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#### A. Oil prices are stable and remain high to high demand

Business Week 06-27 ["Oil rises for second day on signs of economy recovery in U.S.", http://www.businessweek.com/news/2012-06-27/oil-rises-for-second-day-on-signs-of-economic-recovery-in-u-dot-s-dot] ttate

Oil rose to a one-week high on signs the U.S. economy is recovering, easing concern that demand from the world’s biggest crude-consuming country will decline. Crude gained 1.1 percent after Commerce Department data showed orders for durable goods climbed more than forecast in May. More Americans than estimated signed contracts to purchase previously owned homes last month, the National Association of Realtors reported. Oil retreated from the day’s highs after the Energy Department said U.S. gasoline supplies jumped last week. “The durable goods number is giving the market the sense that things aren’t too bad, at least in the U.S.,” said Phil Flynn, a senior market analyst at the Price Futures Group in Chicago. “The economic data recently seems to be raising expectations for more oil demand.

#### B. <Insert specific link OR...> New Transportation Infrastructure investment decreases US oil consumption

Krauss 11 [Clifford Krauss is currently the national business correspondent, covering energy, for the New York Times. He also worked for the Wall Street Journal and was a fellow at the Council on Foreign Relations. “Can We Do Without the Mideast?”  http://www.nytimes.com/2011/03/31/business/energy-environment/31FUEL.html?pagewanted=all, 3-30-2011] Lin

The problem the nation faces is easy to define: it’s the 19 million barrels of oil a day used by its cars, trucks and aircraft. Though the United States remains one of the largest oil producers in the world, it has been an importer since the late 1940s, with imports rising and domestic production declining fairly steadily year after year over the last quarter-century, until recently. But a shift in the last couple of years has received little attention. Oil imports have edged lower and domestic output has increased, enough so that the United States is no longer importing 60 percent of its oil, as it was the last time oil prices were spiking four years ago. “We’re 80 percent energy-independent to begin with, so we’re pretty far along,” said Daniel Yergin, the oil historian. “Our oil imports are down to 50 percent, and there has been a rebalancing of where we import oil from.” Since 2007, the United States has decreased its oil imports from nations of the Organization of the Petroleum Exporting Countries by more than a million barrels a day (including 400,000 barrels less from Saudi Arabia and 300,000 less from Venezuela), while decreasing its imports from non-OPEC countries by half that much, according to the Energy Department. During the 1970s, synthetic fuel from oil sands was little more than an experiment. Now more than 20 percent of United States oil imports come from Canada, and half of that from oil sands. That could expand considerably if the Obama administration approves the extension of the Keystone pipeline to Gulf of Mexico refineries, as expected. Synthetic oil from Canadian oil sands is dirtier to produce than most conventional crude, but it will be produced; if the United States does not import that oil, China will. Another 10 percent of American imports comes from Mexico, and increasing amounts from Colombia and Brazil, two dependable allies. The shifting sands of oil could be seen when President Obama did not cancel his recent trip to Brazil even as allied air and naval forces went on the attack in Libya. The potentially unstable or otherwise unreliable countries of the Persian Gulf and North Africa, Venezuela and perhaps Nigeria, supply a combined total of about five million barrels a day — about a quarter of United States consumption. That is the amount that ought to be the target. There are several ways to replace those barrels, some of which have already been tried, with some success, in the United States and other countries. A decade of progress stretching from the early 1970s through the early 1980s is now mostly forgotten, but high oil prices drove two Republican and one Democratic administration to lower highway speeds to 55 miles an hour, divert federal funds from highways to mass transit, restrict the use of oil by utilities and oblige automakers to improve their efficiency standards. Along with the conservation efforts, the country completed the Trans-Alaska pipeline system to bring Alaskan oil to the lower 48 states and created a Strategic Petroleum Reserve. Research and development of shale oil, geothermal, nuclear and solar energy were all increased with federal support. The efforts of the Nixon, Ford and Carter administrations slashed oil imports in half from 1977 to 1982. Because the country has become more dependent on oil imports today, it is easy to dismiss those efforts of a generation ago as a failure, but that would be the wrong lesson to draw. Some advances were permanent: oil had been responsible for 15 percent of the nation’s electrical generation in 1975, consuming 1.4 million barrels a day, but now is only a trivial power source. The 1975 energy act obliged auto companies to double efficiency to 27.5 miles a gallon by 1985, saving hundreds of millions of barrels of imports over the years. Subsequent administrations discarded many of the effective policies when oil prices collapsed and remained low through much of the 1980s and 1990s, while private investment in developing oil and unconventional fuel sources also withered. Federal budgets for research on conservation and alternative fuels were slashed. Automobile efficiency standards remained unchanged. Oil imports rocketed from 27 percent of United States oil consumption in 1985 to 60 percent in two decades since then. Yet the same tools that worked 30 years ago — from producing more oil in Alaska to increasing biofuel production to creating more fuel-efficient cars — exist today. “It’s become chic to say we can do nothing to solve this problem, but past success can give us hope for the future,” said Jay Hakes, director of the Carter Library and former director of the federal government’s Energy Information Agency. “We can get to energy independence, and we have begun moving in that direction already in the last three or four years.” The high oil prices in recent years have helped the effort, and there is some evidence that gasoline usage in the United States may have peaked in 2007. With cars and trucks becoming more efficient and ethanol use expanding, American drivers will probably use less oil in the future despite predicted increases in population. The 2007 Energy Independence and Security Act, the most serious energy legislation in a generation, went a long way toward reaching those goals. It raised auto and light truck efficiency requirements to 35 miles a gallon by 2020, from the current 27.5. It obliged producers of transportation fuels to gradually increase blending of biofuels into gasoline to replace oil, from nine billion gallons a year in 2008 to 36 billion gallons in 2022, a goal that will require the production of advanced biofuels in commercial quantities. Pilot-scale plants are working on producing various kinds of advanced cellulosic ethanol, butanol and other biofuels made out of plant and other wastes. The results could be revolutionary, as the American vehicle fleet is replaced over the next 15 years. Several car companies are working on improvements to the internal combustion engine that could yield 50 miles to the gallon, or more, in a few years. Genetically modified crops promise to improve yields for ethanol. Every major auto manufacturer has a hybrid or plug-in electric car planned for the marketplace, and utilities and other companies are working on building a charge-up infrastructure in cities across the country. Battery prices are coming down significantly. A recent study by the consulting firm Accenture estimated that it would be possible to replace 30 percent of gasoline demand by 2030 by adopting a fuel-efficiency standard of 40 miles a gallon over the next 20 years and gradually doubling the current blending of biofuels to 30 billion gallons by 2030. Research breakthroughs are occurring across a wide range of alternative fuels and vehicles, but barriers to reaching commercial scale remain. Competitiveness with oil-based technologies is not guaranteed unless there is some government intervention, like subsidies or taxes on carbon.

#### And, Saudi Arabia will flood the market with cheap oil if it perceives a decrease in US demand

Taqui 2011 [Dr. Jassim - founder and director @ Al-Bab Institute for Strategic Studies and physical chemist, "Saudi Arabia leads the move to bring down oil prices", *Pakistan Observer*, http://pakobserver.net/detailnews.asp?id=101173] ttate

Islamabad—Saudi Arabia has emerged as an international player and a savior by insisting on increasing the oil production to bring down the oil prices. It is supported by the State of Kuwait, United Arab Emirates and the State of Qatar. Prince Turki Al-Faisal has stated that Saudi Arabia can flood the international market with oil to bring down the prices. Saudi Arabia has the capacity to achieve this feat. It has a spare production capacity of 4 million barrels per day. It is the world leading oil producer and can achieve what it promises. It has also the financial resources to further expand oil production at a fairly quick time. The decision has already been taken. This decision is expected to be enhanced when Kuwait, UAE and Qatar would follow suit as per a tacit agreement between the four oil producing countries. With huge quantities of oil are floated in international market, other oil producing nations would be compelled to reduce oil prices so as not to lose their traditional markets.

#### And, a flood to the global oil market collapses Russia's economy and guts regime support

Kramer 12 [Andrew - *New York Times* editor and writer, "Higher oil prices to pay for campaign promises", *New York Times*, March 16, http://www.nytimes.com/2012/03/17/business/global/vladimir-putins-big-promises-need-fueling-by-high-oil-prices.html?\_r=2?pagewanted=print] ttate

MOSCOW — In American presidential politics, high oil prices are a problem. For Vladimir V. Putin’s new presidential term in Russia, they will be a necessity — crucial to fulfilling his campaign promises to lift government spending by billions of dollars a year. But doing that without busting the Kremlin’s budget would require oil to reach and sustain a price it has never yet achieved — $150 a barrel, according to one estimate by Citigroup. No wonder economists who specialize in Russia are skeptical. (On Friday, Russia’s Ural Blend export-grade oil was trading at $120 on the global spot market.) “It’s very hard to overestimate how vulnerable the Russian economy is to external pressures” from the oil price, Sergei Guriev, the rector of the New Economic School in Moscow, said in a telephone interview. “That vulnerability is huge, which is why Russia must be very vigilant. The spending is a risk.” The promised spending is also ambitious. Mr. Putin has laid out a program of raising wages for doctors and teachers, padding retirement checks for everyone and refurbishing Russia’s military arsenal. The oil-lubricated offerings would even include a population premium: expanding the popular “baby bonus” payments the Russian government provides to mothers, to include a third child. The payment, of up to $8,300 for housing or baby-related expenses, now comes as an incentive only with each of the first two children. The additional cost of the expanded baby benefits alone will total $4.6 billion a year, according to an estimate by the Higher School of Economics in Moscow. Most of Mr. Putin’s spending promises came at least partly in response to the street demonstrations by young and middle-class protesters in Moscow and other big cities challenging his authority in the weeks leading up to the March 4 election. His apparent aim was to shore up support from the rest of Russia: poorer and rural parts of the country, and from state workers and the elderly. The repercussions of his campaign promises, and an earlier commitment on military spending, could be felt for years to come, giving price swings in oil a bigger role than ever on the Russian economy. Taxes on oil and natural gas sales provide half of Russia’s government revenue. Each increase in the Russian budget equivalent to 1 percent of the gross domestic product requires a rise in the price of oil of about $10 a barrel on global markets — which is how Citigroup arrived at the $150-a-barrel figure for meeting the new obligations Mr. Putin has taken on. Analysts worry that, even if the government can fulfill its promises, too little will remain for a sovereign wealth fund that is intended as a shock absorber for the Russian economy and the ruble exchange rate during an oil price slump. Russia needed to use that buffer as recently as 2008, during the financial crisis. “The concern is simple,” Kingsmill Bond, the chief strategist at Citigroup in Russia, said in a telephone interview. “If the oil price that Russia requires to balance its budget is higher, the systemic risks that the market faces are also higher.” The bank estimated that Mr. Putin’s promises of higher wages and pensions, not counting the military outlays, add up to additional spending equal to 1.5 percent of Russia’s gross domestic product. That comes on top of an earlier pledge to spend an additional 3 percent of gross domestic product a year re-arming the military. In all, the new commitments would add up to about $98 billion a year, Citigroup estimates. The spillover from the Arab Spring and the specter of an Israeli attack on Iran’s nuclear development plants are propping up oil prices now. But over the long term, economic stagnation in Europe could help bring them down. Even before the election, Russia’s government spending was up, helping reinforce Mr. Putin’s message that he was the best candidate to deliver prosperity and stability. In January, the Russian military ministry, for example, doubled salaries in the nation’s million-person army. It was ostensibly a long-planned move. But coming just two months before the presidential vote, the political message was clear. Also smoothing the path for Mr. Putin’s victory was a national cap on utility rates that helped keep inflation at the lowest level in Russia’s post-Soviet history for January and February, at a 3.7 percent annual pace. “Putin made large spending commitments,” the Fitch rating agency said in a statement released the day after the election. “The current high price of oil cushions Russia’s public finances,” Fitch said. “But in the absence of fiscal tightening that significantly cuts the non-oil and gas fiscal deficit, a severe and sustained drop in the oil price would have a damaging impact on the Russian economy and public finances and would likely lead to a downgrade” of the nation’s credit rating. As Mr. Putin’s spending promises started to be introduced in January, Fitch altered Russia’s outlook to stable, from positive. Mr. Putin has defended the proposed spending as necessary and just, given the hardship of teachers and other public sector workers in the post-Soviet years. “A doctor, a teacher, a professor, these people should make enough money where they work so they don’t have to look for a side job,” Mr. Putin wrote in a manifesto published during the campaign. But in fact, the government will offset a portion of the pay raises, perhaps as much as one-third of their cost, by laying off some public sector workers and trimming some other public spending. That was the word from Lev I. Yakobson, the deputy rector of the Higher School of Economics, who helped draft the policy. That part of the plan, though, was never part of Mr. Putin’s stump speech.

