to bring the expected price rise back to its initial rate. Hence, with no change in the current demand for oil, the expectation of a greater future demand and a higher future price caused the current price to rise. Similarly, credible reports about the future decline of oil production in Russia and in Mexico implied a higher future global price of oil – and that also required an increase in the current oil price to maintain the initial expected rate of increase in the price of oil. Once this relation is understood, it is easy to see how news stories, rumors and industry reports can cause substantial fluctuations in current prices – all without anything happening to current demand or supply. Of course, a rise in the spot price of oil triggered by a change in expectations about future prices will cause a decline in the current quantity of oil that consumers demand. If current supply and demand were initially in balance, the OPEC countries and other oil producers would respond by reducing sales to bring supply into line with the temporary reduction in demand. A rise in the expected future demand for oil thus causes a current decline in the amount of oil being supplied. This is what happened as the Saudis and others cut supply in 2007. Now here is the good news. Any policy that causes the expected future oil price to fall can cause the current price to fall, or to rise less than it would otherwise do. In other words, it is possible to bring down today's price of oil with policies that will have their physical impact on oil demand or supply only in the future. For example, increases in government subsidies to develop technology that will make future cars more efficient, or tighter standards that gradually improve the gas mileage of the stock of cars, would lower the future demand for oil and therefore the price of oil today. Similarly, increasing the expected future supply of oil would also reduce today's price. That fall in the current price would induce an immediate rise in oil consumption that would be matched by an increase in supply from the OPEC producers and others with some current excess capacity or available inventories. Any steps that can be taken now to increase the future supply of oil, or reduce the future demand for oil in the U.S. or elsewhere, can therefore lead both to lower prices and increased consumption today

#### Oil prices are based on perception

Stanley Reed, Bloomberg news, 6/12/2009, “The reality of the perception fueling oil’s surge”, <http://www.msnbc.msn.com/id/31265283/ns/business-oil_and_energy/t/reality-perception-fueling-oils-surge/#.T-Jm3nASRr0>

Worries about the falling dollar and rising inflation are also a driving force. Commodities like oil, along with currencies such as the euro and British pound, are seen as good hedges against a possible collapse of the greenback under the weight of mushrooming U.S. debt. David Woo, an analyst at Barclays Capital in London, believes the world is starting to see a reprise of last year's trend, when rising oil prices and a falling dollar fed off each other, pushing both to extremes. Could oil prices surge out of control? That may not be the likely scenario, but it's certainly possible if the recovery is strong and anxieties about the dollar and oil supplies intensify. Jeffrey Currie, a Goldman Sachs analyst in London, has boosted his yearend 2009 forecast to $85 per barrel. In his view, recent price rises are just the first stage in a powerful rally to be generated by renewed global growth. Amrita Sen, a Barclays Capital analyst, thinks the ceiling is about $100 per barrel. At that point, Saudi Arabia, Kuwait, and the United Arab Emirates "will quickly turn the taps back on," she says. Prices could fall if the bullish mood fades. And many observers think prices are ahead of where they should be. Even some OPEC officials believe a price closer to $50 is realistic in today's economic climate. The current price "is all based on perception," said a senior delegate at the recent OPEC meeting in Vienna. For the moment, though, that thinking isn't influencing money managers eager to invest their cash.

**Oil prices are perception based—the plan triggers a massive sell-off.**

Robert Shiller. Prof. Econ @ Yale, , 11/8/2004, “The perception of declining prices triggers a massive sell-off and price collapse,” The Edge (Malaysia), Lexis.

But what matters for oil prices now and in the foreseeable future is the perception of the story, not the ambiguities behind it. If there is a perception that prices will be higher in the future, then prices will tend to be higher today. That is how markets work. If it is generally thought that oil prices will be higher in the future, owners of oil reserves will tend to postpone costly investments in exploration and expansion of production capacity, and they may pump oil at below capacity. They would rather sell their oil and invest later, when prices are higher, so they restrain increases in supply. Expectations become self-fulfilling, oil prices rise and a speculative bubble is born. But if owners of oil reserves think that prices will fall in the long run, they gain an incentive to explore for oil and expand production now in order to sell as much oil as possible before the fall. The resulting supply surge drives down prices, reinforces expectations of further declines, and produces the inverse of a speculative bubble: a collapse in prices.

### 2nc Backstopping Link

#### Saudi Arabia will flood the market in response to the plan – its empirically proven – that ensures total instability across all oil producing states

Steve LeVine is the author of The Oil and the Glory and a longtime foreign correspondent, JUNE 19, 2012, “The Coming Oil Crash”, <http://www.foreignpolicy.com.ezproxy.baylor.edu/articles/2012/06/19/the_coming_oil_crash?page=0,1>

Now, a convergence of forces is weighing on petro-rulers' nerves: Europe's economic crisis; a slowdown in Chinese growth including the demand for oil; a steep decline in U.S. oil consumption with a simultaneous rise in domestic oil production; and a determined effort by petroleum colossus Saudi Arabia to build up global inventories. It is perhaps the last data point -- Saudi Arabia's aggressive actions to lower prices by pumping some 10 million barrels a day -- that might seem baffling given Riyadh's economic stake in the oil game. But Verleger, the Colorado-based oil economist, says the Saudi rationale is clear, and linked to the kingdom's traditional long game. In an email exchange, Verleger pointed me to an interview he did a few days ago with Kate Mackenzie at the Financial Times. First, he explains, the Saudis are out for blood when it comes to fellow petro-states Russia and Iran, the former for failing to help calm the fury in Syria, and the latter for refusing to go to heel and give up its nuclear ambitions; in both cases, the Saudis think lower prices will produce a more reasonable attitude. In addition, Saudi Arabia is terrified of a current U.S. boom in shale oil; it is hoping that lower prices will render much of the drilling in North Dakota's Bakken Shale and Canada's oil sands uneconomical. Finally, the Saudis are well aware that low oil prices helped to turn around the global economic downturn in 1998 and 1999, and they hope to help accomplish the same now, and perhaps win new affection from the world's leading economies. Meanwhile, though, Verleger thinks that oil prices will crash. Markets overshoot when one is trying only to fine-tune them, as the Saudis are, he argues -- which is the basis for his forecasts of $40-a-barrel oil and $2-a-gallon gasoline by November. To the degree that such fire-sale prices are long-lived, they could cause mayhem among petro-rulers. While Verleger thinks that the Saudis can maneuver prices back up when they want, the very nature of a crash demonstrates that markets can be uncontrollable. But the Saudis are willing to suffer the consequences, knowing that their own financial reserves (some $700 billion) give them staying power. "The Saudis are able to look at the long term," Phil Flynn, an analyst with Pricing Futures Group, told me. Citigroup's Morse thinks that prices can fall further from where they are now, but not as low as Verleger forecasts because, he told me, today's market conditions are different from 2008 -- the decline in demand is not as steep, and inventories are not as large. Morse calculates that Brent can fall into the $70s-per-barrel range and U.S.-traded oil into the $60s-a-barrel range. "There is a good chance Saudi Arabia continues to produce enough to force [a rise in oil inventories]. And there's a good chance, between Europe and China, that demand growth could come to a halt," Morse said. OPEC might respond by reducing production, but its actions would be late. "Add to the scenario no more supply disruptions (or only modest ones) and no military conflict involving Iran," Morse said, "and prices could fall another $20 a barrel fairly easily." Low oil prices can have serious social impacts simply because, with less free cash, people tend to start more closely scrutinizing their surroundings -- and when they become unhappy with what they see, they start looking for a scapegoat. The conditions that led to the string of Arab Spring ousters were not so much the lack of democracy as widespread public dissatisfaction with personal economic prospects. Analysts see similar vulnerabilities for the rulers of Iran, Russia, and Venezuela; when Venezuelan President Hugo Chávez can no longer milk the state oil company for public payouts, for instance, his political support could be in jeopardy. Not everyone thinks the times will be so brutal for petro-rulers. Neil Beveridge of Bernstein Research told me that conditions may push down prices as low as around $90 a barrel, but no more than that. And the Energy Information Administration (EIA) on Monday estimated oil prices in the second half of 2012 at $95 a barrel. The latter would be a heart-in-your throat, 10 percent plunge from the EIA's previous forecast. But it would be nowhere near the cliff that brings cold chills to the world's petro-rulers. As for my mom, either of these outcomes will make her merrier cruising the 405.

### Backstop Links – Alt Energy

#### New alternative energy investments will undermine Saudi resolve to cut production and cause them to accept a price crash

Energy Tech Stocks, 08 (“Petro-politics Expert Marcel: Saudis Have Oil But Not Enough; OPEC May Flood Market To Hurt New Techs,” 1/27/2008, http://energytechstocks.com.previewmysite.com/wp/?cat=15&paged=2.)

Saudi Arabia still has a lot of oil; nevertheless, the world doesn’t have enough to meet forecasted demand of roughly 115 million barrels a day by 2030, a more than 30% increase over today’s 87 million barrel daily consumption. Shorter term, should OPEC members feel threatened by new alternative energy technologies, they very well may flood the market, temporarily driving crude prices down in order to make the new technologies appear financially unattractive. That’s the analysis of Valerie Marcel, a Dubai-based petro-politics expert and the author of “Oil Titans: National Oil Companies in the Middle East.” During a lengthy conversation, Marcel, who is an associate fellow at UK-based Chatham House, one of Europe’s leading foreign policy think-tanks, told EnergyTechStocks.com that she wasn’t optimistic that oil shortages can be avoided, despite growing recognition of the problem in major oil-consuming nations. Marcel further said that the Saudi national oil company – Saudi Aramco – appears worried about fuel cell vehicles and other attempts by the world to wean itself off oil, and that should it and other OPEC members feel threatened, they would “play hardball,” flooding the market in an attempt to derail the new technologies. Marcel said that after 36 separate interviews with oil company officials, she believes Saudi Arabia probably has about 75 years of reserves remaining at current production rates, and that the Kingdom is capable of raising daily production from around nine million barrels a day currently to a sustained 12.5 million per day, which is its plan. At the same time, Marcel said she understands why, given the Kingdom’s self-imposed secrecy surrounding its oil industry, the world keeps asking, “Why should we trust them?