#### Russian economic decline causes nuclear war

FILGER 2009

(Sheldon, author and blogger for the Huffington Post, “Russian Economy Faces Disastrous Free Fall Contraction” <http://www.globaleconomiccrisis.com/blog/archives/356>) Sherman

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.

### U - Oil prices high now

#### Oil prices high now

**AFP 7/19** (Staff writer, “Oil prices hit two-month high on Mideast tensions”, 07/19/12, AD: 07/20/12, <http://news.yahoo.com/oil-hits-seven-week-highs-middle-east-tensions-113924681.html>

World oil prices hit two month highs Thursday as traders fretted over the impact of simmering geopolitical tensions in the crude-rich Middle East. In New York, light sweet crude for delivery in August, soared $2.79 to $92.66 a 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. "Prices have climbed," said Commerzbank analyst Carsten Fritsch, pointing to rising awareness of "geopolitical risks." "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. US Ambassador to the United Nations Susan Rice said 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." All this came a day after a devastating bomb attack that killed three of the regime's top security officials. "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," said PVM Oil Associates analyst Tamas Varga. 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. Israeli Prime Minister Benjamin Netanyahu said "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 13 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." The US navy has been building up its forces in the oil-rich Gulf region amid mounting tensions with Iran over its controversial nuclear program. Tehran has warned it could close the Strait of Hormuz, in the southern Gulf, if international sanctions begin to bite, potentially disrupting shipping and world oil supplies through the strategic waterway.

#### Oil prices high and increasing- China demand

AP 7/24 (“Oil prices steady on stronger Chinese factory data”, 7/24/12, <http://www.lompocrecord.com/business/oil-prices-steady-on-stronger-chinese-factory-data/article_bf30d486-d9c6-58c3-a70d-aec0fc43d53d.html>) Swoap

The price of oil is up slightly on signs that China's manufacturing is getting stronger. A survey of manufacturers on Tuesday suggested that factory activity in China rebounded to its highest level in nine months. Worries about weakening demand in China \_ the world's No. 2 oil consumer \_ and Europe's debt crisis, had pushed down oil prices the past few days. The HSBC manufacturing index rose to 49.5 from 48.2 for Chinese companies. Anything above 50 suggests the sector is growing. In Europe, meanwhile, leaders are struggling to contain a debt crisis. Borrowing costs for Spanish debt have jumped to levels that are considered unsustainable, and Moody's Investors Service said there's an "increased likelihood" that Greece would leave Europe's monetary union. The manufacturing survey was a good sign, "but the question is sustainability," said Phil Flynn, an analyst with Price Futures Group. "If Europe's economy falls apart, who are the Chinese going to export to?" Benchmark U.S. crude rose 12 cents to $88.26 per barrel in New York. Brent crude, which sets the price for imported oil, climbed 28 cents to $103.53 in London. At the pump, retail U.S. gasoline prices increased nearly a penny to a national average of $3.477 per gallon, according to auto club AAA, Wright Express and Oil Price Information Service. A gallon of regular unleaded has increased in price by an average of 14.7 cents since July 1, though it's still cheaper than a year ago.

#### Oil prices soaring on Middle East concerns

AFP 7/23 (“Oil prices hit 2 month high on Mideast tensions”, Oil and Gas Eurasia, 7/23/12, <http://www.oilandgaseurasia.com/news/p/0/news/15716>) Swoap

World oil prices hit 2 month highs as traders fretted over the impact of simmering geopolitical tensions in the crude rich Middle East. In New 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».

### U - Oil prices will remain high

#### Oil prices are high now and will continue to increase

Offner 7/24 Jim Offner is currently Business Editor at Lee Enterprises. He was a writer at Vance Publishing, Reporter at E-Commerce Times, Senior Writer at The Packer, Vance Publishing Corp., Senior Writer at Vance and graduate of Northwest Missouri State University (“Gas Prices on the Rise Again”, <http://www.hispanicbusiness.com/2012/7/24/gas_prices_on_the_rise_again.htm>, 7/24/2012) Kerwin

Retail gas prices have been jumping again after showing a temporary decline after mid-April. As of Thursday morning, the per-gallon price for regular unleaded gasoline averaged $3.491, compared to $3.449 a day earlier and $3.425 last week. The national average price was about 6 cents lower Thursday. The local price was still a nickel-per gallon lower than it had been a month ago and 17 cents lower than the $3.666 of the same period in 2011. National prices peaked for 2012 at $3.92 in the first week of April. The record price in Waterloo-Cedar Falls is $4.002 on May 8, 2011. There are several reasons for the newest spike, including the rising price of crude oil, said Gregg Laskoski, senior petroleum analyst with GasBuddy.com, which tracks fuel-price trends. Laskoski noted crude oil was trading at around $90 per barrel Thursday, compared to $77 to $78 just a few weeks earlier. "On June 29, crude oil saw the biggest single-day increase we'd seen in three years," Laskoski said, noting the price jumped about $7.30 a barrel that day. "Ever since then, we've seen crude oil moving higher," he said. Several factors are in play, Laskoski said, listing a potential volatile situation in the Middle East first. "Although it's not exclusively Iran, it's the nervousness about the conflict in Syria, the civil war that could escalate," he said. U.S. refinery output in the Midwest, has been at 90.8 percent of capacity, compared to a national average output of 92 percent, Laskoski said. The lone trouble spot in that category is the East Coast, which has current refinery output of about 82 percent. The Rocky Mountain region leads, at 97.5 percent. In the short term, prices likely will continue to rise until around Labor Day, he said. "I don't think we're going to see an extraordinary kind of spike like we saw in the springtime, though," he said. Barring any unforeseen events, like a hurricane or a war breaking out, consumers likely will see some relief at the pump after Labor Day, when the retailers move away from federally mandated "summer blend" fuels to cheaper winter blends, Laskoski said

#### Global oil prices will remain high in the status quo - Russia needs prices to remain high for economic stability

Zakaria 12 [Fareed - former columnist for *Newsweek* and former editor-at-large for *Time*, January 15, http://globalpublicsquare.blogs.cnn.com/2012/01/15/zakaria-why-oil-prices-will-stay-high/] ttate

Now I think that the economic fundamentals really can't justify oil prices at their current levels. The real driver of high oil is not the stuff you find in the business section of the newspaper - the demand for oil in India and China. It's on the front page: Global politics. You see, traders worry about risk. And the biggest risk to oil supplies is the threat of war in the Persian Gulf. Meanwhile, in Nigeria mass protests are raising worries about the supply of fuel from there. Venezuela is in a slow-motion collapse because of Hugo Chavez's mismanagement. There have also been protests in Russia, the world's top oil producer. And remember the fallout of the Arab Spring - Libya's oil production in 2011 was severely curtailed. Iraq continues to disappoint with its oil output and its recent political tensions certainly haven't made things any better. So a mix of war rhetoric and local troubles in key oil states are factors driving up the price of crude. And that translates to higher prices at the pump. Now that logic suggests that prices will fall when the news calms down. But perhaps not. Perhaps oil producers want these sky high prices. Usually the major oil producers understand that keeping prices too high in the short term means people start finding alternatives to oil. They start driving more efficiently; they start looking for alternate energies. But this time, oil states face crucial challenges. Look closer at the Arab Spring. The only oil rich country that has been forced into regime change is Libya. Why? The Gulf states lavish subsidies and salary increases on their citizens. They've upped spending to record levels to suppress any popular discontent. I saw some striking numbers this week: Look at the "break-even" costs for the world's top oil producers. That is the minimum price at which these countries need to sell oil so that they can balance their budgets. Russia now needs oil at $110 a barrel to manage its finances. For Iraq, the number is $100. Even Saudi Arabia now needs oil to trade around $80 a barrel just to balance its budgets. The numbers are also high for Algeria, Qatar, and Oman. Only a decade ago Saudi Arabia was able to balance its budget with oil prices averaging around $25 a barrel. So now it is in these countries' interest to keep oil prices high, which they do by curtailing supply in one way or the other. This is perhaps the most lasting impact of the year of global protest: High oil prices. So, the bottom line is an oil crash seems unlikely. Even though the engines of global growth are sputtering, be prepared for a period of expensive commutes. Maybe it's time to trade in your Escalade for a Prius.

### U - Oil Prices Stable

#### Oil market stable – sanctions and shutdowns aren’t causing harm

AP 7/11 [The Associated Press is one of the largest and most trusted sources of independent newsgathering. AP is a not-for-profit news cooperative owned by its American newspaper and broadcast members, it can maintain its single-minded focus on newsgathering and its commitment to the highest standards of objective, accurate journalism, “Kuwait Official Calls Oil Market Relatively Stable” <http://abcnews.go.com/Business/wireStory/kuwait-official-calls-oil-market-stable-16754296>, 7-11-2012] Lin

Kuwait's oil minister says he believes the global oil market is relatively stable despite tightening sanctions on Iran and the recent threat of an industry shutdown in Norway. Oil Minister Hani Hussein's comments Wednesday suggest that OPEC's fourth largest oil exporter does not see an urgent need for a significant change to crude supplies. His comments were carried by the official Kuwait News Agency. Oil traders have been closely watching the effect on global oil supplies after a European Union ban on Iranian oil came into full effect July 1. The threat of a production shutdown caused by a labor dispute in non-OPEC producer Norway also raised traders' concerns, but the government there intervened to end a strike Tuesday.

### U - Oil Prices Stable - Short-term

#### Short term prices are stable—hovering around $100 per barrel

GMA News 7/11 (“Platts official notes ‘unsual period’ of stable oil prices”, 7/11/12, <http://www.gmanetwork.com/news/story/265033/economy/finance/platts-official-notes-unsual-period-of-stable-oil-prices>, Accessed 7/16/12, Chan)

The world crude market is fairly stable right now and prices will likely settle between $90 and $110 per barrel in the short-term, a director of global commodities information provider Platts said Wednesday.¶ ¶ "It's one of those unusual period, but that's very short-term because while we are talking here, if there are some news in the Middle East, prices go up, ¶ said Jorge Montepeque, Platts global director for Market Reporting told reporters at the sidelines of the Platts Forum on Oil, Coal and LNG in Mandaluyong City.¶ ¶ “This is the nature of how things are," Montepeque added.¶ ¶ The conditions for prices to go higher in the immediate term "are not really there," he said.¶ ¶ "I have been observing the market very closely in the next few days. I see a balance. It almost seems that in the short-term the [oil prices](http://www.gmanetwork.com/news/story/265033/economy/finance/platts-official-notes-unsual-period-of-stable-oil-prices) is about $100. For the short term, the band for pricing is $90 to $110 possibly the tendency based on what is happening in Europe is a little bit on the downside," he said.

### U - Oil Prices Stable - AT: Recent Blips

#### Any Aff card about volatility of oil prices is only a short-term snapshot - oil prices for 2012 have been stable

Kemp 7/12 (John, Reuters market analyst, “Long-term oil price expectations converge on $90-95”, 6/12/12, <http://www.cattlenetwork.com/cattle-news/Long-term-oil-price-expectations-converge-on-90-95-162210565.html?ref=565>, Accessed 7/16/12, Chan)

In the first six months of 2012, the most remarkable thing about oil prices is not how volatile they have been but how stable.¶ Spot prices have been whipped around by supply disruptions in the North Sea, Yemen, Syria and Iran, as well as inventory building by Saudi Arabia, frenzied speculation about an imminent air strike on Iran, and the ebb and flow of hopes for the world economy.¶ Brent's premium over U.S. light crude has varied from less than $10 per barrel to more than $20 depending on inventory builds and expectations about how quickly new pipeline infrastructure can relieve the bottleneck in the U.S. Midwest.¶ But a look at longer-dated futures contracts paints a different picture.¶ December 2015 Brent futures have traded in a band of plus or minus $3-4 per barrel either side of $95 for most of the time since the start of the year. December 2015 WTI futures have traded in a similar range of $3-4 either side of $91.¶ The result is that Brent's forward premium over WTI has been very stable at about $4.50 per barrel plus or minus $1 since the beginning of January (Charts 1-3).¶ ¶ Most oil analysts and the media focus on spot prices. The short-term focus is not unreasonable given the cash market drives the price of gasoline and diesel, has an immediate impact on consumer and business confidence, and is a major variable for economic performance.¶ However, oil companies contemplating long-term investments unlikely to be realised for 3-5 years and with payback periods of 5-10 years, are more likely to focus on long-dated contracts as representing the current state of expectations about where spot prices are likely to be in a few years' time.¶ The stability of long-dated futures contracts suggests a new consensus has formed around prices averaging $90 or so in the medium term, with Brent commanding a $3-5 premium over WTI, reflecting the cost of pipeline transportation.