#### OPEC will flood the market in response to the plan

Corredoira ‘12

[Rafael A. Corredoira is Assistant Professor of Management & Organization at the Robert H. Smith School of Business at the University of Maryland. “More domestic production won't lower gas prices” 4/19, <http://articles.baltimoresun.com/2012-04-19/news/bs-ed-gas-prices-20120419_1_oil-prices-opec-gas-prices>]

Now, consider this pair of scenarios: 1) The U.S. [buys](http://articles.baltimoresun.com/2012-04-19/news/bs-ed-gas-prices-20120419_1_oil-prices-opec-gas-prices) less oil from abroad; as a result, OPEC would cut production and increase prices again (that's what cartels do). 2) The U.S. increases oil production to the extent that it stops buying oil abroad; OPEC would cut production and keep the world price high. In both cases, U.S. consumers would end up paying the OPEC price because U.S. producers (in the absence of trade restriction that would create an isolated market) will export at the higher OPEC price instead of at the lower U.S. price.

#### Saudi Arabia will flood the market in response to expanding alternative energy options

Sean **Brodrick 6/14/11**

[Brodrick is Weiss Research’s small-cap and natural resources specialist. He is the editor of *Red-Hot Global Resources* and *Global Resource Hunter* investment services, and a regular contributor to the dailyinvestment e-newsletter, *Uncommon Wisdom*, “3 Reasons Why Oil Prices Will Go Lower Short-Term,” <http://www.uncommonwisdomdaily.com/3-reasons-why-oil-prices-will-go-lower-short-term-14427>]

Recently, Saudi Arabia increased its production to 10 million barrels a day to pick up the slack from sanctions against fellow OPEC member Iran. What’s more, Saudi Oil Minister Ali al-Naimi said the desert kingdom saw increased oil production (and lower prices) as a “stimulus” for the sputtering global economy.

What’s more, Mr. al-Naimi said Saudi Arabia’s analysis “suggests we will need a higher (production) ceiling than currently exists.”

While the Saudis will see how other OPEC members react before formulating a position, Mr. al-Naimi added that his country needs to be allowed to produce more than it currently does. Saudi Arabia says it has spare capacity of another 2.5 million barrels per day.

Is Mr. Luaibi, the oil minister for Iraq, going to tell the Saudis otherwise? Iraq’s oil exports are expected to rise to 2.9 million barrels-per-day next year, from 2.4 million barrels this year. So, Mr. Luaibi might have trouble convincing the Saudis to cut back.

It may all be a wash because Saudi Arabia said it is going into the meeting planning not to ask for OPEC to raise the production level. But that won’t stop it from cheating like a bandit … indeed, any OPEC country that can produce more oil seems to be ready to do so, regardless of quotas.

Also, Saudi Arabia has every incentive to keep prices low enough to discourage a search for alternative fuels and keep demand high for its oil.

Sources say while Iran needs $117 oil to balance its budget, Saudi Arabia is happy with $100 oil. I think the Saudis might be happier with even-lower prices than that, considering that they can pump oil for an estimated cost of $20 per barrel.

Think about it: If the Saudis keep the price of oil low enough, long enough, a lot of expensive deepwater-oil projects will have to be shelved.

Compare their $20-per-barrel cost with North Sea fields that have a marginal cost of about $60 per barrel, while other new deepwater discoveries can cost from $70 to $90 per barrel.

That means more market share for the Saudis, who can ride prices back up again after they put some deepwater competitors out of business.

#### Alternative energy investment causes OPEC to flood the market.

Goodstein, 07. (David, PhD, Vice Provost and Professor of Physics and Applied Physics at Caltech. “OPEC Accepts No Substitute,” December 2007, Nature Physics 3.11, Ebsco. )

For decades, it has been the explicit policy of OPEC to keep the price of oil within certain limits: not too low, of course, to preserve revenue; but also not too high, because that would encourage investment in alternative fuels. The implicit threat is this: if you put money into developing an alternative to oil, we will open the spigot, flood the market with cheap oil and wipe out your investment. In other words, the war with Iraq may also have been about preventing investment in alternative fuels.

#### Investment in alternative energy causes OPEC to flood the market.

Kole 07. (William , Associated Press Writer. “Despite rising prices, OPEC appears to be in no rush to raise its output targets,” 9/8/2007, NWI Times, http://nwitimes.com/articles/2007/09/08/business/business/doc7e79bb33cb7ec6f28625734f00723bfd.txt. )

If you remember what happened in the 1970's (look it up if you don't) you will find the biggest fear OPEC has. It is that oil prices will go up and stay high long enough to fuel investment into conservation and alternative energy sources to the point that a critical mass is reached and the need for their oil is greatly diminished or replaced by other energy sources they don't control. That's exactly what started happening in the 1970's and it took OPEC opening up the tap to make oil cheap again over a decade to reverse the trends. The result was that interest in conservation and alternative energy waned and investments dried up in the face of cheap oil again. We are once again nearing that point and you can expect to see OPEC flood the market again if they see us getting serious with conservation and alternative energy sources that compete with, or worse yet, actually replace demand for their oil. OPEC walks the fine line between price and demand and wants to keep us hooked up to their oil like a bunch of junkies on drugs while making as much money as possible.

#### Saudi perception of demand reduction will trigger a price drop.

MeyerandSwartz**,** 08. (Gregory and Spencer, Adjunct Professor at the University of Phoenix and Staff Writer for the Wall Street Journal. “ENERGY MATTERS: Saudi Fears Of High Oil Prices Fade With Demand,” 5/5/2008, http://www.cattlenetwork.com/Content.asp?contentid=218898. )

This shift towards a higher price floor creates openings for competing energy sources. Saudi Arabia's role in the global oil market has sometimes been likened to the Federal Reserve, calibrating its output depending on market signals. Critical to this unique standing has been Saudi maintenance of a cushion of "spare capacity," now estimated at about two million barrels a day. For much of the recent period, the kingdom has refrained from tapping into all or most of its spare capacity. Within oil industry circles in places like Houston, the Saudi power has also carried a somewhat ominous connotation. Faced with growing production from the U.K., Mexico and other non-OPEC countries in the mid1980s, Saudi Arabia flooded the market in an effort to drive out high-cost production and reassert its dominant market share. The 1986 oil price crash ushered in more than 15 years of mostly-lower crude prices, instilling a memory of economic hardship on the western oil industry that continues to be reflected in Big Oil's caution during these heady times. The shift to lower petroleum prices also impeded the development of renewable energy for about two decades. In his book, The Prize, Daniel Yergin compared the Saudi tactic in the 1980s to power plays by John Rockefeller and other heavyweights in the history of oil who have used a "good sweating" to drive out competitors. "No one is worrying about over-supply," Yergin said in an interview. Instead, the market is preoccupied with meeting growth in China, India and other fast-developing economies. "What (the Saudis) have discovered is that the tolerance level in consumers is higher than they thought," said Thomas Lippman, an adjunct scholar at the Middle East Institute, a Washington research institute. Given the specter of higher demand in Asia and the increased cost of bringing on new oil production, many analysts believe the long-term price of oil is in the $45-$60 a barrel range. Recent comments by Naimi suggest the Saudi official sees an even higher floor than that. "A line has been drawn now below which prices will not fall," Naimi said in March in an interview with PetroStrategies, a French energy publication. Citing the marginal costs of biofuels and Canadian tar-sands, Naimi defined the floor as "probably between $60 or $70." Naimi in April said Saudi Arabia was putting off a plan to expand oil capacity beyond 12.5 million barrels because of concerns about demand growth. "Unless we see really genuine demand, we have to pause right now and see what happens," Naimi told Petroleum Argus. Some energy analysts say the Saudi move suggested a more sober outlook on oil prices. "If they see a lot of risk on the demand side then you could see very low prices and potentially a lot of underutilized capacity down the road," said Ken Medlock, a fellow at Rice's Baker Institute.

#### Saudi Arabia will over-supply the market if they fear alternative energy

MeyerandSwartz**,** 08**.** (Gregory and Spencer, Adjunct Professor at the University of Phoenix and Staff Writer for the Wall Street Journal. “ENERGY MATTERS: Saudi Fears Of High Oil Prices Fade With Demand,” 5/5/2008, http://www.cattlenetwork.com/Content.asp?contentid=218898. )

The Saudi national most vocal in outlining the potential threat of renewable energy has been former petroleum minister Sheikh Ahmed Zaki Yamani, who held Naimi's job from 1962 to 1986. Perhaps Yamani's most oft-quoted statement was his prediction that "The Stone Age did not end for lack of stone, and the Oil Age will end long before the world runs out of oil." The comment has been cited as early as the 1970s, but Yamani has continued the mantra. Speaking last week, Yamani said his advice to OPEC is "to increase production and lower prices because this is harmful midterm (and) long term to OPEC itself," according to a report in Energy Intelligence. "It will increase the activities to find alternative sources of energy, and OPEC will remain helpless at that time." Yamani was unavailable for an interview, but the Centre made available its Executive Director, Fadhil Chalabi, who was Acting Secretary General of OPEC in 1983-1988. Chalabi said leading OPEC producers are being short-sighted in seeking ever-higher oil prices. While demand growth has been impressive in developing countries so far, Chalabi warned that China's use of coal, nuclear energy and other sources will displace oil. "It's a matter of time," Chalabi said.

## \*\*\*Internal Links

### Saudi Arabia – Magnifier

#### Saudi Arabia can change the market in one day

Steve LeVine is the author of The Oil and the Glory and a longtime foreign correspondent, AND Logan Bayroff is a research assistant at the New America FoundationJune 15, 2012 , “The Weekly Wrap”, <http://oilandglory.foreignpolicy.com/posts/2012/06/14/the_weekly_wrap_june_15_2012>

Oil king Venezuela? Is Saudi Arabia's mere possession of much oil the central reason it is the most pivotal energy player on the planet? Observed through the prism of Venezuela, the answer is no. BP's 2012 Statistical Review of World Energy, the bible of the energy industry, was released this week, and makes official something that OPEC asserted months ago -- Venezuela has surpassed Saudi, and become the world's largest reserve of oil. With 296 billion barrels, Venezuela has 18 percent of the oil on the planet; Saudi Arabia, with 265 billion barrels, has 16 percent (Canada's 175 billion barrels make it third, with 11 percent of the global total). Yet, oil is one sphere where possession is not nine-tenths of the law. Saudi Arabia remains king because of what it does and, more important, can do with its oil. For starters, the Saudis are the world's biggest oil exporters (10.1 million barrels a day in April); Venezuela exported 2.1 million barrels of oil a day, the seventh in rank, according to OPEC. But the more salient factor is Saudi's residual capability -- it is the sole country able to add meaningful daily volumes to global production in a pinch; Venezuela's spare production capacity is effectively zero. And that factor -- spare capacity -- is pivotal in the stability, or lack of, in global energy. When the world knows that there is oil to be had regardless of what calamity ensues, it can go and worry about other matters. Conversely, when spare oil production capacity becomes razor-thin, the world fixates on petroleum; prices go through the roof. Conclusion: Little sleep was lost this week in the kingly palaces of Saudi Arabia.