### U - Demand high now

#### We will control momentum - US oil demand is set to increase

McKillop 06-17-12 [Andrew - former expert @ Policy and Programming, Division A-Policy, DG XVII-Energy, with the European Commission in Brussels, "Crude oil demand recovery is unlikely", *The Market Oracle,* <http://www.marketoracle.co.uk/Article35184.html>] ttate

**“**World oil consumption will rebound next year as the global economy recovers, according to a report released by the Paris-based International Energy Agency which said it expects global oil demand to grow 1.7%, for an increase of 350,000 barrels per day from its previous estimate". The only problem with the serial oil demand growth-forecasting reports from the IEA is the above example dates from.... September 2009. At that time, crude for November delivery was trading around $71.75 a barrel for WTI grade. Why oil demand did not rebound is the real question, and the reasons for this are not only due to GDP change or oil prices but are wide ranging - and will go on growing. This especially affects the European Union countries, the US and Japan, which are the three main oil consumers in the IEA's 28 member states, using a combined 44.25 million barrels a day (Mbd) as of March 2012, almost exactly 50% of world total oil demand.

### U - Saudi oil production down

#### Saudi Arabia will cut production now to stabilize prices

Daily Times 06-23-2012 ["Oil back over $90 after hitting 18-mth low", <http://www.dailytimes.com.pk/default.asp?page=2012%5C06%5C23%5Cstory_23-6-2012_pg5_28>] ttate

As the economic outlook darkens, oil supply is ample. The Organisation of the Petroleum Exporting Countries (OPEC) is pumping about 1.6 million barrels per day (bpd) more than the demand for its oil and its own supply target, OPEC figures show. Much of the extra oil has come from top exporter Saudi Arabia, which made clear it was unhappy with the surge in prices earlier this year, as well as from an export capacity expansion in Iraq and a recovery in Libyan output. OPEC agreed at a meeting last week to keep its oil output limit at 30 million bpd, and several in the group called on Saudi to cut back supplies to bring collective output down to the target level. There are signs of lower Saudi output already. Saudi Arabia told OPEC it trimmed output in May to 9.8 million bpd from 10.1 million bpd - the highest in decades - in April.

### U - AT: Domestic Oil Production Increasing

#### US oil production doesn’t affect prices— dependent on taxes and subsidies

[Yglesias](http://www.slate.com/authors.matthew_yglesias.html) 5/10 (Matthew, writer for Slate, “Domestic Oil Production Is Irrelevant To Oil Prices”, 5/10/12,

<http://www.slate.com/blogs/moneybox/2012/05/10/domestic_oil_production_is_irrelevant_to_oil_prices.html>, Accessed 7/20/12, Chan)

The issue is that oil is a globally traded commodity, so oil isn't really any more expensive in importing countries than in exporting countries. International price differences are driven by the fact that some countries have high taxes on gasoline, some (like the U.S.) have low ones, and others have subsidies. Many oil-producing countries [have adopted misguided consumption subsidy schemes](http://www.slate.com/articles/business/moneybox/2012/01/fossil_fuel_subsidies_and_global_warming_we_could_cut_the_climate_change_problem_in_half_simply_by_abolishing_inefficient_fossil_fuel_subsidies_.html) so it's empirically true that high-production countries tend to have low prices, but this is a coincidence not a strict causal relationship. ¶ What increased oil production does do is alter a country's trade situation. Canada imports a lot of consumer durable goods, so the more oil they export to the United States the more KitchenAid [stand mixers](http://www.slate.com/blogs/moneybox/2012/05/10/domestic_oil_production_is_irrelevant_to_oil_prices.html) they can afford to [import from Ohio](http://en.wikipedia.org/wiki/KitchenAid#Design_and_manufacturing). This can be a big deal (Argentina, for example, really needs to bolster domestic energy production to raise [foreign currency](http://www.slate.com/blogs/moneybox/2012/05/10/domestic_oil_production_is_irrelevant_to_oil_prices.html) reserves) but it's a different issue and it's not one the United States is facing.

### U - AT: Flood inevitable - Iran

#### Iran won't trigger Saudi to flood the market - at best, it would be a gradual release

OilPrice.com 2011 ["Saudi Arabia using oil as an economic weapon against Iran", June 28, http://oilprice.com/Energy/Crude-Oil/Saudi-Arabia-Using-Oil-As-An-Economic-Weapon-Against-Iran.html] ttate

In a meeting with U.S. and British servicemen at a U.K. airbase, the prince claimed that Saudi Arabia does not want Tehran to attain nuclear weapons, to the extent that the Saudis are willing to completely open their oil reserves to bankrupt Iran. “We could almost instantly replace all of Iran’s oil production,” stated the prince. This would equate to roughly 4 million barrels per day.

However, if such an action were to occur, there would of course need to be a naval blockade of Iran’s fleet of oil tankers, which Iran would inevitably view as an act of war. However, this seems like an unlikely and rather dangerous scenario. What is more likely to occur is a continued increase in supply coming from Saudi Arabia despite OPEC’s disapproval. The effect will be a prolonged cut into Tehran’s oil profits.

### Brinks

#### The Saudis have massive oil reserves - they just need the motivation to flood

Cooper 05-31-12 [Andrew - reporter for Tehran Bureau, "Iran, Saudi Arabia, and a global game of risk", *Tehran Bureau,* <http://www.pbs.org/wgbh/pages/frontline/tehranbureau/2012/06/comment-iran-saudi-arabia-and-a-global-game-of-risk.html>] ttate

These unfavorable trends have not gone unnoticed in Tehran. Last month, Iranian Oil Minister Rostam Ghasemi dismissed Saudi Arabia's claim that it was prepared to step in to replace Iranian oil lost due to new sanctions. "Saudi production may be temporary, and it definitely cannot continue," he predicted. The Iranians are gambling that Saudi production, though at full capacity, will not make a dent in the oil markets. The implication is that the Saudis don't really want to -- or perhaps can't afford to -- bring prices down. The Iranians had better hope they are right. As I noted in my column earlier this month, the Saudis are not only producing oil at full capacity, they are also stockpiling much of their surplus production. Until they decide whether to hold on to it or flood the market with it, the Saudi oil sword remains sheathed for now and the global game of risk continues. Iran has been at the epicenter of every oil shock since 1973. In my next column, I will look at how oil prices have historically contributed to geopolitical and financial instability, and why any decision to flood the market this year may turn not on Iran's nuclear program but on events in Europe and President Obama's prospects for reelection.

### Links - Transportation Infrastructure

#### New transportation technology key to oil independence – alternative fuels reduce oil use

Krauss 11 [Clifford Krauss is currently the national business correspondent, covering energy, for the New York Times. He also worked for the Wall Street Journal and was a fellow at the Council on Foreign Relations. “Can We Do Without the Mideast?”  http://www.nytimes.com/2011/03/31/business/energy-environment/31FUEL.html?pagewanted=all, 3-30-2011] Lin

The path to that independence — or at least an end to dependence on the Mideast — could well be dirty, expensive and politically explosive. It would require transformational technology for electric cars and biofuels. But experts say that, at least in theory, it is a goal that is now in sight, especially with Canada and other friendly hemispheric partners now able to replace much of the oil imported from less friendly or stable producers. “For the first time since the first oil shock, I see us decreasing our dependency on imported oil,” Steven Chu, the energy secretary, said in an interview. Noting that the country now imports half its oil, he added: “Can we be at half that in 20 years? Yeah, there is a real possibility of that.” But the change will not come easily. “Reducing America’s liquid fuel imports by midcentury to under 20 percent is possible, but it depends on what the political system is willing to do, what the public is willing to accept in terms of higher prices and how the technology breaks for you,” said John M. Deutch, a former director of the Central Intelligence Agency and a former under secretary of energy. “The first thing you do is pop the price of gasoline up quite a bit, and that reduces consumption.” Some analysts said that even faster change was possible, but that could mean big government subsidies and taxes to build more high-speed rail lines, to encourage truck and bus fleets to switch to natural gas and to push the development of wind, solar and geothermal energy. The storage capacity of car batteries would have to improve, and plentiful, low-cost biofuels from plant waste or algae would have to come to market. In the short term, more domestic drilling, including offshore and perhaps in the Alaskan Arctic, would be needed, whatever environmental damage it might bring. Higher gasoline prices are likely, from market forces or taxes or both.

### Links - Alternative Energy

#### Investing in alternative energy will lead to a flooding of the global oil market

Goodstein ‘07 (PhD, professor of physics and applied physics at Caltech (David L, “OPEC Accepts No Substitute” Nature Physics vol. 3, November 2007, p.750, Kushal)

At the time of the invasion of Iraq, the reasons given for it seemed unconvincing; they are even less convincing now. Even the Bush administration can’t have believed that the pathetic remains of Saddam Hussein’s regime posed a serious threat to the United States, or that the secular Ba’athists were somehow hooked up with the religious fanatics of al Qaeda. Clearly, one motivation was the missionary zeal of the neoconservatives who dominate the US administration and seek to impose American-style ideals whether the world wants them or not. Another is that, as long as Saddam remained a threat to Israel and the rest of the region, we had to keep large numbers of troops in Saudi Arabia and Kuwait — an irritant that may have been the motive for the 9/11 attacks. And of course, we have deposed a real monster who committed unspeakable crimes against his own people. 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.** OPEC’s policy is not based on hard-headed reality, but on naive belief in a foolish theory. Our society is firmly rooted in the myth of an endless supply of cheap oil. The theory is that when the oil does start to run out its price will go up, and a cheaper substitute will appear, magically. We may have gone to war to prevent that from happening, but it won’t happen because it can’t. There is no substitute for the cheap oil that runs our civilization.

### Links - High Speed Rail

#### High speed rail reduces dependence on oil – uses electricity

**Kaplan et al 10** – [Siena Kaplan and Tony Dutzik are a senior policy analyst with Frontier Group, specializing in energy, transportation and climate policy. Phineas Baxandall oversees policy and strategy development for state PIRGs' tax and budget campaigns throughout the U.S. “The Right Track: Building a 21st Century High-Speed Rail System for America”, <http://www.frontiergroup.org/sites/default/files/reports/The-Right-Track-vUS.pdf> 2010] Lin

Curbing Oil Dependence Cars and airplanes are almost exclusively powered by oil—increasing America’s dependence on a limited supply of fossil fuel largely controlled by other nations. Spikes in oil prices in recent years have had dramatic effects on Americans’ willingness to drive or fly to their destinations. Expanding and improving passenger rail service can reduce the nation’s dependence on oil and insulate travelers from the impact of fuel price spikes. America’s existing intercity passenger rail network already contributes to reducing America’s oil dependence, removing an estimated 8 million cars from the road and eliminating the need for 50,000 passenger airplane trips each year. Intercity passenger rail—even when powered by diesel fuel—is more fuel-efficient than car or air travel, particularly for trips in the 100 to 500-mile range. On average, an Amtrak passenger uses 23 percent less energy per mile than an airplane passenger, 40 percent less than a car passenger, and 57 percent less than a passenger in an SUV or pickup truck. These numbers underestimate rail’s oil savings compared with airplanes. In terms of travel time, rail is most competitive against oil-intensive short airplane flights with trip distances of 500 miles or less—a traveler is much more likely to choose rail over air travel from Chicago to Minneapolis than from Chicago to Miami. Short flights use more fuel per mile than longer flights, since a plane uses much of its fuel in takeoff. A modernized passenger rail network in the future will also likely use less oil than American passenger rail service does today. As a high-speed rail network is developed in the United States, it will rely more on electricity and less on diesel fuel. Currently, about 40 percent of American intercity passenger rail is powered by electricity, while 80 percent of European rail service is electric. 14 As train service becomes faster, more reliable and more frequent it will also likely draw more passengers, further lowering per-passenger fuel usage. The more seats on a train that are filled, the less fuel that is used per passenger.Amtrak trains are typically about 50 percent full, compared with 70 percent for European highspeed trains. 15

#### **HSR is uniquely key to reduce our oil dependence – increases efficiency**

USHSRA 12 [United States High Speed Rail Association is the only organization in America focusing entirely on advancing a state-of-the-art national high speed rail network across the country, “ENERGY SECURITY”, <http://www.ushsr.com/benefits/energysecurity.html>, 2012] Lin

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. As the world oil supply begins to peak and then irreversibly declines, prices will rise faster, and the situation will get far worse for America if we don't quickly reduce our national oil dependency. This dependency cuts across our entire society and affects our daily survival. Oil provides 95% of the energy to grow, process and deliver food to the nation. Our entire national transportation system is powered mostly by oil. Numerous daily products we use are made from oil. We use 20 million barrels of oil every day - just in America - 70% of it for transportation. Of the 20 million barrels we consume, we import 2/3 of this oil (13 million barrels per day) from foreign sources, many in unstable places. No combination of drilling off our coasts, hydrogen fuel cells, natural gas, biofuels, and used french fry oil will solve this and carry 300 million Americans into the future. None of these fuels can be scaled up to anywhere near the amount of liquid fuel we use daily in any practical, economical, or sustainable way.

#### **HSR key to reduce oil dependence**

CSM 10 [The Christian Science Monitor is an international newspaper published daily online.The CSM is a newspaper that covers international and United States current events. The publication is not a platform for evangelizing.[2] “US high-speed rail to the rescue”, <http://www.csmonitor.com/Commentary/Opinion/2010/0201/US-high-speed-rail-to-the-rescue>, 2-1-2010] Lin

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. 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.

#### HSR would upset oil markets—transportation accounts for 70% of US oil consumption

Bernstein 11 (Andrea, writer for Transportation Nation, “Obama: Cut Oil Imports by a Third in the Next Decade”, 3/30/11, <http://transportationnation.org/2011/03/30/obama-cut-oil-consumption-by-a-third-in-the-next-decade/>, Accessed 7/17/12, Chan)

President Obama is vowing the U.S. will cut oil consumption by a third in the next decade. Speaking before a group at [Georgetown University](http://transportationnation.org/2011/03/30/obama-cut-oil-consumption-by-a-third-in-the-next-decade/), Obama said: “So today, I’m setting a new goal: one that is reasonable, achievable, and necessary. When I was elected to this office, America imported 11 million barrels of oil a day. By a little more than a decade from now, we will have cut that by one-third.”¶ To achieve this, Obama said, he would take several measures: [continue](http://transportationnation.org/2011/03/30/obama-cut-oil-consumption-by-a-third-in-the-next-decade/) to expand domestic drilling, pursuing increased natural gas drilling while ensuring it didn’t endanger oil supplies, and, as he put it, keeping nuclear power “on the table,” because he said, nuclear power doesn’t produce carbon. But he said that must be done safely.¶ His biggest proposals, however, were on the consumption side. By 2015, he said, all federal cars purchased will be hybrid or electric.¶ “The fleet of cars and trucks we use in the federal government is one of the largest in the country. That’s why we’ve already doubled the number of alternative vehicles in the federal fleet, and that’s why, today, I am directing agencies to purchase 100% alternative fuel, hybrid, or [electric vehicles](http://transportationnation.org/2011/03/30/obama-cut-oil-consumption-by-a-third-in-the-next-decade/) by 2015. And going forward, we’ll partner with private companies that want to upgrade their large fleets.”¶ Obama noted that even if the US were to drill “every drop” of U.S. oil, US oil only accounts for 2 percent of the world supply, while the US consumes 25 percent of the oil. He also pointed out that 70 percent of US petroleum consumption comes from the transportation sector.¶ Most of the oil consumption part of the speech focused on alternative-fueled personal and commercial vehicles, but he did make reference to increasing mass transit options: ” We’ve also made historic investments in high-speed rail and mass transit, because part of making our transportation sector cleaner and more efficient involves offering Americans – urban, suburban, and rural – the choice to be mobile without having to get in a car and pay for gas.”¶ The administration has invested about $11 billion in high speed rail, and wants to spend more than $50 billion more.

#### HSR would decrease oil consumption - would signal a transition to alternative energy sources

Levi et al 10

(Michael A. Levi, Senior Fellow for Energy and the Environment, Council on Foreign Relations Ian W.H. Parry, Senior Fellow, Resources for the Future Anthony Perl, Director, Urban Studies Program, Simon Fraser University Daniel J. Weiss, Senior Fellow and Director of Climate Strategy, Center for American Progress ¶ Interviewer(s): Toni Johnson, Senior Editor/Senior Staff Writer. June 11, 2010. *Council on Foreign Relations.* “Reducing U.S. Oil Consumption” <http://www.cfr.org/energyenvironment/reducing-us-oil-consumption/p22413>) Sherman

America's biggest oil spill has shown us the dark side of pushing the search for oil beyond the frontier of our experience. Going forward, we face a crucial choice that will have profound consequences for America's future. We can either reinvent our energy infrastructure to obtain extreme oil more safely or we can reposition our society to use much less of it. Both options will cost more than Americans have grown accustomed to paying for energy, but the end of cheap oil is inevitable.¶ A key difference between redesigning our transportation system to enable post-carbon mobility and introducing infrastructure to bring us more extreme oil--like the Gulf of Mexico's deepwater reserves--can be found in the state of technology. Moving people and freight without oil can be done with mature technology. Conversely, the technology to safely produce extreme oil on a large scale remains to be perfected, as events in the Gulf have made obvious.¶ High-speed trains have revolutionized the way that people move between cities hundreds of miles apart. These trains are powered by electricity--the ideal medium to facilitate a transition away from oil because it can blend energy sources and thus shift from non-renewable carbon based fuels like coal and natural gas to renewable sources like solar, wind, and water as soon as the infrastructure to generate them can be built.

#### HSR key to decrease oil dependence – California proves

Peters et al. 10 [Katie Peters is an expert in economy, education, and health care. Christina DiPasquale is an expert in foreign policy, security, and energy. Laura Pereyra is an expert in ethnic media and immigration. “It’s Easy Being Green: Rail Transport Picks up Speed, http://www.americanprogress.org/issues/2010/03/ebg\_032310.html/, 3-24-10] Lin

The United States uses 25 percent of the entire world’s oil supply despite having only 5 percent of the world’s population, and sprawling communities force people to drive even short distances. We need alternate modes of transportation to kick this oil dependence, and one alternative is high-speed rail, which offers tantalizing environmental and economic benefits. President Barack Obama, Vice President Joseph Biden, and Transportation Secretary Ray LaHood announced a strategic plan for high-speed rail last year that includes $8 billion in the American Recovery and Reinvestment Act and $1 billion a year for five years in the federal budget. Their goal is to jumpstart a potential world-class rail system in the United States. These economic incentives for a mass U.S. network of high-speed rail trains, or HSR, along existing transportation corridors could create much-needed jobs, decrease our dependence on foreign oil and fossil fuels, and significantly reduce greenhouse gas emissions. The national implementation of HSR would create jobs in the planning, design, and construction of track and station infrastructure as well as the management, design, and manufacturing of high-speed trains. A study by the California High-Speed Rail Authority found that building their proposed HSR system—which would run from Los Angeles to San Francisco and voters OK’d in 2008—will create 150,000 construction jobs and 450,000 permanent jobs. Critics worry that HSR will encourage sprawl and have a significant impact on parks and wildlife refuges. Yet there have been no links established between existing HSR stations in France and Spain, for example, and an epidemic of suburban growth. In fact, sprawl could be a thing of the past if we take preventative measures to encourage urban density, enact antisprawl regulations, and make it convenient to travel to outlying HSR stations with plenty of garage parking. HSR systems would take advantage of existing transportation corridors to minimize intrusion onto protected nature reserves, decrease air pollution generated by internal combustion engines in cars, and reduce greenhouse gas emissions. The California HSR, for example, will remove 12 billion pounds of carbon dioxide per year by 2030 because it uses electricity generated from wind, solar, and other renewable resources. In addition, California’s HSR will save 12.7 million barrels of oil by 2030.

#### **HSR key to solve oil dependence – reduces traffic congestion and plane travel**

Bettinger et al. 10 [Mark Bettinger is Director of Sierra Club’s Federal and International Climate Campaign. Dr. Bernard Finel is Director of Research and Senior Fellow at the American Security Project. Ann Mesnikoff is the Director of Sierra Club’s Green Transportation Campaign. Jesse Prentice-Dunn is a Washington Representative with Sierra Club’s Green Transportation Campaign. Lindsey Ross is a research associate for climate security at ASP, “Ending Our Dependence on Oil” http://americansecurityproject.org/wp-content/uploads/2010/10/Ending-our-Dependence-on-Oil.pdf, 5-27-2010] Lin

Investing in America’s railroad system has the potential to reduce oil use from the transportation of both people and freight. According to a recent analysis by the EPA, electrifying portions of our freight rail system and switching freight from heavy-duty trucks to rail can reduce emissions and oil consumption. 88 Shifting freight to rail and creating an efficient inter-modal system for our goods is a priority. Also promising is the development of more extensive high-speed rail links serving high-population corridors, which have the potential to reduce car traffic and almost wholly eliminate the need for some plane travel. 89 Building a high-speed rail network that connects city centers would provide a convenient alternative for moving people between cities and provide quick access to public transit within the destination city, which would have the added benefit of reducing congestion and delays at many American airports and reducing energy intensive air travel for short trips. The National Rail Plan is a step in the right direction. There are a large number of potential corridors under consideration for rail, and the completion of these links are likely to have a significant effect on greenhouse emissions and oil demand while also easing road congestion and creating jobs in the United States.

HSR would reduce our oil use by hundreds of millions of barrels each year

Fastlane 11

(March 20, 2011. Fastlane is the official blog of the US Scretary of Transportation. “President Obama, DOT on pathway to better energy future” <http://fastlane.dot.gov/2011/03/president-obama-dot-on-pathway-to-better-energy-future.html#.UAWA2bTY_uo>) Sherman

President Obama is right when he says that electric vehicles offer one solution. They’re on the market, more are coming, and people are excited to buy them. DOT has already awarded grants to develop charging stations across the country.

Through historic fuel economy standards, we’ve also made sure the gasoline-powered vehicles we’re accustomed to will run more efficiently and use less gas. That saves us all from spending a fortune to fill up. America’s high-speed rail program is one of the biggest green jobs efforts we’ve got going. According to Environment America, high-speed rail uses a third less energy per mile than car or plane travel; a nationwide system could reduce our oil use by 125 million barrels a year. And Americans of every party and in every region are calling for more rail investment, not less.

### Links - Rail

#### Both passenger and freight rail use less oil than other modes of transportation

International Energy Agency 09 ["Transport, energy, and CO2", December, , <http://www.iea.org/textbase/nppdf/free/2009/transport2009.pdf>] ttate

Estimates of recent average vehicle efficiencies by mode are shown in Figure 1.6, in grams of CO2 eq per tonne-km for freight modes and in GHG per passenger-km for passenger modes. The same pattern would emerge if the x-axis was in energy units rather than grams of CO2 . The figures reveal a wide range of values for each mode of transport, the range corresponding to the lower and higher boundary of the geographical zones considered in MoMo and the average value being shown as a vertical line. Some modes are generally more efficient than other modes: for example, rail is more efficient than air in both freight and passenger movement. But the most efficient mode can depend on the range of travel: for example, passenger air travel is generally less efficient than passenger LDV travel, except for over very long distances. These efficiency values can be heavily influenced by average loads or ridership. For example, buses in the United States have significantly higher CO2 emissions per passenger-km than those in most other parts of the world, where buses tend to be fuller.