#### Even a small oil price drop causes the instability

Steve LeVine is the author of The Oil and the Glory and a longtime foreign correspondent, JUNE 19, 2012, “The Coming Oil Crash”, <http://www.foreignpolicy.com.ezproxy.baylor.edu/articles/2012/06/19/the_coming_oil_crash?page=0,1>

To understand why your average oil king is right to be worried at the moment, grab your calculator. The price of U.S.-traded oil fell to $83.27 a barrel on Monday, and global benchmark Brent crude to $96.05 a barrel; now juxtapose that against the state budgets of Iran, Russia, and Venezuela, which require more than $110-a-barrel Brent prices to break even, according to generally accepted estimates, and you'll see the problem. Given this already-existing revenue gap, one might fairly wonder what would happen if, as Citigroup's Edward Morse says is possible, prices drop another $20 a barrel for an extended length of time. Oil economist Philip Verleger's forecast is even gloomier -- a plunge to $40 a barrel by November. Or finally, what Venezuelan Oil Minister Rafael Ramirez fears -- $35-a-barrel prices, near the lows last seen in 2008. In Russia, for instance, "$35 or $40, or even $60 a barrel, would be devastating fiscally," says Andrew Kuchins of the Center for Strategic and International Studies. That could damage the standing of President Vladimir Putin, since his "popularity and authority are closely correlated with economic growth," Kuchins told me in an email exchange. With few exceptions, the same goes for the rest of the world's petro-rulers, whose oil revenue supports vast social spending aimed at least in part at subduing possible dissatisfaction by their populace. Saudi Arabia can balance its budget as long as prices stay above $80 a barrel, according to the International Monetary Fund, although projected future social spending obligations will drive its break-even price to $98 a barrel in 2016.

### Russia Econ Stable Now

#### Our internal link is unique – Russian Economy is stable now, but a drop in Oil prices would collapse it – no reserve capital

Natasha Doff, The Moscow News,11/24/11, “Anti-crisis jabs”, <http://themoscownews.com/business/20111124/189232103.html>,

Russia is moving to shore up its public finances and boost liquidity to inoculate itself from Europe’s spreading debt crisis, the country’s acting finance minister, Anton Siluanov, told investors. The government will use its expected budget surplus of around 300 billion rubles ($9.9 billion) to increase domestic borrowing and support struggling enterprises, Siluanov told a Moscow financial forum Wednesday. “The government is considering scenarios that would help preserve stability in the Russian economy and reduce the impact of negative events,” Siluanov said. While Siluanov stressed that the Russian economy was in good shape, with national debt levels less than 11 percent of GDP, he said the finance ministry was “under no illusions” as to the effect a recession in Europe would have on Russia. A recession and banking crisis in Europe looked increasingly likely this week as a bond auction flopped in Germany, Europe’s largest economy, and bond yields rose across the continent. Russia’s main vulnerability is to a drop in the oil price, since the country relies on energy exports to make up some 40 percent of federal revenues. During the 2008 financial crisis, Russia was able to tap into its reserve funds of $600 billion to protect its economy as the oil price plummeted to as low as $35 a barrel. This time around, such a luxury might not be available – the funds now hold half the capital they had in 2008, around 8 percent of GDP.

### Multiple Countries – Venezuela, Mexico, Colombia, etc.

#### Persian Gulf States, Russia, Central Asian Republics, Venezuela, Mexico, Colombia, and Nigeria – all are stable with oil

Rupert Taylor, Associate Professor of Political Studies at the University of the Witwatersrand, Johannesburg. He completed a BA degree in Politics and Government at the University of Kent in 1980, followed by an MSc at the London School of Economics in 1982 and a PhD in Sociology at Kent, completed in 1986.[1] He was formerly a Visiting Research Fellow in the Department of Political Science at the New School for Social Research in New York, Adjunct Professor in the Department of Political Science at Columbia University and a Visiting Research Fellow in the School of Politics, Queen's University Belfast, Jun 2, 2009, “The Geopolitics of Oil”, <http://suite101.com/article/the-geopolitics-of-oil-a122340>

Gulf States, Russia, former Soviet Central Asian Republics, Venezuela, Mexico, Colombia, and Nigeria depend heavily on high oil prices. The income from oil supports whatever political and social stability these countries have. But, in the spring of 2000, most of the nations listed were pretty shaky even with oil prices flirting with historical highs of $30 U.S. a barrel. By the summer of 2008, oil was five times that price and talk of instability in oil-producing countries became very muted. Oil Companies not in the Democracy Business Few things can cause people in the boardrooms of international corporations to break out in a cold sweat more than political instability. If the certainty and stability that keeps executives calm is achieved through authoritarian governments, so be it. As far as corporations are concerned, their business generally is not promoting democracy. Looking at the world’s major oil producers more than a few of them have non-democratic governments. In fact, the list is almost a roll-call of authoritarian regimes. Saudi Arabia is an absolute monarchy. Kazakhstan is a dictatorship. Brunei (absolute monarchy); Turkmenistan (dictatorship); Libya (dictatorship); Iran (theocracy); Iraq (war-ravaged); Kuwait (absolute monarchy), and on, and on. High Oil Prices Good for Security Having really tough governments in place tends to ensure stability - for a while. But, the repression worries the people whose job it is to be anxious about global security. As they sit in their universities, and departments of strategic studies and suck on the ends of their pencils they visualize a world with low oil prices, and most of them don’t like what they see. The conventional thinking is that a steady flow of oil wealth keeps the lid on revolution. Oil-rich dictators and monarchs can toss a few goodies to the masses in the form of hospitals and schools. This keeps them from agitating for freedom and democracy. The New York Times reported on March 28, 1999 on the effects of low oil income: “In Mexico, Nigeria, Venezuela, Algeria, and even in the world’s largest oil producer, Saudi Arabia, shrunken budgets are straining social and political cohesion.”

## \*\*\* Impact

### Russia diversifying slowly

**Russia will begin to diversify SLOWLY**

Gardner '12

(Hall Gardner, Professor and Chair of the Department of International and Comparative Politics, American University of Paris, "TOWARD A RESOLUTION OF THE CYPRUSDISPUTE AND THE EURO CRISIS:A GEO-ECONOMIC PERSPECTIVE", January 2012, www.cicerofoundation.org/lectures/Hall\_Gardner\_Cyprus\_Dispute\_and\_Euro\_Crisis.pdf//Aspomer)

Moreover, **the fact that Beijing’s accession to the** World Trade Organization (**WTO**) **helped boost Chinese trade and foreign investment in China, has**, in turn, **led Moscow to seek entry** into the WTO as well. Here, after negotiations in Geneva, which took place in the aftermath of the August 2008 Russia-Georgia war, Georgia dropped demands that Russia withdraw its forces from South Ossetia and Abkhazia in order for Moscow to enter the WTO. Tbilisi has consequently settled for a deal in which a neutral intermediary would handle trade between Georgia and Russia, thus opening the door for Russian WTO membership.[27] Whether this deal will eventually open the door to the settlement of the questions of South Ossetia and Abkhazia after the 2008 Georgia-Russia war, among the other “frozen conflicts” in the Black Sea/ Caucasus region, remains to be seen.[28] **Russia**, like China before it, **will** consequently **join the WTO in 2012**, after eighteen years of negotiations. **Once it becomes a WTO member, Russian efforts to gradually diversify its economy over a ten year period can open new doors to trade primarily with Europe.**[29] **WTO membership can also help to reduce Russian export dependence on energy**, primary products and weaponry. Moscow will still need to work on intellectual property rights, among other issues—in addition to permitting more competition in energy transport. **It will take time for the Europeans and Russians** to build confidence and **to develop markets, but it appears to be a step in the right direction.**

### Oil K/T Russia Econ

#### Russia is on the brink of an oil induced recession now - plan kills there economy

**British Embassy Moscow 6/19** [British Embassy Moscow, The purpose of the FCO Country Update(s) for Business (”the Report”) prepared by UK Trade & Investment (UKTI) is to provide information and related comment to help recipients form their own judgments about making business decisions as to whether to invest or operate in a particular country, “Russia: Oil and the Wider Economy – June 2012”, Tuesday, 19 Jun 2012]

Falling oil prices have driven down the rouble to a three year low and the Russian markets have had their worst month since 2008. If oil prices continue to fall the impact on the Russian economy could be serious. S&P say $80 oil would be enough to push Russia into a mild recession, although the government disagrees. The 2008 financial crisis caused Russia’s economy to contract by 8%, the largest fall of any G20 country, but since then high oil prices have meant that Russia has been relatively unaffected by the ongoing crises in the Eurozone and elsewhere. But the continuing fall in oil prices means this may no longer continue to hold true. Recently the price of Urals Crude followed Brent below $100 a barrel, and as a result the rouble fell to a 3 year low against the dollar and euro. Russian stocks also recorded their 3rd worst month since records began in 2000. The rouble has since recovered some of its losses following significant Central Bank interventions, but the dramatic fall highlights just how linked the Russian economy is to the oil price. Nothing has fundamentally changed in the Russian economy, and these negative trends are caused almost exclusively by the fall in global energy prices. The rouble has always been driven by changes in the oil price and the symbolic drop below $100 a barrel has hit the currency hard. Two thirds of the Russian stock market is linked to oil and gas, so again falling energy prices have a strong impact on the market here. The latest Eurozone news has also driven a flight to safety across global markets, further depressing Russian stocks. The fall in the rouble has attracted the attention of both consumers and the government. A number of Russian mass market tabloids have been running stories discussing the weakening rouble. Prime Minister Medvedev has chaired a meeting on financial market stability and key economic figures - including the Finance Minister and Central Bank Chairman - have taken to the airwaves to try and increase consumer confidence, the latter announcing to a press conference that all his personal savings were in roubles. Nonetheless, the Russian economy is in a good place in the short term. Russia is in a better place than it was in 2008, its banks are better capitalised, its markets are reasonably liquid, and – so far at least – the Central Bank is continuing to allow the rouble to float freely within an agreed band. Russia’s direct exposure to the Eurozone remains low and domestic consumer demand is strong with inflation and unemployment both at historic lows. But a sustained fall in oil prices will only exacerbate the existing structural problems in the economy. The budget balances this year at $115, now well above the prevailing oil price, some analysts expect the break-even point to rise to $125 in the coming years. While high prices at the start of the year mean the year’s average oil price is still above $115, some commentators expect oil to finish the year between $90-$100 and others have a long term expectation of $80-$90 oil, and do not rule out oil as low as $50. Capital outflows meanwhile have slowed but not turned around and could accelerate again if lower oil prices were to spook investors. And although the potential earnings are great the investment climate – while not directly oil linked – remains challenging. **While no one disagrees that a fall in oil prices is bad for the Russian economy, the Government are more bullish about prospects – the Ministry of Economic Development think $80 oil will knock GDP growth down to 2%, whereas Standard and Poors say $80 pushes Russia into a mild recession, with a further decrease to $60 shrinking the economy by 5% and creating a budget deficit of some 8% of GDP. The Russian economy is, as ever, driven by the oil price. Rising oil prices deliver increasing returns to the Russian budget and encourage investors. Falling oil does the reverse, increasing the deficit, worrying consumers and deterring much needed investment - in the first five months of this year alone $46.5 billion left the country.**

#### Oil in Russia is the SINGLE most important factor for their economy

Mark Adomanis, Contributor, 5/08/2012, “Russia and Oil: A Likely Source of Future Stability”, <http://www.forbes.com/sites/markadomanis/2012/05/08/russia-and-oil-a-likely-source-of-future-stability/> , KENTUCKY

Russia’s addiction to oil and natural gas is not, contrary to the implications of many stories in the media, a recent development. As far back as the early 1970′s, the Soviet state was relying on the energy sector to subsidize the remainder of an economy that was increasingly mired in fatal inefficiency and waste. Oil and natural gas were some of the very few products that the Soviet Union could trade internationally, and they were the regime’s most vital sources of hard currency.\* Gorbachev’s decision to press ahead with glastnost and perestroika was, to a large extent, motivated out of pure necessity: when he and his close advisers looked at the non-oil budget deficit, and the low oil price, they realized that something had to change. This point is not that oil dependence is good, it’s not good it’s quite risky and dangerous, it’s simply that this isn’t something Putin cooked up in the depths of the Lubyanka but a problem that the country has been unsuccessfully grappling with for several decades.

#### OIL MUST stay ABOVE 80 dollars – if not it causes Russian collapse

Russia Briefing, leading economic journal on Russian economic activity,May 28th, 2012, “Russia Could Face Political Flux if Oil Prices Sink”, <http://russia-briefing.com/news/russia-could-face-political-flux-if-oil-prices-sink.html/>

“If energy prices plunge, Russia may suffer a worse recession than in 2009, which would swell anti-Putin sentiment and we will see the escalation of political violence and repression on one hand, and the worst economic crisis on the other,” said Dmitriev, a deputy economy minister of Russia from 2000 to 2004. “This may lead to Putin losing control and a chaotic political transformation.”

Brent, the grade that underpins prices for Russia’s Urals oil blend, may decline to US$80 a barrel if Greece leaves the currency union without triggering crises in other euro members or as low as US$60 if there is a “disorderly” breakup of the euro region, according to a Bank of America report dated May 17. Urals today traded at US$103.95, the lowest since last December.

As for nation’s gross domestic product, it may shrink to 2.1 percent, when inflation will speed up to 6.7 percent, according to the Sberbank’s Center of Macroeconomic Research. Bank of America Merrill Lynch predicts even higher inflation which might be as much as 7.6 percent.

“If the oil price will slump to US$80 per barrel, Russia may experience zero growth in GDP,” Julia Tseplyaeva, leading economist with BNP Paribas said to Russian business daily Vedomosti.

The study is being closely watched because Dmitriev’s center was the only major one to accurately predict early last year that support for the regime was plunging and that it would face a crisis as early as December’s parliamentary elections.

“A deteriorating global economy would threaten to wipe out capital that Russian investors and businesses moved to Europe in search of safety,” Dmitriev said, adding that there is already “large-scale capital flight from Russia, despite the economic recovery.”

In a worst-case scenario following a Greek exit from the euro area, Russia’s economy would contract 2.1 percent with the potential for US$95 billion in capital leaving the country in a year, Ksenia Yudaeva, chief economist at Moscow-based OAO Sberbank, the country’s biggest lender, said to Bloomberg.

After promising US$153 billion in new spending on state workers, pensioners and the military to ensure his re-election, Putin is seeking to head off a widening deficit, with oil prices more than US$10 below the average price of US$117 a barrel needed to balance the budget this year.

The government has said it will increase taxes on OAO Gazprom and independent gas producers from 2013-2015 to raise billions of dollars.

“The authorities want to reassure themselves because their popularity ratings have risen and the level of protests have fallen,” Dmitriev said. “But our data give a completely different interpretation.”

Other studies show that Russians increasingly are calling for democratic values such as free speech and honest elections. A report from the Pew Research Center released Wednesday found that the “democracy gap” – the difference between the importance Russians attribute to these values and their assessment of their country’s actual performance on them – has widened remarkably.

The day before the Center for Strategic Studies report was released, the Civic Initiative Committee, a group led by former Russian Finance Minister Alexei Kudrin and where Mikhail Dmitriev is an active member, was discussing a proposal to create a new political party.

Kudrin left his post as finance minister last year after a public dispute with then-President Dmitry Medvedev over plans to increase military spending.

According to its official statement, the committee, created over a month ago to support civic initiatives, pledged to “oppose the actions of the authorities” and proposes “alternative ways of solving political, economic and social problems.”

### Russia Econ Impacts - LL

#### Russian weakness causes nuclear war, prolif, disease, terrorism, CBW use, world economic collapse, and US intervention

**Oliker And Charlick-Paley 02** [Olga and Tanya, RAND Corporation Project Air Force, “Assessing Russia’s Decline,” [www.rand.org/pubs/monograph\_reports/MR1442/](http://www.rand.org/pubs/monograph_reports/MR1442/)]

The preceding chapters have illustrated the ways in which Russia’s decline affects that country and may evolve into challenges and dangers that extend well beyond its borders. The political factors of decline may make Russia a less stable international actor and other factors may increase the risk of internal unrest. Together and separately, they increase the risk of conflict and the potential scope of other imaginable disasters. The trends of regionalization, particularly the disparate rates of economic growth among regions, combined with the politicization of regional economic and military interests, will be important to watch. The potential for locale, or possibly ethnicity, to serve as a rallying point for internal conflict is low at present, but these factors have the potential to feed into precisely the cycle of instability that political scientists have identified as making states in transition to democracy more likely to become involved in war. These factors also increase the potential for domestic turmoil, which further increases the risk of international conflict, for instance if Moscow seeks to united a divided nation and/or demonstrate globally that its waning power remains something to be reckoned with. Given Russia’s conventional weakness, an increased risk of conflict carries with it an increased risk of nuclear weapons use, and Russia’s demographic situation increases the potential for a major epidemic with possible implications for Europe and perhaps beyond. The dangers posed by Russia’s civilian and military nuclear weapons complex, aside from the threat of nuclear weapons use, create a real risk of proliferation of weapons or weapons materials to terrorist groups, as well as perpetuating an increasing risk of accident at one of Russia’s nuclear power plants or other facilities. These elements touch upon key security interests, thus raising serious concerns for the United States. A declining Russia increases the likelihood of conflict—internal or otherwise—and the general deterioration that Russia has in common with “failing” states raises serious questions about its capacity to respond to an emerging crisis. A crisis in large, populous, and nuclear-armed Russia can easily affect the interests of the United States and its allies. In response to such a scenario, the United States, whether alone or as part of a larger coalition, could be asked to send military forces to the area in and around Russia. This chapter will explore a handful of scenarios that could call for U.S. involvement. A wide range of crisis scenarios can be reasonably extrapolated from the trends implicit in Russia’s decline. A notional list includes: Authorized or unauthorized belligerent actions by Russia troops in trouble-prone Russian regions or in neighboring states could lead to armed conflict. Border clashes with China in the Russian Far East or between Russia and Ukraine, the Baltic states, Kazakhstan, or another neighbor could escalate into interstate combat. Nuclear-armed terrorists based in Russia or using weapons or materials diverted from Russian facilities could threaten Russia, Europe, Asia, or the United States. Civil war in Russia could involve fighting near storage sties for nuclear, chemical, or biological weapons and agents, risking large-scale contamination and humanitarian disaster. A nuclear accident at a power plant or facility could endanger life and health in Russia and neighboring states. A chemical accident at a plant or nuclear or nuclear-related facility could endanger life and health in Rusisa and neighboring states. Ethnic pogrom in south Russia could force refugees into Georgia, Azerbaijan, Armenia, and/or Ukraine. Economic and ethnic conflicts in Caucasus could erupt into armed clashes, which would endanger oil and gas pipelines in the region. A massive ecological disaster such as an earthquake, famine, or epidemic could spawn refugees and spread illness and death across borders. An increasingly criminalized Russian economy could create a safe haven for crime or even terrorist-linked groups. From this base, criminals, drug traders, and terrorists could threaten the people and economies of Europe, Asia, and the United States. Accelerated Russian weapons and technology sales or unauthorized diversion could foster the proliferation of weapons and weapon materials to rogue states and nonstate terrorist actors, increasing the risk of nuclear war.

### Russia Econ T/ World Econ

#### Russian economic downturn will disrupt the world economy

**Cooper 08** (William, Congressional Research Service Specialist in International Trade and Finance Foreign Affairs, Defense, and Trade Division, “Russia’s Economic Performance and Policies and Their Implications for the United States,” May 30, http://www.fas.org/sgp/crs/row/RL34512.pdf)

The greater importance of Russia’s economic policies and prospects to the United States lie in their indirect effect on the overall economic and political environment in which the United States and Russia operate. From this perspective, Russia’s continuing economic stability and growth can be considered positive for the United States. Because financial markets are interrelated, chaos in even some of the smaller economies can cause uncertainty throughout the rest of the world. Such was the case during Russia’s financial meltdown in 1998. Promotion of economic stability in Russia has been a basis for U.S. support for Russia’s membership in international economic organizations, including the International Monetary Fund (IMF), the World Bank, and the World Trade Organization (WTO). As a major oil producer and exporter, Russia influences world oil prices that affect U.S. consumers.

### Impact Framing Cards

#### Oil impacts have the largest scope

Rupert Taylor, Associate Professor of Political Studies at the University of the Witwatersrand, Johannesburg. He completed a BA degree in Politics and Government at the University of Kent in 1980, followed by an MSc at the London School of Economics in 1982 and a PhD in Sociology at Kent, completed in 1986.[1] He was formerly a Visiting Research Fellow in the Department of Political Science at the New School for Social Research in New York, Adjunct Professor in the Department of Political Science at Columbia University and a Visiting Research Fellow in the School of Politics, Queen's University Belfast, Jun 2, 2009, “The Geopolitics of Oil”, <http://suite101.com/article/the-geopolitics-of-oil-a122340>

Oil is a vital, strategic material; any change in its price or supply has an impact on almost every aspect of peoples' lives. Oil, along with the other fossil fuels (coal and natural gas) account for 90 percent of the energy used in industrial countries and 75 percent of the energy worldwide. In 1900, coal was king; it was the basis for 55 percent of all the world’s energy use. Oil and natural gas were barely on the scene, contributing between them just three percent of the world’s energy. A century later, according to a British Petroleum report in 2006, coal provided 25 percent of the world’s energy, natural gas 23 percent, and oil was still dominant at 37 percent.