#### **Increasing reliance on rails makes US less dependent on energy**

Leibenluiff 08 [Jacob - staff writer, “Planes vs Trains vs Automobiles”, *Slate* Magazine, November 25, <http://www.slate.com/articles/health_and_science/the_green_lantern/2008/11/trains_vs_planes_vs_automobiles.2.html>] ttate

To answer the question of how to best make your trip home, the Lantern calls your attention to a recent study conducted by Mikhail Chester and Arpad Horvath, researchers at the University of California-Berkeley. When we typically think of the environmental impact of driving, we focus on the energy and emissions associated with moving a car, say, 30 miles. In reality, that sort of analysis is incomplete: How the car is made, how the road is built, and even whether the roads have been salted because of ice all have some effect, too. And while those effects are spread out over many cars and many different trips, they still take a toll. When we start thinking about train travel, the infrastructure matters even more, since getting a rail line up and running requires enormous amounts of construction and manufacturing. Advertisement The UC-Berkeley analysis tries to get a more complete picture of how we travel by taking all these variables into account—down to the impact of planting grass on the side of the road. Chester and Horvath's data suggest that riding in the average train is a significantly greener choice than the average car or plane. For example, they find that Caltrain (a system similar to Amtrak, averaging 155 passengers per train) produces less than half as many greenhouse-gas emissions or particulate matter per passenger mile compared with driving a sedan (average passengers: 1.58). \* (The sedan comes out better when it comes to sulfur dioxide but much worse on volatile organic compounds.) And on Thanksgiving weekend, when trains are certain to be full and cars are likely to spend a long time idling in traffic, rail is easily a better option.

### Links - Mass Transit

#### Increase in transportation ridership saves billions of gallons in fuel savings

Bailey 07 [Linda Bailey is the Federal Programs Advisor at the New York City Department of Transportation. Ms. Bailey was a transportation policy analyst based in DC. As a researcher, she has published on energy savings from public transit, pedestrian safety, senior mobility, and metropolitan transportation spending patterns. Ms. Bailey has ten years of experience working on transportation policy, “Public Transportation and Petroleum Savings in the U.S.: Reducing Dependence on Oil”, <http://www.apta.com/resources/reportsandpublications/Documents/apta_public_transportation_fuel_savings_final_010807.pdf>, January 2007]Lin

The dramatic increase in ridership over the past decade demonstrates Americans’ clear desire for more public transportation options. So what would happen if public transportation services were expanded so that ridership doubled? Total national fuel savings from public transportation would double to 2.8 billion gallons per year, or more if improved coordination between land use plans and public transportation could replace even more car travel.

#### Increasing investment for mass transit improvements will reduce US oil dependency

Addison 12 [John - staff writer @ CleanTechBlog, "Record public transit ridership reduces U.S. oil dependency", March, http://www.cleantechblog.com/2012/03/record-public-transit-ridership-reduces-u-s-oil-dependency.html] ttate

The United States is reducing its dependency on oil as we now consuming 18.3 million barrels a day, down from our peak of 21 million barrels a few years ago. Record use of public transit is a major factor – less solo driving in gridlock and we use less oil. Other major factors, of course, include high gasoline prices and more fuel-efficient cars. Since 96 percent of our transportation is from oil refined into gasoline, diesel, and jet fuel, we will take all the help we can get. According to a report released today by the American Public Transportation Association (APTA), Americans took 10.4 billion trips on public transportation in 2011, the second highest annual ridership since 1957. Only ridership in 2008, when gas rose to more than $4 a gallon, surpassed last year’s ridership. With an increase of 2.3 percent over the 2010 ridership, this was the sixth year in a row that more than 10 billion trips were taken on public transportation systems nationwide. During 2011, vehicle miles of travel (VMTs) declined by 1.2 percent. A number of U.S. regions demonstrated leadership in improving bus and rail systems, often doing more with less. The best systems use rail as the backbone of the system integrated with more cost-effective bus.

### Links - National Infrastructure Bank

#### NIB reduces oil dependence – makes transportation systems more energy efficient

Schwarzenegger et al. 10 [Gov. Arnold Schwarzenegger is a Republican former professional bodybuilder, actor, businessman, investor, and politician. Gov. Ed Rendell a Democratic politician who served as the Governor of Pennsylvania. Mayor Michael Bloomberg is an Independent businessman and politician who is currently Mayor of New York City. He is also the 11th-richest person in the United States “Put our money where our mouth is: Build better”, www.politico.com/news/stories/1010/43637\_Page2.html, 10-15-10] Lin

For example, Washington wants to double U.S. exports, yet our current transportation system is already overly congested, costing our country more than $200 billion a year in lost economic activity, wasted fuel consumption, cargo delays – not to mention sheer frustration. But by investing the most money in fixing the worst bottlenecks -- transport costs can lower; commercial activity can quicken; private investment can rise; jobs can increase, and the economy will grow. The president is correct to connect investment to performance, with a proposal to create a National Infrastructure Bank. That bank could finance large projects based on national standards and goals, allowing Washington to increase investments in big projects that cut across state lines. Washington could also use standards and competition to ensure new transportation spending decreases carbon pollution. This can help shift money from outmoded technology to new transit choices that clean our air, reduce U.S. foreign-oil dependence and ensure we are building a 21st-century infrastructure. At a time when the acrimony in Washington is as bad as ever, infrastructure reform offers common ground for independents, Democrats and Republicans. We are all dedicated to fiscal responsibility, forward-thinking ideas and job creation.

#### NIB key to reduce oil dependence – projects prioritize energy efficiency

Lehner 10 [Peter Lehner is the Executive Director fo the Natural Resources Defense Council. “Battling our Oil Dependence Once and For all: A Blueprint” <http://bellovelo.blogspot.com/2010/06/battling-our-oil-dependence-once-and.html>, 6-20-2010] Lin

Transportation for America groups believe it’s time to build a modern transportation system, one that runs efficiently, is funded wisely, and provides all of us with more options that ensure we all can get where we need to go regardless of age, ability, or income. Our blueprint, the Route to Reform, prioritizes energy efficiency and security. It includes programs to complete the transportation system by building networks of intercity rail and buses, green freight and ports projects, transit projects in cities and towns, and nationally significant projects. And it makes a strong case for boosting national investments in transit to $500 billion over six years using a variety of financing tools such as a National Infrastructure Bank as proposed by President Obama. There’s real potential to save oil by adopting such policies. Analyses have found that by following our recommendations we could cut oil consumption by more than a million barrels a day by 2030.

#### National Infrastructure Bank’s decrease in oil consumption would lead to a 4.9 billion gallon decrease in oil consumption—destabilizes oil prices

Blanco 3/26 (Sebastian, staff writer for AutoBlog Green, “[Treasury Department: traffic jams waste 1.9 billion gallons of gas in U.S. each year](http://green.autoblog.com/2012/03/26/treasure-department-traffic-jams-waste-1-9-billion-gallons-of-g/)”, 3/26/12, <http://green.autoblog.com/2012/03/26/treasure-department-traffic-jams-waste-1-9-billion-gallons-of-g/>, Accessed 7/17/12, Chan)

A car that is sitting still with the engine running is getting zero miles per gallon, no matter how efficient the aerodynamics or how great the hybrid powertrain is. Spread out over the entire U.S., all those zero mile per gallon situations – i.e. traffic jams – means Americans are wasting 1.9 billion gallons of gasoline a year, according to a new Treasury Department report. Another way to look at that is that congested roads cost Americans over $100 billion a year (calculated both as wasted fuel and time). It's not much better in the skies, where Treasury discovered that "more efficient air traffic control systems would save three billion gallons of jet fuel a year." The report is part of President Obama's transportation infrastructure proposal. The report calls the president's plan "bold" and says it, "includes a $50 billion up-front investment connected to a $476 billion six-year reauthorization of the surface transportation program and the creation of a National Infrastructure Bank." Revamping the national infrastructure is important, since the report claims that out of every seven dollars the average American earns, one dollar goes to pay for transportation costs.

### Links - Next Gen

#### NextGen drastically lessens US fuel consumption

Cohen 9 (Bennett, researcher at the Rocky Mountain Institute, Nikkei Ecology, “Smart Planes Save Oil”, p. 1, [http://www.google.com/url?sa=t&rct=j&q=airplanes%20nextgen%20oil&source=web&cd=2&ved=0CF4QFjAB&url=http%3A%2F%2Fwww.rmi.org%2Fcms%2FDownload.aspx%3Fid%3D5098%26file%3DSmartPlanesSaveOil.pdf%26title%3DSmart%2BPlanes%](http://www.google.com/url?sa=t&rct=j&q=airplanes%20nextgen%20oil&source=web&cd=2&ved=0CF4QFjAB&url=http%3A%2F%2Fwww.rmi.org%2Fcms%2FDownload.aspx%3Fid%3D5098%26file%3DSmartPlanesSaveOil.pdf%26title%3DSmart%2BPlanes%25), Accessed 7/17/12, Chan/Lin)

There is a way to achieve oil savings in the air without waiting for the airplane fleet¶ to recapitalize: make airplanes smarter. Specifically, retrofitting existing airplanes to¶ be compatible with next‐generation air traffic control (NextGen ATC) can save 10–¶ 12 percent of aircraft fuel use by 2030.¶ Today’s airplanes are dependent on a centralized, technically limited, ground‐based¶ control system that keeps aircraft at safe distances from one another and¶ determines flight paths. This system is based on 1940s WWII technology, which can¶ have difficulty distinguishing between planes and migratory birds. NextGen ATC will¶ rely on digital technology in every plane, and allow tomorrow’s pilots to organize¶ themselves in a safer and more efficient manner.¶ Retrofitting an airplane fleet with Automatic Dependent Surveillance‐Broadcast¶ (ADS‐B) technology will allow planes to determine their own position using a global¶ navigation satellite system rather than rely on someone on the ground. A plane will¶ broadcast its position in a unique digital code, along with information about the type¶ of aircraft it is, its speed, flight number, and trajectory to other aircraft within 200¶ miles. They will then use the information to determine their own flight paths.¶ NextGen ATC will save fuel from takeoff to touchdown. Planes will fly a precise path,¶ optimized for efficiency and directness, saving fuel that would be wasted on¶ unnecessarily longer flights. More planes will be able to fly more directly, as¶ airplanes won’t need to fly as far apart, and direct flight paths can be closely spaced,¶ parallel, or "stacked." In addition to more point‐to‐point navigation, NextGen ATC¶ will allow planes to make route and altitude deviations to take maximum advantage¶ of favorable, fuel‐saving winds.

#### NextGen saves millions of gallons of fuel

Douglas 12

(Jim, a reporter for the Aviation Online Magazine. “FAA Launches Air Traffic Control NextGen Initiative In Houston”

<http://avstop.com/april_2012/faa_launches_air_traffic_control_nextgen_initiative_in_houston.htm>) Sherman

Top U.S. Transportation Department and Federal Aviation Administration officials met with aviation partners in Houston on Wednesday as part of a newly-launched collaborative effort to make air traffic control more efficient, help airlines improve on-time performance and reduce emissions generated by aircraft flying into and out of Houston’s airports. ¶ “Houston is testing technology and flight procedures that will improve on-time flights and increase safety and fuel efficiency,” said U.S. Deputy Transportation Secretary John Porcari. ¶ “The work underway in Houston to develop new satellite-based arrival and departure routes for the city’s two major airports will be replicated nationally, meaning that travelers will reach their destinations more quickly and safely than ever before.” ¶ The FAA estimates that as a result of the Houston Metroplex airspace initiative, airplanes will fly 648,000 fewer nautical miles annually, based on flight plans. This and other NextGen procedures will save up to three million gallons of fuel and reduce carbon emissions by as much as 31,000 metric tons each year. ¶ A Metroplex is a major metropolitan area with multiple airports, where heavy traffic and environmental constraints combine to hinder efficient movement. Metroplex initiatives are under way or planned in 21 metropolitan areas across the country including Atlanta, Charlotte, Dallas-Ft. Worth, Washington D.C. and Northern California.

#### Improved air traffic control system decreases fuel – Perfect Flight proves

AirBus 7/13 [Airbus is an aircraft manufacturing subsidiary of a European aerospace company. The company produces approximately half of the world's jet airliners. “Attention to detail delivers an eco-friendly “Perfect Flight””,http://www.airbus.com/newsevents/news-events-single/detail/attention-to-detail-delivers-an-eco-friendly-perfect-flight/, 7-13-2012] Lin

The “Perfect Flight” achievements could become more commonplace as research and development continues into more efficient aircraft operations, sustainable fuel sources and improved air traffic management systems, Bushell said. Implementing more modern air traffic management could eliminate four million hours of flight delays, save three billion gallons of fuel used by aircraft in holding patterns while aloft and during ground idling on the ground – eliminating 29 million metric tonnes of carbon emissions from the atmosphere. “With the right stakeholders, the right technology, and the right incentives, we can make great steps toward a cleaner, quieter and smarter aviation sector,” Bushell added.

#### Reducing delays saves millions of gallons of fuel – empirically proven

JEC 8 [The Joint Economic Committee is a bicameral Congressional Committee. Its main purpose is to make a continuing study of matters relating to the US economy. The Committee holds hearings, performs research and advises Members of Congress, “Your Flight Has Been Delayed Again” <http://www.jec.senate.gov/public/?a=Files.Serve&File_id=47e8d8a7-661d-4e6b-ae72-0f1831dd1207>, May 2008] Lin

The JEC found that airlines consumed an additional 740 million gallons of jet fuel in 2007 as a result of airline delays. At an average wholesale price of $2.15 per gallon in 2007, the delay induced fuel consumption cost more than $1.6 billion. This report calculated the excess fuel burn for each flight by applying a known rate of fuel burn by the aircraft type during the phases of flight in which each minute of delay occurred. The report finds that air traffic delay-related burn of jet fuel led to the emission of about 7.1 million metric tons of carbon dioxide, or about 5 percent of the 142.1 million metric tons of carbon dioxide from domestic commercial aircraft in 2006. 6 To put this figure in context, according to Toyota, the aggregate CO2 emissions reductions resulting from the one million Prius hybrid automobiles sold so far is 4.5 million metric tons, or 63 percent of JEC estimates for delayed passenger aircraft in the U.S. in one year. 7

### Links - Road Congestion

#### Decreased traffic congestion reduces fuel consumption and lowers costs

Spalding 8 [Steve Spalding is the Executive Manger of Vehicle Technologies “RACQ Congested Roads Report: The Effects on Fuel Consumption and Vehicle Emissions“ http://www.racq.com.au/\_\_data/assets/pdf\_file/0009/8982/Traffic\_congestion\_report\_May\_08.pdf, 1-5-May 2008] Lin

A vehicle’s fuel consumption is a consequence, in part, of its operating environment. Traffic density forms part of this environment, impacting levels of congestion and travel times. Denser traffic conditions result in increased fuel consumption and longer travel times. Fuel consumption, in terms of the quantity of fuel consumed, also affects the quantity of CO2 emissions from a vehicle. A vehicle with higher fuel consumption will emit correspondingly high levels of CO2. With increased community awareness of CO2 emissions, reducing a vehicle’s fuel usage contributes to providing environmental benefits to society. Additionally, motorists benefit from lower overall fuel costs.

### Links - Electric-Fueled Tech

#### **Electric fueled tech is key to fuel reductions – reduces emissions**

IEA 9 [The International Energy Agency (IEA) is an autonomous organisation which works to ensure reliable, affordable and clean energy. The IEA is at the heart of global dialogue on energy, providing authoritative and unbiased research, statistics, analysis and recommendations, “Transport, Energy and CO2”, <http://www.iea.org/textbase/nppdf/free/2009/transport2009.pdf>, December 2009] Lin

Yet such savings will only be sufficient to slow the growth in vehicle travel and stabilize the growth in CO2. A revolution in technology will be needed to move toward a truly low CO2 future. This will be built on some combination of electricity, hydrogen and biofuels. Important hurdles exist to reach substantial use of any of these fuels, including infrastructure requirements, costs and – especially in the case of biofuels – the need for a pathway toward the use of truly sustainable feedstocks. But through a combination of RD&D, careful and co-ordinated planning, deployment, and learning by doing, the ambitious long term targets described in this report can be achieved.

### Links - Shipping

#### Shipping more fuel efficient than road and air - decreases oil consumption

International Energy Agency 09 ["Transport, energy, and CO2", December, , <http://www.iea.org/textbase/nppdf/free/2009/transport2009.pdf>] ttate

It is clear from this analysis that shipping is generally the most efficient way to move freight. Rail is the next most efficient mode. Road and air freight movements tend to be much more energy intensive. For passenger transport, rail, buses and twowheelers show similar levels of average efficiency, but efficiency levels range much more widely for buses and two-wheelers than for rail. Passenger LDV efficiencies range even more widely, reflecting the fact that different regions have very different vehicle types as well as significant differences in average load factors. Air travel shows a narrower range but on average emits more CO2 than any other mode.

### Links - Inland Waterways

#### Increasing the use of waterways decreases congestion, emissions, and oil dependence

**MARAD No date** [The United States Maritime Administration (MARAD) is an agency of the United States Department of Transportation, “America’s Marine Highway Program” <http://www.marad.dot.gov/documents/Marine_Highway_Program_brochure_(final).pdf>] Lin

America’s Marine Highways together consist of more than 25,000 miles of coastal, inland, and intracoastal waterways. It moves only about 2 percent of our domestic freight and is currently underutilized. Expanding the use of this valuable resource will help dramatically reduce landside congestion and offer significant opportunities to help reduce emissions, decrease oil dependence, and find alternatives to maintenance and construction costs of highway and railroad infrastructure.

### Link superchargers - US transportation sector key to global demand

#### US transportation sector key to global oil prices

Behrens and Glover 12 [Carl - specialist in energy policy and Carol - information research specialist @ Congressional Research Service, "US Energy: Overview and key statistics", *Congressional Research Service,* April 11, http://www.fas.org/sgp/crs/misc/R40187.pdf] ttate

The historical trends show petroleum as the major source of energy, rising from about 38% in 1950 to 45% in 1975, then declining to about 40% in response to the energy crisis of the 1970s. Significantly, the transportation sector continues to be almost completely dependent on petroleum, mostly gasoline. The importance of this dependence on the volatile world oil market was revealed over the past five years as perceptions of impending inability of the industry to meet increasing world demand led to three years of steady increases in the prices of oil and gasoline. With the downturn in the world economy and a consequent decline in consumption, prices collapsed, but then recovered to a much higher level than in the 1990s. With the crisis in Libya in the Spring of 2011, oil and gasoline prices began again to approach their former peak levels. By 2012, Libyan production had recovered, but a new crisis involving Iran further threatened supply.

#### US transportation sector key to global oil demand

World Crisis 8 [World Crisis is a global financial crisis portal with the latest news, articles, analysis, and more. “World Oil Crisis: Driving forces, Impact and Effects,” <http://www.world-crisis.net/oil-crisis.html>, 2008] Lin

The demand side of Peak oil is concerned with the consumption of oil over time, and the growth of this demand. World crude oil demand grew an average of 1.76% per year from 1994 to 2006, with a high of 3.4% in 2003-2004. World demand for oil is projected to increase 37% over 2006 levels by 2030 (118 million barrels per day from 86 million barrels), due in large part to increases in demand from the transportation sector. Energy demand is distributed amongst four broad sectors: transportation, residential, commercial, and industrial. In terms of oil use, transportation is the largest sector and the one that has seen the largest growth in demand in recent decades. This growth has largely come from new demand for personal-use vehicles powered by internal combustion engines. This sector also has the highest consumption rates, accounting for approximately 68.9% of the oil used in the United States in 2006, and 55% of oil use worldwide as documented in the Hirsch report. Transportation is therefore of particular interest to those seeking to mitigate the effects of Peak oil. With the demand growth at its highest level in the developing world, the United States is the world's largest consumer of petroleum. Between 1995 and 2005, US consumption grew from 17.7 million barrels a day to 20.7 million barrels a day, a 3 million barrel a day increase. China, by comparison, increased consumption from 3.4 million barrels a day to 7 million barrels a day, an increase of 3.6 million barrels a day, in the same time frame.

#### US transportation sector key to global oil markets

RUTLEDGE 6 [Ian Rutledge is an energy economist and lectures at the University of Sheffield. He also works as an energy business consultant, “Addicted to Oil : America's Relentless Drive for Energy Security”, http://books.google.ca/books?id=2iVbs4Myu\_AC&printsec=copyright#v=onepage&q&f=false, pgs. 10-11, 11-12-2006] Lin

If electricity generation had been the only market for oil, Melvin Conant's 1981 forecast for oil imports might have been easily achieved. In reality, of course, oil is consumed in many other ways: by households and commercial enterprises (for central heating), by industry (in steam-raising boilers, furnaces and various non-energy uses like plastics) and in transportation. But while demand for oil from the residential, commercial and industrial (including electricity) sectors has remained more or less unchanged since the 1980s, demand from the transportation sector was soaring. In 1950 the share of total US oil consumption attributable to the transportation sector was 54 per cent. By 1970 it had risen to 56 per cent, by 1980 it had jumped to 60 per cent and by 1990 it had reached 67 per cent. But it did not stop there. By 2001,69 per cent of US oil consumption was accounted for by the transportation sector as a whole (including motor vehicles, aircraft, shipping and railways) and 53 per cent of total US oil consumption was accounted for by motor vehicles alone. Indeed, the rate of increase in America's consumption of motor vehicle fuels (gasoline plus diesel) was prodigious: in 1960 it was 3.76 million b/d, in 1980,7.1 million b/d and by 2001, was running at 10.1 million b/d. The reasons for this are clear. Oil, as we have already observed, is by far the most convenient energy source for LIMMs. In the twentieth century, American capitalism emerged and rose to phenomenal prosperity primarily through the manufacture and sale of the motor car - the archetypal LIMM. Other industries played their part - steel, plastics, and of course, the petroleum industry itself; but, as often as not, these were ancillary to the motor industry. Their products constituted the derived demand which emanated from the great car and truck factories. More than any other brand names. Ford and General Motors encapsulate the achievements of US manufacturing industry in the twentieth century. Of course most other industrialised countries are motorised in varying degrees — but to nothing like the extent which characterises American society. This is a theme we shall examine in greater detail in Chapters Two and Nine, but for the time being it will suffice to underline one simple statistic which indicates the huge gap between the USA and the other industrialised countries. Motor gasoline and diesel consumption in the USA is 2,043 litres per inhabitant. That is three times greater than Japan and two and half times greater than Germany, France and the UK.58 Moreover this is only partially the result of geography -distances travelled — because energy consumption per 1,000 vehicle/kilometres, 183 kg of oil equivalent, is twice that of France and the UK and 1.8 times greater than Germany and Japan.