### Prices Impact – Saudi Arabia

#### Saudi Arabia needs high oil to maintain stability

Glen Carey, reporter for Bloomberg News, February 23, 2012, “The Saudis Need Those High Oil Prices”, <http://www.businessweek.com/articles/2012-02-23/the-saudis-need-those-high-oil-prices>

The world last year watched to see if Saudi Arabia would suffer the same instability that swept away other regimes in the Middle East. The question now is whether the world’s largest oil supplier needs to raise prices to sustain ramped-up spending intended to calm its citizens. Higher prices would be bad news for Western governments, which need affordable oil to nurture their economic recoveries. The Saudis rarely spell out exactly what they are thinking on the topic, but there are signs their strategy has changed, and they are increasingly willing to raise prices. Still, they seem not inclined to let prices go sky-high. A year ago Saudi oil minister Ali Al-Naimi said oil at $70 to $80 a barrel was fair. Then on Nov. 21, Al-Naimi said he was “very happy” with current crude prices; on that day oil traded close to $98 a barrel. Prices are now around $106 a barrel. The evolving price targets have everything to do with the Saudis’ “budget needs” in response to the Arab Spring, says Robin Mills, an analyst at Manaar Energy Consulting in Dubai. In February 2011, King Abdullah returned home from medical treatment in the U.S. to announce a spending plan that would quiet the restive parts of the Saudi population. By the end of 2011’s first quarter the kingdom had allocated $130 billion in additional spending to build homes and combat youth unemployment. Government spending increased 28 percent last year to 804 billion riyals ($214 billion), while government revenue surged 51 percent, to 1.1 trillion riyals, according to Ministry of Finance Data. The spending has achieved its political purpose: The House of Saud’s eight-decade rule survived unscathed as Hosni Mubarak and Muammar Qaddafi were toppled, despite sporadic protests in the Shiite areas of Saudi Arabia’s Eastern Province. The Saudi economy expanded 6.8 percent in 2011, central bank data show. Government employees were even awarded two months in bonus pay last year—an act of generosity that cost the government an extra 224 billion riyals over budgeted expenses. Oil sales make up 80 percent of Saudi government revenue, says Faisal Hasan, head of research at Kuwait-based Global Investment House. Two years ago the kingdom needed an oil price per barrel of around $70 in order to pay for its budget without tipping into deficit. For 2011, the Saudis’ break-even oil price was estimated by the International Monetary Fund to have risen to $80 a barrel, a figure that will increase to $98 a barrel by 2016. Saudi Arabia will have to keep spending heavily if it is to create 3 million jobs over the next three years, King Abdullah’s stated goal. The Saudis are spending on defense too: the U.S. has agreed to sell the country 84 F-15 fighter jets for $29.4 billion. Raising oil prices too high could backfire. The last global economic crisis caused prices to fall from nearly $150 a barrel in July 2008 to less than $40 by the end of that year. The possibility of that happening again has the Saudis trying to keep prices high but not so high they impair global growth. Says Mills, “They don’t want prices to go above $100, and they are above $100 at the moment. Saudi Arabia pretty much is at a record production level and so is Kuwait. And the United Arab Emirates have been increasing too. So the Gulf allies are trying to maintain relative moderate prices.” The Iranians and Venezuelans, members of OPEC but traditional adversaries of the Saudis, have no interest in a lower price. The Saudis have a precarious balancing act to pull off.

#### Saudi instability risks global wars

**Copley ‘2** (Gregory, Editor – GIS, Defense and Foreign Affairs Daily, 5-22, Lexis)

Nonetheless, Saudi Arabia's problems have become the problems of virtually the entire Muslim ummah (nation), and are perhaps the real core of the schism between Western and Muslim societies. The danger exists that the Saudi leadership could still collapse in the near future and the integrity of the Saudi State could come into question. The problems in Saudi Arabia -- decades in the making -- are at the geopolitical heart of Islam, thus affecting most of the Muslim world and the relationship between Islamic societies and the West. The phenomena of Osama bin Laden's worldwide terrorism network, the radical Islamist anti-state activities under Sudan's Dr Hassan al-Turabi, the related and parallel evolution of the Taliban in Afghanistan, the direction of the Chechen rebellion, and so on, all owe much to the evolving problems in Saudi Arabia as well as to the radical clerics in Iran. Not even Saudi Arabia's leadership has acknowledged the extent of the crisis, although privately many leading Saudi princes have admitted the prospect of an imminent collapse of the House of Sa'ud. Saudi Arabia's problems have an immediate bearing on whether major war occurs between Israel and its neighbors, and whether Saudi Arabia survives with its present form of government. They are therefore critical to the global economy and global strategic stability.

#### Oil prices are key to stability – otherwise it causes collapse

Clifford Krauss has been a correspondent for The New York Times since 1990. He currently is a national business correspondent based in Houston, covering energy. He covered the State Department, Congress and the New York City police department before serving as Buenos Aires bureau chief and Toronto bureau chief. Before working at The Times, he worked as a foreign correspondent for The Wall Street Journal and was the Edward R. Murrow fellow at the Council on Foreign Relations, October 11, 2011, “In the Middle East, the Crisis That Wasn't”, <http://www.nytimes.com/2011/10/12/business/energy-environment/in-the-middle-east-the-crisis-that-wasnt.html?_r=1&adxnnl=1&pagewanted=all&adxnnlx=1340424919-cSJ4I2XzJrh2+NMGe+aPSw>

“Is there the potential for instability and further oil supply disruptions in Saudi Arabia or any of these countries?” asked Jamie Webster, a Middle East expert at PFC Energy, a consulting company. “At least in the short term, no. Citizens have seen that an overthrow of a government can be messy and painful and governments are taking a much more proactive stance to provide their citizens with more opportunities like low fuel costs, increased housing and increased job opportunities.” Saudi Arabia and other oil producers have the resources to tamp down discontent with generous social programs, putting off major changes. To be sure, it is a strategy that may not work in the long run. And in the short term, it means Saudi Arabia and the other producers will need to guard against a steep drop in oil prices as the global economy slows, lest their ability to be so generous should wane. The producers will need all the oil revenues they can get their hands on to spend on the social and energy subsidies and payments to their religious establishments. Shortly after the outbreak of protests around the region, King Abdullah of Saudi Arabia increased spending on housing, social welfare and education by $10 billion, and gave government workers a 15 percent cost-of-living allowance. Likewise, Algeria has accelerated a five-year, nearly $300 billion plan to building housing and roads. Kuwait has a $125 billion four-year investment plan to build public utilities and various other infrastructure projects. “Producing countries are the ones that have the money to buy off their citizens,” said Michael Levi, an energy expert at the Council on Foreign Relations in New York. “Saudi Arabia has the ability to spend upward of $100 billion on social spending, where Egypt and Syria don’t have the same kind of options.” But Mr. Levi noted a downside to Saudi largesse. “If Saudi Arabia equates high oil prices with stability in its society, it will target high oil prices,” he said. “And that is not a good thing for the United States and global consumers.”

### Prices Impact – US-Saudi Relations

#### High prices give Saudi Arabia the economic power to stabilize the Middle East and re-establish strong relations with the US

George Friedman, PhD, Founder and CEO of Stratfor, 5/27/2008, “The Geopolitics of $130 Oil,” Stratfor Geopolitical Intelligence Report, <http://www.stratfor.com/weekly/geopolitics_130_oil>

As we have already said, the biggest winners are the countries of the Arabian Peninsula. Although somewhat strained, these countries never really suffered during the period of low oil prices. They have now more than rebalanced their financial system and are making the most of it. This is a time when they absolutely do not want anything disrupting the flow of oil from their region. Closing the Strait of Hormuz, for example, would be disastrous to them. We therefore see the Saudis, in particular, taking steps to stabilize the region. This includes supporting Israeli-Syrian peace talks, using influence with Sunnis in Iraq to confront al Qaeda, making certain that Shiites in Saudi Arabia profit from the boom. (Other Gulf countries are doing the same with their Shiites. This is designed to remove one of Iran’s levers in the region: a rising of Shiites in the Arabian Peninsula.) In addition, the Saudis are using their economic power to re-establish the relationship they had with the United States before 9/11. With the financial institutions in the United States in disarray, the Arabian Peninsula can be very helpful.

#### Saudi relations solve multiple scenarios for nuclear war

James Russel, Senior Lecturer for the Department of National Security Affairs, 9/3/2002,"Deconstructing the U.S.-Saudi Partnership?" Strategic Insights, Center for Contemporary Conflict, <http://www.nps.edu/Academics/centers/CCC/publications/OnlineJournal/2002/sept02/middleEast2.html>, KENTUCKY

As a lynchpin of U.S. security strategy and policy in the Persian Gulf for over 50 years, Washington's relationship with Riyadh and the House of Al Saud has been a foundation of stability amidst the region's currents of instability. However bad things may have been in the Arab-Israeli conflict, Iraq, southern Lebanon or any number of other situations, the U.S.-Saudi relationship provided all concerned with a degree of assurance that events would not spin completely out of control. But this relationship is now under more pressure than at any time in recent memory. Various commentators have suggested that the partnership should be restructured to reflect what is described as a fundamentally adversarial relationship.[1] The inference from such arguments is that a strong U.S.-Saudi relationship no longer serves U.S. strategic interests. Much of the commentary on the U.S.-Saudi relationship focuses on supposed broad policy incongruence between the two countries. The two countries are said to differ in their approach to terrorism, religion, pluralism, human rights, the Arab-Israeli conflict, possible military action against Iraq, and Saudi Arabia's role and importance in world oil markets. Often left out from this commentary are the ongoing activities between the two countries that helped preserve regional security and stability over the decades, which stemmed in part from a shared strategic vision. While the term has become de rigeur of late, the United States could not have pursued its policy of "dual containment" during the 1990s without Saudi support. While many critics have emphasized that the policy had negligible impact on Iran, the policy of containment helped prevent Saddam Hussein from seriously disrupting regional peace and security during the 1990s. The Iraqi military remains hamstrung by a decade of sanctions, and WMD breakout was certainly made more difficult during the UNSCOM era. Suggestions that the U.S.-Saudi relationship needs to be altered often ignore the organizations that have been created to manage this partnership - organizations that reflect a depth and complexity in Saudi-American relations that is generally unappreciated. In and of themselves, these entities and their activities do not justify preserving the status quo, but they do suggest that the U.S.-Saudi security partnership could be deconstructed only with great difficulty and with dramatic and unforeseen consequences for regional security.

### Prices Impact – Iraq Stability

#### High oil prices key Iraq stability

George Friedman, PhD, Founder and CEO of Stratfor, 5/27/2008, “The Geopolitics of $130 Oil,” Stratfor Geopolitical Intelligence Report, <http://www.stratfor.com/weekly/geopolitics_130_oil>

Suddenly, the regional dynamics have changed. The Saudi royal family is secure against any threats. They can buy peace on the Peninsula. The high price of oil makes even Iraqis think that it might be time to pump more oil rather than fight. Certainly the Iranians, Saudis and Kuwaitis are thinking of ways of getting into the action, and all have the means and geography to benefit from an Iraqi oil renaissance. The war in Iraq did not begin over oil -- a point we have made many times -- but it might well be brought under control because of oil. For the United States, the situation is largely a push. The United States is an oil importer, but its relative vulnerability to high energy prices is nothing like it was in 1973, during the Arab oil embargo. De-industrialization has clearly had its upside. At the same time, the United States is a food exporter, along with Canada, Australia, Argentina and others. Higher grain prices help the United States. The shifts will not change the status of the United States, but they might create a new dynamic in the Gulf region that could change the framework of the Iraqi war. This is far from an exhaustive examination of the global shifts caused by rising oil and grain prices. Our point is this: High oil prices can increase as well as decrease stability. In Iraq -- but not in Afghanistan -- the war has already been regionally overshadowed by high oil prices. Oil-exporting countries are in a moneymaking mode, and even the Iranians are trying to figure out how to get into the action; it's hard to see how they can without the participation of the Western oil majors -- and this requires burying the hatchet with the United States. Groups such as al Qaeda and Hezbollah are decidedly secondary to these considerations.

### Prices Impact – Warming

#### High oil prices key to prevent warming

BBC 6/19

(Roger Harrabin, Environmental analyst, "Shortages: Is 'peak oil' idea dead?", 6/19/121, www.bbc.co.uk/news/science-environment-18353962//Aspomer)

But there's a downside to the sudden dip in concern over fossil fuel shortages. The worry over energy security was helping to drive development of renewables and nuclear. Now that has slipped, a flood of cheap gas on to the world market threatens to starve wind and solar. Oil shales were previously uneconomic to exploit So here's another worry - not that we have too little oil and gas, for the time being at least. But that we have too much if we want to enjoy a stable climate. The International Energy Agency forecasts that even with more efficient engines, oil demand will continue to grow until the end of its outlook period, 2035. But its head has warned that if we continue to burn our fossil fuels at the current rate we may be heading towards a temperature rise of a catastrophic 6C. The only way to use our fossil fuels without risk to the climate is to capture the carbon emissions from the oil and store them in rocks - technology that increases cost and consumption and hasn't been tested at scale. What's more it works for power stations, not for the sort of mobile pollution units known as cars for which oil is the preferred source of hydrocarbons. The Stone Age didn't end because we ran out of stones and when the Oil Age ends it may be because we've run out of space in the atmosphere to safely dump the emissions. If we ever take the threat of global warming seriously, that is.

#### High oil prices fight global warming

Yetiv, professor of political science and international studies at Old Dominion University, February 6 2006 (Steve, “America benefits from high oil prices,” San Diego Union-Tribune, accessed October 19, 2007 at [http://www.signonsandiego.com/uniontrib/20060206/news\_mz1e6yetiv.html](http://www.signonsandiego.com/uniontrib/20060206/news_mz1e6yetiv.html" \t "_blank))

In particular, what can high oil prices do that America's energy policy fails to do? First, sooner or later, high oil prices spur **the development of** alternative energy resources because they make it more profitable to produce them. The higher prices go, the more entrepreneurs and companies around the worldwork to move us beyond the hazardous petroleum era.  Second, the higher oil prices go, the more likely automakers will mass-produce more efficient, less pricey vehicles. That is precisely what we need to shift the current oil-guzzling paradigm.   A joint report by the Transportation Research Institute's Office for the Study of Automotive Transportation at the University of Michigan and the Natural Resources Defense Council shows that higher oil prices will hurt America's top automakers by decreasing sales of SUVs and pickup trucks. The report calls on them to make fuel efficient vehicles their top priority to better the country and their bottom line.  Most automakers are experimenting with fuel cell vehicles that run on hydrogen rather than oil. They are also selling 2005 hybrid vehicles that run on an internal combustion engine, as do conventional cars, plus an electric motor. Depending on the car, they yield between 10 percent and 50 percent better gas mileage than regular vehicles, and far better mileage than the ubiquitous SUV. But hybrids represent a drop in the market bucket, because automakers have so far made their profits by mass-producing less efficient, money-making vehicles. And fuel cell vehicles aren't expected to reach the market until 2010. High oil prices are an incentive for making efficient vehicles on a mass, affordable scale, and sooner rather than later.  Third, high oil prices make consumers less likely to waste gas and more likely to buy hybrids. In Europe, high gas prices – roughly double that in the United States – have led to mass adoption of hybrids. Investment banking firm Goldman Sachs predicts that gas prices would have to hit $4.30 a gallon in the United States to change the gas-guzzling culture. But it is better to see the impact as relative to price.  Fourth, high oil prices benefit the environment. Indeed, one study has shown that a broad energy tax on carbon content in fuels would reduce oil use and carbon emissions by over 10 percent. For that matter, vehicles that run on fuel cells emit only water and heat as waste, and hybrids emit more limited emissions than conventional vehicles. Since **carbon** emissions cause global warming – a scientific fact rather than science fiction – we should tip our hats to high oil prices, in this respect.  Fifth, high oil prices are raising consciousness about the hazards of the oil era. Ninety-three percent of Americans believe that oil dependence is a serious problem. Although they still act like oil is an entitlement, pricey oil may lead them eventually to put pressure on politicians to move toward greater oil independence, as reflected perhaps in President Bush's speech.  Of course, high**er oil** prices are painful. But, over time they can serve the environment, decrease our dependence on Middle East oil, especially from **countries like** Iran which uses oil money to build nuclear capability and force us to take actions that make us less vulnerable when oil starts to dwindle in the future.

#### Renewables energy solve warming

ASES ‘7 (American Solar Energy Society, “ASES Report: Renewable Energy Can Curb Global Warming by 2030”, [http://www.renewableenergyworld.com/rea/news/article/2007/02/ases-report-renewable-energy-can-curb-global-warming-by-2030-47351](http://www.renewableenergyworld.com/rea/news/article/2007/02/ases-report-renewable-energy-can-curb-global-warming-by-2030-47351" \t "_blank), February 7, 2007, LEQ)

American Solar Energy Society (ASES) unveiled its 200-page landmark report, "Tackling Climate Change in the U.S.: Potential Carbon Emissions Reductions from Energy Efficiency and Renewable Energy by 2030." The report illustrates how concentrating solar power (CSP), photovoltaics (PV), wind power, biomass, biofuels, and geothermal power, combined with energy efficiency measures, can displace approximately 1.2 billion tons of carbon emissions annually by the year 2030 -- the magnitude of reduction that scientists believe is necessary to prevent the most dangerous consequences of climate change. The results of these studies show that renewable energy has the potential to provide approximately 40% of the U.S. electric energy need projected for 2030 by the Energy Information Administration (EIA). After we reduce the EIA electricity projection by taking advantage of energy efficiency measures, renewables could provide about 50% of the remaining 2030 U.S. electric need. In the Executive Summary, editor Charles F. Kutscher, Ph.D, P.E. wrote: For SOLAR 2006, its 35th Annual National Solar Energy Conference last July, the American Solar Energy Society (ASES) chose to address global warming, the most pressing challenge of our time. Under the theme "Renewable Energy: Key to Climate Recovery," climate experts James Hansen of the National Aeronautics and Space Administration (NASA), Warren Washington of the National Center for Atmospheric Research (NCAR), Robert Socolow of Princeton University, and Marty Hoffert of New York University (NYU) described the magnitude of the global warming crisis and what is needed to address it. A key feature of the conference was a special track of nine invited presentations by experts in energy efficiency and renewable energy that detailed the potential for these technologies -- in an aggressive but achievable climate-driven scenario -- to address the needed U.S. carbon emissions reductions by the years 2015 and 2030. These presentations covered energy efficiency in buildings, industry, and transportation, as well as the following renewable technologies: concentrating solar power, photovoltaics, wind, biomass, biofuels, and geothermal. Since the conference, these studies were subjected to additional review and were revised for publication in this special ASES report. According to Hansen, NASA's top climate scientist, we need to limit the additional average world temperature rise due to greenhouse gases to 1 degree C above the year-2000 level. If we fail, we risk entering an unprecedented warming era that would have disastrous consequences, including rising sea levels and large-scale extinction of species. Limiting temperature rise means limiting the carbon dioxide (CO2) level in the atmosphere to 450 to 500 parts per million (ppm). What does this mean for the United States? Estimates are that industrialized nations must reduce emissions about 60% to 80% below today's values by mid-century. Figure 1 [see report] shows the U.S. reductions that would be needed by 2030 to be on the right path. Accounting for expected economic growth and associated increases in carbon emissions in a business-as-usual (BAU) case, in 2030 we must be displacing between 1,100 and 1,300 million metric tons of carbon per year (MtC/yr). The SOLAR 2006 exercise looked at energy efficiency and renewable energy technologies to determine the potential carbon reduction for each. The authors of the renewable technology papers were asked to describe the resource, discuss current and expected future costs, and develop supply and carbon-reduction curves for the years 2015 and 2030. The studies focused on the use of renewable energy in the electricity and transportation sectors, as these together are responsible for nearly three-quarters of U.S. carbon emissions from fossil fuels. Goals for renewables are often stated in terms of a percentage of national energy. The results of these studies show that renewable energy has the potential to provide approximately 40% of the U.S. electric energy need projected for 2030 by the Energy Information Administration (EIA). After we reduce the EIA electricity projection by taking advantage of energy efficiency measures, renewables could provide about 50% of the remaining 2030 U.S. electric need. There are uncertainties associated with the values estimated in the papers, and, because these were primarily individual technology studies, there is uncertainty associated with combining them. The results strongly suggest, however, that energy efficiency and renewable energy technologies have the potential to provide most, if not all, of the U.S. carbon emissions reductions that will be needed to help limit the atmospheric concentration of carbon dioxide to 450 to 500 ppm. We hope this work will convince policymakers to seriously consider the contributions of energy efficiency and renewable technologies for addressing global warming. Because global warming is an environmental crisis of enormous magnitude, we cannot afford to wait any longer to drastically reduce carbon emissions. Energy efficiency and renewable technologies can begin to be deployed on a large scale today to tackle this critical challenge.