### Internal Links - US key to global oil prices

US demand is the key lynchpin in determining global oil prices

ZAKARIA 2004 [Fareed - PhD in Political Science @ Harvard and former editor of *Foreign Affairs*, "Don't blame the Saudis", September 06, <http://www.fareedzakaria.com/ARTICLES/newsweek/090604.html>] ttate

The largest ingredient in current oil prices has been a massive increase in demand. This year's growth is double what it has been for the past six years (on average). That's because the United States is in recovery, Japan's economy is finally back and Asia-particularly China and India-is growing fast. In fact, this year is likely to have the strongest global growth on record in three decades-unless oil prices choke it off. While demand is up, supply can't rise much. For a variety of reasons, almost no oil-producing country has "surplus capacity"-the ability to put substantially more oil into the market. Oil companies have been slow to increase investments in production, and these expenditures take a few years to bear fruit. "Right now oil markets are tighter than they were on the eve of the 1973 oil shocks. And they will stay tight for the next two years. That makes the geopolitics of oil crucial," says Daniel Yergin, the chairman of Cambridge Energy Research Associates. If there is trouble anywhere, it will probably cause an oil shock. And think of the possibilities-instability in Venezuela, Nigeria, Indonesia, Libya, Saudi Arabia or, of course, Iraq. Last year the markets could absorb the loss of Iraqi oil (during the war). This year they can't. Iraq has to stay online. And all these other countries have to stay stable. There is only one country with significant surplus capacity-Saudi Arabia. Saudi Arabia has increased its production repeatedly over the past two years, or else prices would be higher still than they are. And the Saudis are making investments that will increase their surplus capacity by the yearend. In a tight oil market, Saudi Arabia is the pivotal player. Consider the irony. One of the Bush administration's (privately stated) reasons for going to war in Iraq was to reduce our dependence on Saudi Arabia's oil power. It was a reasonable idea. But having botched the occupation, with Iraqi oil more insecure now than before the war, America is today more dependent on Saudi Arabia than ever before. Fortunately the Saudi regime has proved a responsible and reliable player, in this realm. "The Saudis are the central bankers of the world of oil. And they take that role seriously," says Yergin. What to do about this new reality? George Bush proposes increased U.S. production in Alaska. John Kerry calls for increased conservation. Bush is correct to argue that some increase in American production is important. In 1973, the United States imported one third of its oil from abroad. Today it imports two thirds. And exploration does not have to be ecologically devastating. Even if the major oilfields that are assumed to exist there were discovered in the Arctic National Wildlife Refuge, only a few thousand acres of the 19 million-acre refuge would be affected. But the more lasting solution to America's oil problem has to come from energy efficiency. American demand is the gorilla fueling high oil prices-more than instability or the rise of China or anything else. Between 1990 and 2000 the global trade in oil increased by 9.5 billion barrels. Half of that was accounted for by the rise in U.S. imports. America is consuming more because it is growing more-but also because over the past two decades, it has become much less efficient in its use of gasoline, the only major industrial country to slide backward. The reason is simple: three letters-SUV. In 1990 sport utility vehicles made up 5 percent of America's cars. Today they make up 55 percent. They violate all energy-efficiency standards because of an absurd loophole in the law that allows them to be classified as trucks.

### Internal Links - Decrease demand --> drop in price

#### **Oil supply exceeding demand leads to price drops—Saudis want to sustain US business at expense of Russia**

RT 6/15 (Real Time, “Saudi Arabia vs high oil prices: It’s not all about the money”, 6/15/12, <http://rt.com/business/news/opec-meeting-increase-oil-cartel-prices-saudi-arabia-804/>, Accessed 7/16/12, Chan)

Right now [oil supply](http://rt.com/business/news/opec-meeting-increase-oil-cartel-prices-saudi-arabia-804/) heavily exceeds demand leading to falling prices.¶ It’s an advantage for oil consumers in the US and Europe, but its bad news for most OPEC producers like Iraq, Iran, Venezuela, Angola, and Russia. So when OPEC was meeting in Vienna, some oil states like Iraq were expected to ask the cartel to curb output and push prices [back up](http://rt.com/business/news/opec-meeting-increase-oil-cartel-prices-saudi-arabia-804/). The oil driven economy of Russia, which is not an OPEC member, was also seeking more expensive oil.¶ But Saudi Arabia, the world’s largest oil producer, turns out to be willing to see Brent fall further — even below the current price of $96 per barrel. So why don’t the Saudis want higher prices? ¶ Vladimir Rozhankovsky from Nord Capital explains: “We’ve seen this before in the 70s during the Yom Kippur War, when the US asked Saudi Arabia to lower oil prices, with North America in turn offering to help in the construction of oil drilling facilities. This time Saudi Arabia is also likely to please the US, seeking to keep a lid on prices and winning over support on the matter of its Gulf neighbours”. ¶ Sanctions imposed by the US in response to Tehran's refusal to curb its nuclear program have already significantly cut Iranian crude exports — from about 2.5 million barrels a day last year to between 1.2 and 1.8 million barrels now, according to estimates by US officials. A European Union embargo on Iranian crude that starts July 1 will further raise pressure.¶ Iran has warned the Saudis not to use the oil weapon against it by pumping more oil to countries that no longer get Iranian crude due to the sanctions, and Iranian Oil Minister Rostam Ghazemi on Wednesday warned the US and Europe that their tactics will have a reverse effect. According to Ghazemi, "the use of instruments such as sanctions or direct military interventions in energy producing countries will increase the price of oil and market volatility".¶ Many of the world's major consuming nations are suffering fiscal problems amid the economic downturn, and any decision to inflate oil prices by cutting supply may cast a serious blow.¶

#### **Declining US consumption leads to oil shocks—empirics prove**

Carey 3 (John, Business Week, "Taming the Oil Beast,"2/24/3, <http://www.businessweek.com/magazine/content/03_08/b3821001.htm>, Accessed 7/22/12)

Yet reducing oil use has to be done judiciously. A drastic or abrupt drop in demand could even be counterproductive. Why? Because even a very small change in capacity or demand "can bring big swings in price," explains Rajeev Dhawan, director of the Economic Forecasting Center at Georgia State University's Robinson College of Business. For instance, the slowdown in Asia in the mid-1990s reduced demand only by about 1.5 million bbl. a day, but it caused oil prices to plunge to near $10 a barrel. So today, if the U.S. succeeded in abruptly curbing demand for oil, prices would plummet. Higher-cost producers such as Russia and the U.S. would either have to sell oil at a big loss or stand on the sidelines. The effect would be to concentrate power--you guessed it--in the hands of Middle Eastern nations, the lowest-cost producers and holders of two-thirds of the known oil reserves. That's why flawed energy policies, such as trying to override market forces by rushing to expand supplies or mandating big fuel efficiency gains, could do harm.¶ The truth is, the post-1970s de facto policy of just letting the markets work hasn't been all bad. Painful oil shocks brought recessions. But they also touched off a remarkable increase in the energy efficiency of the U.S. economy. From the 1930s to the 1970s, America produced about $750 worth of output per barrel of oil. That number doubled, to $1,500, by the end of the 1980s. But the progress largely stopped in the past decade. Now we need policies to continue those fuel-efficiency gains, without the pain of sudden oil shocks.¶ The critical balancing act is reducing oil use without hurting the economy--or without allowing energy prices to fall so low that companies and individuals abandon all efforts to conserve. Successfully walking this tightrope can bring big gains. The next time we are hit with a spike in the price of oil, or even of natural gas or electricity, we may be able to avoid the billions in lost GDP that would otherwise result.

#### **Oil prices hinge on US consumption—a shift to alternative energy leads to price decreases**

DeCiantis 8 (Devin, Masters in Public Policy for development economics and international trade, “Speculations on an Oil Tariff”, 3/25/8, <http://www.freedom24.org/rationalpost/2008/03/25/speculations-on-a-25-oil-tariff/>, Accessed 7/22/12)

Volume responses to a $25 tariff would vary over time. In the near-term, there would only be a negligible decrease in the volume of oil imported (given a low short-run elasticity of energy demand) as industries, supply chains, and consumers remain highly dependent on existing petroleum infrastructure. The redistribution of the tariff (with tax reductions) would partially offset the incremental cost to businesses and consumers, but the policy is unlikely to completely offset the macroeconomic effects of a 33% increase in a key industrial input.¶ In the mid-term, as industries and generators [begin](http://www.freedom24.org/rationalpost/2008/03/25/speculations-on-an-oil-tariff/) to shift away from higher-cost imported oil, domestic oil producers might begin building out untapped Arctic capacity and utilities might begin diversifying their energy portfolios into lower-cost fossil fuels and alternative energy technologies. Together, these processes should cause a more substantial decline in import volumes.¶ In the long-run, a more fundamental shift away from a high-carbon, high-cost, oil-dependent economy is likely to unfold, at which point oil imports would begin to decline more precipitously as demand for energy is almost completely replaced with lower-cost substitutes. This progression is an example of a typical “adjustment lag”.¶ b. The world price of oil? Again, in the very short-term we might expect a modest decline, partially offsetting the cost of the tariff. Given that America is one of the world’s largest energy importers (importing roughly 2/3rds of its annual consumption), it would still need to source oil externally or risk seizing up its industrial capacity. Thus, aggregate import demand would remain relatively stable and prices would likely settle somewhere between $75 and $100.¶ Over the mid-to-long-term, major OPEC suppliers would have room to lower prices given their lower relative cost of production, while growing demand from China and India would partially offset declining American demand.¶ Finally, as the U.S. begins to substitute away from oil as a key energy input in the long-run, global aggregate demand for oil will inevitably decrease, assuming that [emerging market](http://www.freedom24.org/rationalpost/2008/03/25/speculations-on-an-oil-tariff/) demand doesn’t [continue](http://www.freedom24.org/rationalpost/2008/03/25/speculations-on-an-oil-tariff/) to grow at its current pace in perpetuity. This will put considerable downward pressure on prices over time as oil exporters adjust to a situation of extended excess supply-at least while total global oil reserves remain relatively plentiful.

### Internal Links - Saudi Arabia willing to drop prices

#### Saudis want low prices—reduces investment in new sources of alternative energy that threaten oil dominance

Stelzer 6/23 (Ryan, “A Rapidly Changing Energy World?”, The Weekly Standard, <http://www.weeklystandard.com/print/blogs/rapidly-changing-energy-world_647755.html>, MGE, Accessed 7/22/12)

For now, the Saudis have several reasons for feeling that $80 oil suits their purposes -- no lower, no higher. For one thing, they do not want a severe global recession that higher prices might trigger, lest oil demand collapse and the value of their enormous investments in Western assets be impaired. For another, they want to keep producing at the high current rate to prepare to make up for any output loss should the European embargo on Iranian oil take effect on July 1, as scheduled. That ban would remove about 500,000-700,000 barrels from world markets, and the Saudis are determined to prevent a price spike that might weaken the resolve of the consuming countries to [continue](http://www.weeklystandard.com/blogs/rapidly-changing-energy-world_647755.html) the ban on oil from their regional rival.¶ All of this makes for exciting geopolitical manoeuvring, and provides oil traders with food for thought. But it is far less important than some very fundamental changes that are going on in our energy markets. Thanks to a new technology, hydraulic fracturing (known as fracking), and horizontal drilling, production of oil and gas from shale is increasing despite the Obama administration’s reluctance to grant permits for drilling on federal lands and offshore.¶ America, which in 2008 imported almost 60% of the oil needed to run its cars, trucks and factories, now imports only 45 percent of its requirements. And that is likely to decline when the vast quantities of oil under the surface of American lands and coastal waters, including two trillion barrels trapped in shale and sand—100 times our currently reported reserves—are finally tapped. ¶ That is only one of the threats to OPEC’s continued dominance of oil markets. The second is Canada, with its vast reserves of oil shale, waiting construction of pipeline connections to the U.S.—so far refused by President Obama. The third is natural gas, now available in such huge quantities as a result of new drilling technologies that prices are depressed, as seen by producers, or attractive, as seen by consumers and developers of gas-powered vehicles. Finally, there is electricity, available more cheaply from generators fuelled by cheap, abundant natural gas and, possibly, by a renascent nuclear power industry that some utilities are betting their shareholders’ money has overcome its history of cost over-runs and operating problems, and will be able to compete with cheap natural gas.¶

#### Saudis will crash oil prices—can think long-term for competitiveness against Russian, Iranian, US, and Canadian oil

Levine 6/19(Steve, “The Coming Oil Crash” Foreign Policy, <http://www.foreignpolicy.com/articles/2012/06/19/the_coming_oil_crash>, MGE, Accessed 7/22/12)

In an email exchange, Verleger pointed me to an [interview](http://ftalphaville.ft.com/blog/2012/06/13/1040961/why-saudi-arabia-wants-to-bathe-the-world-in-affordable-oil/) 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](http://www.foreignpolicy.com/articles/2012/06/19/the_coming_oil_crash?page=0,1) 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."