### Prices Impact – Heg

#### High prices key to dollar hegemony by forcing capital investment in the US.

Stratfor, 1/8/2008. “Annual Forecast 2008,” [web.stratfor.com/images/writers/STRATFOR\_Annual\_1\_08.pdf](http://web.stratfor.com/images/writers/STRATFOR_Annual_1_08.pdf" \t "_blank).

Quietly developing n the background, the global economy is undergoing a no less dramatic transformation. While we expect oil prices to retreat somewhat in 2008 after years of surges, their sustained strength continues to shove a great deal of cash into the hands of the world’s oil exporters — cash that these countries cannot process internally and that therefore will either be stored in dollars or invested in the only country with deep enough capital pools to handle it: the United States. Add in the torrent of exports from the Asian states, which generates nearly identical cash-management problems, and the result is a deep dollarization of the global system even as the U.S. dollar gives ground. The talk on the ﬁnancial pages will be of dollar (implying American) weakness, even as the currency steadily shifts from the one of ﬁrst resort to the true foundation of the entire system.

#### Dollar hegemony key to US hegemony.

Robert Looney, November 2003. Professor of National Security Affairs at the Naval Postgraduate School. “From Petrodollars to Petroeuros: Are the Dollar's Days as an International Reserve Currency Drawing to an End?” Strategic Insights, 2.11, [http://www.ccc.nps.navy.mil/si/nov03/middleEast.asp](http://www.ccc.nps.navy.mil/si/nov03/middleEast.asp" \t "_blank).

Political power and prestige. The benefits of "power and prestige" are nebulous. Nevertheless, the loss of key currency status and the loss of international creditor status have sometimes been associated, along with such non-economic factors as the loss of colonies and military power, in discussions of the historical decline of great powers. Causality may well flow from key currency status to power and prestige and in the opposite direction as well.[8] On a broader scale, Niall Ferguson[9] notes that one pillar of American dominance can be found in the way successive U.S. government sought to take advantage of the dollar's role as a key currency. Quoting several noted authorities, he notes that   [the role of the dollar] enabled the United States to be "far less restrained…than all other states by normal fiscal and foreign exchange constraints when it came to funding whatever foreign or strategic policies it decided to implement." As Robert Gilpin notes, quoting Charles de Gaulle, such policies led to a 'hegemony of the dollar" that gave the U.S. "extravagant privileges." In David Calleo's words, the U.S. government had access to a "gold mine of paper" and could therefore collect a subsidy form foreigners in the form of seignorage (the profits that flow to those who mint or print a depreciating currency). The web contains many more radical interactions of the dollar's role. Usually something along the following lines:   World trade is now a game in which the U.S. produces dollars and the rest of the world produces things that dollars can buy. The world's interlinked economies no longer trade to capture a comparative advantage; they compete in exports to capture needed dollars to service dollar-denominated foreign debts and to accumulate dollar reserves to sustain the exchange value of their domestic currencies…. This phenomenon is known as dollar hegemony, which is created by the geopolitically constructed peculiarity that critical commodities, most notably oil, are denominated in dollars. Everyone accepts dollars because dollars can buy oil. The recycling of petro-dollars is the price the U.S. has extracted from oil-producing countries for U.S. tolerance of the oil-exporting cartel since 1973.[10]   America's coercive power in the world is based as much on the dollar's status as the global reserve currency as on U.S. military muscle. Everyone needs oil, and to pay for it, they must have dollars. To secure dollars, they must sell their goods to the U.S., under terms acceptable to the people who rule America. The dollar is way overpriced, but it's the only world currency. Under the current dollars-only arrangement, U.S. money is in effect backed by the oil reserves of every other nation.[11] While it is tempting to dismiss passages of this sort as uninformed rants, they do contain some elements of truth. There are tangible benefits that accrue to the country whose currency is a reserve currency. The real question is: if this situation is so intolerable and unfair, why hasn't the world ganged up on the United States and changed the system? Why haven't countries like Libya and Iran required something like euros or gold dinars in payment for oil? After all, with the collapse of the Bretton Woods system in 1971 the International Monitary Fund's Standard Drawing Rights (unit of account) was certainly an available alternative to the dollar.[12]

#### Heg prevents global nuclear exchange.

Khalilzad, ’95 Wash Quarterly, Spring, Rand Analyst

Finally, U.S. leadership would help preclude the rise of another hostile global rival, enabling the United States and the world to avoid another global cold or hot war and all the attendant dangers, including a global nuclear exchange. U.S. leadership would conducive to global stability than a bipolar or a multipolar balance of power system.

### Prices Impact – Heg / Iraq

#### High prices are key to US leadership in the Middle East and Iraqi stability

Bryce, fellow at the Institute for Energy Research and managing editor of the Energy Tribune, 1/19/2007 (Robert, “The Dangers of Cheap Oil,” [http://www.energytribune.com/articles.cfm?aid=354&idli=1#](http://www.energytribune.com/articles.cfm?aid=354&idli=1" \t "_blank))

Lower prices could cause instability in Saudi Arabia, Kuwait, the U.A.E., and other countries in the region. America depends on those three monarchies for political and military support**.** Kuwait, in particular, is the linchpin for America’s military presence in the region. A sustained drop in oil prices could destabilize the delicate Sunni-Shia balance in Kuwait. That could be disastrous for the U.S., which is able to prosecute the war in Iraq only because of **its massive** military bases in Kuwait**.**

### Prices Impact – Iran Stability

#### High oil prices are key to Iranian stability

Jon B. Alterman is senior fellow and director of the Middle East Program at the Center for Strategic and International Studies in Washington, D.C, February 20, 2012, “Slippery Choices for the Gulf States”, http://www.realclearworld.com/articles/2012/02/20/slippery\_choices\_for\_the\_gulf\_states\_99912.html

Here, then, is the dilemma. The GCC states need increasingly high oil prices to promote domestic security. Yet, those higher prices tend to abet Iranian misbehavior, which threatens their external security. Markedly lower oil prices would threaten domestic stability in Iran and intensify pressure on the current Iranian government. If the past is a guide, lower prices would also nudge the Iranian government toward moderating its behavior. Yet, at the same time, low oil prices would threaten the domestic stability that the GCC states have sought to foster. There is no obvious "sweet spot" for oil prices that curb Iranian malfeasance and still allow healthy GCC subsidies at home. Indeed, whereas several years ago Iran required markedly higher oil prices to balance its budget than its Gulf Arab neighbors, extraordinary Arab spending in the last year has brought the prices required to cover spending closer.

### Prices Impact – Iran Econ/Adventurism

#### High oil prices now key to Iran economy

**Mohamedi 11** [Fareed Mohamedi, PBS frontline, March 7 2011, “Rising Oil Prices Create Political Cushion for Iran” http://www.pbs.org/wgbh/pages/frontline/tehranbureau/2011/03/rising-oil-prices-create-political-cushion-for-iran.html#ixzz1QV14e2E4]

What impact do higher oil revenues have on Iran economically? Higher oil prices will result in increased revenues and a bigger national budget, allowing Iran to increase its foreign exchange reserves. Oil money accounts for about 27 percent of Iran's total revenues, while crude oil accounts for 83 percent of the total value of exports.What impact do higher oil revenues have on Iran politically? Higher oil revenues may help the regime increase its welfare services and thereby improve its political position in the country. The government has recently implemented a subsidy reform program that compensates price hikes with cash subsidies to the bulk of the population. More oil revenues can help ensure the flow of cash handouts, at least in the early stages of implementation. But the government will need to avoid a spending spree, which can lead to inflation. Iran has the world's third largest oil reserves and the second largest gas reserves. It is also the fifth largest global producer of oil, after Saudi Arabia. What role is Iran playing or likely to play as oil increasingly becomes a factor in the regional crises? The regional situation and the threat for greater oil supply disruption and oil prices may reduce the enthusiasm with which Europe and the United States push for an oil embargo on Iran. Iran's main gas field -- and the world's largest -- is the offshore South Pars field in the Persian Gulf, a shared field with Qatar. But parts of the field are still under construction. Are the events in the Gulf a source of concern for Iran when it comes to the development of South Pars? Political events in the Gulf are unlikely to affect development of the South Pars gas field. The pace of that development depends on Iran's funding ability and its relations with foreign companies. Iran's main problem is the declining interest by foreign companies to invest in the South Pars project. China's CNPC remains the sole non-Iranian company known to be working on the field. CNPC replaced France's Total, which left in 2009.

#### Drop in oil prices causes Iranian adventurism

**Peters 8** [Ralph Peters , retired United States Army Lieutenant Colonel and degree in international relations from St. Mary’s University, “Bankrupt Rogues: Beware Failing Foes”, NY Post, 10/29/08, http://www.nypost.com/p/news/opinion/opedcolumnists/item\_Sq6rxuaQjf2dV655mfdh9M]

Of all the pleasures to be found in the pain of others, though, none seems more justified than smugness over the panic in Moscow, Caracas and Tehran as oil prices plummet. We may need to be careful what we wish for. Successful states may generate trouble, but failures produce catastrophes: Nazi Germany erupted from the bankrupt Weimar Republic; Soviet Communism's economic disasters swelled the Gulag; a feckless state with unpaid armies enabled Mao's rise. Economic competition killed a million Tutsis in Rwanda. The deadliest conflict of our time, the multi-sided civil war in Congo, exploded into the power vacuum left by a bankrupt government. A resource-starved Japan attacked Pearl Harbor. The crucial point: The more a state has to lose, the less likely it is to risk losing it. "Dizzy with success," Russia's Vladimir Putin may have dismembered Georgia, but Russian tanks stopped short of Tbilisi as he calculated exactly how much he could get away with. But now, while our retirement plans have suffered a setback, Russia's stock market has crashed to a fifth of its value last May. Foreign investment has begun to shun Russia as though the ship of state has plague aboard. The murk of Russia's economy is ultimately impenetrable, but analysts take Moscow's word that it entered this crisis with over $500 billion in foreign-exchange reserves. At least $200 billion of that is now gone, while Russian markets still hemorrhage. And the price of oil - Russia's lifeblood - has fallen by nearly two-thirds. If oil climbs to $70 a barrel, the Russian economy may eke by. But the Kremlin can kiss off its military-modernization plans. Urgent infrastructure upgrades won't happen, either. And the population trapped outside the few garish city centers will continue to live lives that are nasty, brutish and short - on a good day. Should oil prices and shares keep tumbling, Russia will slip into polni bardak mode - politely translated as "resembling a dockside brothel on the skids." And that assumes that other aspects of the economy hold up - a fragile hope, given Russia's overleveraged concentration of wealth, fudged numbers and state lawlessness. Should we rejoice if the ruble continues to drop? Perhaps. But what incentive would Czar Vladimir have to halt his tanks short of Kiev, if his economy were a basket case shunned by the rest of the world? Leaders with failures in their laps like the distraction wars provide. (If religion is the opium of the people, nationalism is their methamphetamine.) The least we might expect would be an increased willingness on Moscow's part to sell advanced weapons to fellow rogue regimes. Of course, those rogues would need money to pay for the weapons (or for nuclear secrets sold by grasping officials). A positive side of the global downturn is that mischief-makers such as Iran and Venezuela are going to have a great deal less money with which to annoy civilization. Some analyses calculate that, for Caracas and Tehran to sustain their already-on-life-support economies, the price of oil needs to stay above $90 a barrel. But average prices will probably remain below that for at least two years. Iran and Venezuela may respond very differently to impoverishment, however. Tehran could turn to regional military aggression in an attempt to keep the population behind the regime - and may the Lord help Israel, if a dead-broke Iran gets nukes. On the other hand, even devout Muslim businessmen don't like to go bankrupt. Iran's power-broker mullahs have relied on the support of the (much bribed) bazaaris, the nation's merchants. While we obsess about feeble student protests, the bazaaris form the constituency the mullahs dare not alienate. Regime change may come from within. By contrast, Venezuela's power is a charade. The regime of Hugo Chavez can't survive without a constant transfusion of petrodollars. Chavez buys votes - and you can't buy votes with empty pockets. Chavez is far more bluster than bravery. Facing empty coffers, his rhetoric will intensify - but he's not going to invade anyone (he'd lose). And the left-wing regimes that rely on him will have to find a new sugar daddy. A bankrupt Chavez won't survive long - he's no Fidel Castro. The question is whether he'd respect a popular vote that went against him or go out in a splash of blood. Bottom line on bankrupt enemies: Russia's dangerous; Iran's dangerous, but vulnerable; Venezuela's just vulnerable. There may be serious trouble ahead. For now, though, it's satisfying to watch the wicked suffer.

#### Iranian adventurism causes WWIII

**Bosco 6** [David Bosco, Senior Editor at Foreign Policy Magazine, “Could This Be the Start of World War III?,” , 7/23/2006, http://usc.glo.org/forums/0016/viewtopic.php?p=403&sid=95896c43b66ffa28f9932774a408bb4b]

ARMAGEDDON Could This Be the Start of World War III? As the Middle East erupts, there are plenty of scenarios for global conflagration. IT WAS LATE JUNE in Sarajevo when Gavrilo Princip shot Archduke Franz Ferdinand and his wife. After emptying his revolver, the young Serb nationalist jumped into the shallow river that runs through the city and was quickly seized. But the events he set in motion could not be so easily restrained. Two months later, Europe was at war. The understanding that small but violent acts can spark global conflagration is etched into the world's consciousness. The reverberations from Princip's shots in the summer of 1914 ultimately took the lives of more than 10 million people, shattered four empires and dragged more than two dozen countries into war. This hot summer, as the world watches the violence in the Middle East, the awareness of peace's fragility is particularly acute. The bloodshed in Lebanon appears to be part of a broader upsurge in unrest. Iraq is suffering through one of its bloodiest months since the U.S.-led invasion in 2003. Taliban militants are burning schools and attacking villages in southern Afghanistan as the United States and NATO struggle to defend that country's fragile government. Nuclear-armed India is still cleaning up the wreckage from a large terrorist attack in which it suspects militants from rival Pakistan. The world is awash in weapons, North Korea and Iran are developing nuclear capabilities, and long-range missile technology is spreading like a virus. Some see the start of a global conflict. "We're in the early stages of what I would describe as the Third World War," former House Speaker Newt Gingrich said last week. Certain religious websites are abuzz with talk of Armageddon. There may be as much hyperbole as prophecy in the forecasts for world war. But it's not hard to conjure ways that today's hot spots could ignite. Consider the following scenarios: • Targeting Iran: As Israeli troops seek out and destroy Hezbollah forces in southern Lebanon, intelligence officials spot a shipment of longer-range Iranian missiles heading for Lebanon. The Israeli government decides to strike the convoy and Iranian nuclear facilities simultaneously. After Iran has recovered from the shock, Revolutionary Guards surging across the border into Iraq, bent on striking Israel's American allies. Governments in Syria, Jordan, Egypt and Saudi Arabia face violent street protests demanding retribution against Israel — and they eventually yield, triggering a major regional war.

### Venezuela Econ Impact

#### Economic turbulence empowers Chavez – forces him to radicalize his population – becomes a hemispheric threat

**Manwaring 5** [Max Manwaring, holds the General Douglas MacArthur Chair and is Professor of Military Strategy at the U.S. Army War College “VENEZUELA’S HUGO CHÁVEZ, BOLIVARIAN SOCIALISM, AND ASYMMETRIC WARFARE” http://www.strategicstudiesinstitute.army.mil/pdffiles/PUB628.pdf]

**The political turmoil that has been generated in Venezuela** and other parts of Latin America **by** recent political and **economic transition that challenges comfortable “status quos,” or does not satisfy the expectations of the people, opens the way to serious stability problems**. **In these conditions—and given an authoritarian Latin American political tradition—ambitious political leaders find it easy to exploit popular grievances to catapult themselves into power—and stay there**. The success of these leaders stems from solemn promises made directly to the masses to solve national and individual problems without regard to slow, obstructive, and corrupted democratic processes. Thus, through mass mobilization, supporting demonstrations, and subtle and not-so-subtle coercion, demagogic populist leaders are in a position to claim a mandate to place themselves above elections, political parties, legislatures, and courts—and govern as they see fit.16 **This becomes a national and hemispheric security issue—and possible threat—when a population becomes radicalized by a leader who uses direct violence and indirect coercion to achieve his political objectives.17**

#### A Venezuelan failed state poses a laundry-list of impacts

**Manwaring 5** [Max Manwaring, holds the General Douglas MacArthur Chair and is Professor of Military Strategy at the U.S. Army War College “VENEZUELA’S HUGO CHÁVEZ, BOLIVARIAN SOCIALISM, AND ASYMMETRIC WARFARE” http://www.strategicstudiesinstitute.army.mil/pdffiles/PUB628.pdf]

**President Chávez also understands that the process leading to state failure is the most dangerous long-term security challenge facing the global community today**. The argument in general is that failing and failed state status is the breeding ground for instability, criminality, insurgency, regional conflict, and terrorism. These conditions breed massive humanitarian disasters and major refugee flows. They can host “evil” networks of all kinds, whether they involve criminal business enterprise, narco-trafficking, or some form of ideological crusade such as Bolivarianismo. More specifically, **these conditions spawn all kinds of things people in general do not like such as** murder, kidnapping, corruption, intimidation, and destruction of infrastructure. These means of coercion and persuasion can spawn further human rights violations, torture, poverty, starvation, **disease**, the recruitment and use of child soldiers, trafficking in women and body parts, **trafficking and proliferation of conventional weapons systems and WMD, genocide, ethnic cleansing, warlordism, and criminal anarchy. At the same time, these actions are usually unconfined and spill over into regional syndromes of poverty, destabilization, and conflict**.62

## \*\*\* AT: Aff Arguments

### AT: High Oil Prices Bad

#### You don’t solve – and it turns the aff

Paul Druce, Independent Journalist, Filmmaker, and Media Co-ordinator, June 29, 2011 , “Bad arguments for high speed rail: Oil consumption”, <http://reasonrail.blogspot.com/2011/06/bad-arguments-for-high-speed-rail-oil.html>

While HSR can be an important and worthy endeavor, it's important to make sure that arguments in its favor are actually valid ones rather than a simple throwing out of various minor benefits. We might distinguish this best as primary benefits and ancillary benefits. A primary benefit such as road and air traffic mitigation is one where high speed rail is highly cost-effective and performs best. Ancillary benefits, such as relatively minor reductions in environmental pollution, are nice to have, but the project is not a cost-effective means of reaching those goals and they do not necessarily provide major gains (which, admittedly, is a large part of the reason that they are not cost-effective). Ancillary benefits, because of their cost-ineffectiveness, should not be highlighted and used as major talking points in support of high speed rail, as opposition think-tanks will seize upon this and use it to help convince independents that high speed rail should not be supported. One of the ancillary benefits which is often inappropriately highlighted as a primary benefit by high speed rail proponents is that of reducing American oil consumption. Often, our reliance upon foreign oil, including some from Middle East nations such as Saudi Arabia, is seized upon by such proponents and the defense costs added to the price of oil. This, however, is a flawed notion that ignores the interconnected nature of global trade. Even if we were completely independent from foreign oil, or at least oil not from North America and Europe, including our shipping, we would still fund foreign militaries and place troops in these areas. A sudden lack of oil shipments from Saudi Arabia would cause major oil price shocks globally, not merely to those depending on oil from Saudi Arabia. Even if we were, by perhaps some magical free energy device, completely free from oil use except in raw industrial processes, we would still be gravely damaged economically because our economy depends on foreign trade. Major economic recessions or depressions in our trading partners will cause the same problems here as well.

### AT: Dutch Disease

#### Even if they have dutch disease we can’t let them collapse

Odd Per Brekk, a Norwegian national with a long and geographically varied career in the International Monetary Fund (IMF), has since 2009 acted as the Senior Resident Representative of the IMF in Moscow, Russia, Oct 2011, “Odd Per Brekk on economic prospects for Russia's recovery”, <http://www.nib.int/news_publications/interviews_and_opinions/950/odd_per_brekk_on_economic_prospects_for_russia_s_recovery> , KENTUCKY

As long as the budget remains heavily oil dependent, the Russian economy will be very vulnerable to swings in the international commodity and financial markets. Any shock in the world economy that leads to a drop in oil prices or creates risk aversion could easily lower growth and create higher instability in Russia. Resource-based economies are faced with very unique fiscal policy challenges. Countries with large resource bases tend to have worse than average growth performance and weaker institutions, and in that sense Russia may not be doing so badly. Some countries, such as Norway and Chile, have however shown how resources can be successfully managed. The main lesson they can provide is the need to have strong institutions and a clearly defined, politically supported medium-term anchor for fiscal policy.