#### Saudi Arabia controls global oil futures and they are willing to flood the market if feeling vulnerable

**Hamilton ‘7**(Professor of Econ @ UCSD (James D, “ Saudi oil production cuts” Econbrowser, 2/17,<http://www.econbrowser.com/archives/2007/02/saudi_oil_produ_1.html> | Kushal)

This is a potentially huge story that is not being adequately investigated by the financial press.¶ **The future of world oil depends critically on what happens in Saudi Arabia.** The country's importance comes not just because it accounts for more than 10% of global production, but moreover from the fact that it produces almost a quarter of the oil globally available for export. Furthermore, nearly a third of the increase in global production by 2010 that is assumed in the EIA's reference case forecast is supposed to come from Saudi Arabia.¶ And the Saudis are once again in the news this week. From last Monday's Wall Street Journal (subscription required):¶ The world oil market is in "much, much better health and balance" now and, if trends hold, there will be no need for further production cuts or increases in supply when members of the Organization of Petroleum Exporting Countries meet next month, Saudi Arabian Oil Minister Ali Naimi said yesterday.¶ In an interview, Mr. Naimi said the kingdom's production is now 8.5 million to 8.6 million barrels a day, confirming its reduction by one million barrels a day from its output about six months ago.¶ The reduction is part of a push by OPEC to shrink stockpiles of oil that climbed sharply last year as demand growth stumbled. The U.S. benchmark crude price fell through the turn of the year to a 20-month low in mid-January of $49.90 a barrel. It has since rebounded to settle Friday at $59.89 a barrel....¶ ¶ Data sources: Jan 04 through Nov 06: EIA; Dec 06 and Jan 07: estimates from Platts; Feb 07: latest statement from Ali Naimi¶ .¶ ¶ "If you are asking me are we going to take additional cuts or increase supply, I do not know," said Mr. Naimi, the oil cartel's de facto leader. "But, most probably if the trend is like what it is like today, with the market getting in much, much better health and balance, there may not be any reason to change." He added that the situation can still change: "I would not be surprised to see different figures and a different situation on the 15th of March. That is the benefit of getting together with 12 other oil ministers to review the data."¶ Saudi Arabia's one-million-barrel-a-day reduction, reported in The Wall Street Journal last month, is nearly double what it agreed to under two OPEC output cuts hammered out by the cartel at meetings in Doha, Qatar, in October and in Abuja, Nigeria, in December.¶ The Wall Street Journal's assumption that these production cuts represent a deliberate effort by the Saudis to stabilize the price is a reasonable one to make. But one problem with that hypothesis is that the trajectory followed by prices really doesn't jibe with the story:¶ ¶ Data source: FRED¶ .¶ ¶ That price doesn't look to me like it's being stabilized by the Saudis or by anybody else. In particular, the cuts in Saudi production began in October 2005, when oil was selling for $62 a barrel, and those cuts continued as oil rose to a new high over $75 last summer.¶ For that matter, the Saudi production numbers themselves don't look to me like they're under the precise control of anybody. Up through the first half of 2005, the Saudis hit 9.5 mbd or 9.6 mbd month after month. I interpreted the stability of those numbers as signaling that the Saudis could hit any target they wanted, and they happened to be picking 9.5 or 9.6. By contrast, the erratic path since is much harder to view as the outcome of some careful manipulations.¶ We do know that concomitant with this decrease in Saudi production has been a huge increase in the effort they're making to find and produce new oil, as evidenced by the number of oil rigs the Saudis are employing:¶ ¶ Number of oil rigs in use in Saudi Arabia. Source: Baker Hughes¶ ¶ We also know that the decrease in production has coincided with a deterioration in the quality of oil that the Saudis are trying to sell and develop. For example, there was this story from Reuters last summer:¶ China will extend a 50,000 barrel per day (bpd) cut in Saudi crude oil imports into July and August after some refiners struggled to cope with new higher-sulphur supplies, industry officials said.¶ China contracted to buy 500,000 bpd of Saudi crude in 2006, but cut that back by 10 percent in the second quarter after refiners ill-equipped to handle the kingdom's mainly heavy-sour oil were forced to slow production after running the grades, the officials said.¶ As another example, an important part of the Saudi's new production plans evidently involve the Manifa oilfield, which the Saudis had discovered in 1957, but up to now had decided not to try to develop because existing refineries were unable to process its high-sulfur oil [1], [2].¶ There's some fascinating speculation as to what this all means at the Peak Oil News & Message Boards in a discussion thread that's now been running for a year and a half. Here are the two possibilities that I find most plausible.¶ The first possibility is that the Saudis could still pump 10 mbd or more today if they wanted to, but they are cutting back production and exploring like mad because they put an extremely high value on having 2-3 mbd of excess capacity. If so, the recent price behavior suggests that **the reason they would seek such capacity is not because they want to stabilize the price, but because it puts them in an incredibly powerful negotiating position.** For example, the ability at any time to flood the market could be used at an opportune moment to undercut expensive alternatives such as oil sands that require an oil price over $50.¶ The second and more natural interpretation is even more disturbing: the mighty Ghawar oil field is already in decline, and the Saudis don't want anyone to know.¶ Now this would be a simple enough hypothesis for anyone to test, if the Saudis published field-by-field numbers for production and water cut. But instead, those numbers are a closely guarded secret, leaving people like me simply to guess as to what the truth might be.¶ But, if you'll indulge me in a bit of cloak-and-daggerism, there are others who must know. This data cannot be something that would be that difficult for American or Russian intelligence operatives to collect. So, I find myself wondering the following-- suppose that someone in the CIA knew for a fact that Ghawar was in decline-- what would we be observing out of Washington? The ramifications are so enormous, many, many decision-makers would surely need to be informed. It's hard for me to imagine that something so widely disseminated could remain a secret in Washington. According to this reasoning, perhaps we should read the fact that the story hasn't yet been leaked as an indication that it hasn't yet happened.¶ Unless the spooks don't understand the full implications of the facts they are sitting on. Perhaps not unlike the Wall Street Journal.¶

#### Saudi Arabia will flood oil if they feel they are losing a stranglehold on the global market - will collapse global economy

**MORSE AND RICHARDS** **02** (Edward L. Morse is Executive Adviser at Hess Energy Trading Company and was Deputy Assistant Secretary of State for International Energy Policy in 1979-81. James Richard is a portfolio manager at Firebird Management, an investment fund active in eastern Europe, Russia, and Central Asia, Foreign Affairs, March/April)

A simple fact explains this conclusion: 63 percent of the world's proven oil reserves are in the Middle East, 25 percent (or 261 billion barrels) in Saudi Arabia alone. As the largest single resource holder, **Saudi Arabia has a unique petroleum policy that is designed to maximize the benefit of holding so much of the world's oil supply. Saudi Arabia's goal is to assure that oil's role in the international economy is maintained as long as possible.** Hence Saudi policy has always denounced efforts by industrialized countries to wean themselves from oil dependence, whether through tax policy or regulation. Saudi strategy focuses on three different political arenas. The first involves the ties between the Saudi kingdom and other OPEC countries. The second concerns Riyadh's relationship with the non- OPEC producers: Mexico, Norway, and now Russia. Finally, there is Saudi Arabia's link to the major oil-importing regions -- most importantly North America, but also Europe and Asia. Given the size of the Saudi oil sector, the kingdom has a unique and critical role in setting world oil prices. Since its overriding objectives are maximizing revenues generated from oil exports and extending the life of its petroleum reserves, Riyadh aims to keep prices high as long as possible. But the price cannot be so high that it stifles demand or encourages other competitive sources of supply. Nor can it be so low that the kingdom cannot achieve minimum revenue targets. The critical balancing act of Saudi foreign policy, therefore, is to maintain oil prices within a reasonable price band. Stopping oil prices from falling below the minimum level requires cooperation from other OPEC countries and occasionally from non-OPEC producers. Preventing oil prices from rising too high requires keeping enough spare production capacity to use in an emergency. This latter feature is the signal characteristic of Saudi policy. The kingdom can afford to maintain this spare capacity because of the abundance of its oil reserves and the comparatively low cost of developing and producing its reserve base. In today's soft market, in which Saudi Arabia produces around 7.4 mbd, the kingdom has close to 3 mbd of spare capacity. Its spare capacity is usually ample enough to entirely displace the production of another large oil-exporting country if supply is disrupted or a producer tries to reduce output to increase prices. Not only does this spare capacity help the kingdom keep prices in check, but it also serves to link Riyadh with the United States and other key oil-importing countries. **It is a blunt instrument that makes policymakers elsewhere beholden to Riyadh for energy security**. This spare capacity is greater than the total exports of all other oil-exporting countries -- except Russia. **Saudi spare capacity is the energy equivalent of nuclear weapons, a powerful deterrent against those who try to challenge Saudi leadership and Saudi goals**. It is also the centerpiece of the U.S.- Saudi relationship. The United States relies on that capacity as the cornerstone of its oil policy. That arrangement was fine as long as U.S. protection meant Riyadh would not "blackmail" Washington -- an assumption that is more difficult to accept after September 11. Saudi Arabia's OPEC partners must also cooperate with the kingdom in part to prevent Riyadh from producing a glut and having prices collapse; spare capacity also serves to pressure key non-OPEC producers to cooperate with Saudi Arabia when necessary. But unlike the nuclear deterrent, **the Saudi weapon is actively used when required.** The kingdom has periodically (and brutally) demonstrated that it can use its spare capacity to destroy exports from countries challenging its market share. This tactic is the weapon that Saudi Arabia could use if Moscow ignores Riyadh's requests for cooperation. Saudi Arabia has triggered its spare capacity twice in recent history, once when prices were especially low. Both cases demonstrated that the kingdom will accept those low prices so long as it suffers less than its targets do. In 1985, Saudi Arabia successfully waged a price war designed to force other oil producers to stop "free riding" on Saudi oil policy. That policy meant that those states had to cooperate with the kingdom by reining in production enough to allow Saudi Arabia to produce the minimum level that it targeted. Oil prices fell by more than half within a few months, and Saudi Arabia immediately regained the market share it had lost in the preceding four years, mainly to non-OPEC countries.

#### Saudis will flood the markets—stockpiling, empirics, and Iranian competition prove

Cooper 5/16 (Andrew S., PBS, “Iran's Economy: Once More to the Precipice”, 5/16/12,

<http://www.pbs.org/wgbh/pages/frontline/tehranbureau/2012/05/comment-irans-economy-once-more-to-the-precipice.html#ixzz20zwSpAeO>, Accessed 7/18/12, Chan)

The Saudis have opted not to sell all their surplus production on the open market but instead stockpile most of it at home and in the United States, which curiously is taking "the lion's share" of the Saudi production increase, [according](http://in.mobile.reuters.com/article/businessNews/idINDEE82F0JS20120316) to Reuters. This is despite the fact that U.S. demand for imported oil fell this year, as it has fallen sharply each year of the Great Recession.¶ Stockpiling oil when prices are high is "economically counterintuitive," [observes](http://ftalphaville.ft.com/blog/2012/03/19/928521/the-saudi-oil-sales-enigma/) the Financial Times. So what is going on here? If the Saudis do not intend to take the oil to market, and if the Americans do not intend to consume it, what do they intend to do with it?¶ Then there is Iran. In the aftermath of the latest round of punitive sanctions imposed by the West, Iran's oil-dependent economy is slowly but inexorably facing strangulation. The country is now so financially isolated that its banks and businesses are blocked from moving money in or out of the country. The ripple effects are being felt throughout Iranian society. Unemployment and inflation are rising. The national currency is in freefall. Poverty is on the increase. Family incomes are falling.¶ Most ominously in a country where oil pays for 55 percent of the national budget -- which is predicated on oil not falling below $90 a barrel -- Iran's petroleum sector is in shambles. Customers of Iran's heavy-grade fuel oil have quietly reduced their purchase orders lest they be accused of breaching the U.S.-led sanctions regime. The European Union ban on imports of Iranian oil, which formally takes effect July 1, will impact about a quarter of Iran's total export earnings from oil. Countries in Asia, including China and India, have not only sharply cut back their orders of Iranian oil, they are haggling for a cheaper price. So far, at least, President Mahmoud Ahmadinejad has compounded the scale of the unfolding fiscal catastrophe by stubbornly refusing to acknowledge the economy is in crisis. "Our economy does not have any problem," he recently declared. The president also insisted that Iran was still on target to earn $90 billion in oil revenues this year. Yet a [recent poll](http://blogs.reuters.com/breakingviews/2012/03/30/sanctions-could-cost-iran-50-bln/) of oil traders concluded that Iran could lose a staggering 50 percent of its oil revenues in 2012. Perhaps as a result of the president's official denial, Iran's national oil company has not significantly reduced production to adjust to the abrupt collapse of its market share. It is also very expensive to close down and then restart petroleum facilities. The result: Iran's land-based petroleum storage facilities are brimming with an estimated 23 million barrels of unsold oil. Millions more barrels of oil are being housed aboard giant tankers that prowl the world's sea lanes "with nowhere to go."¶ The strategic objective seems to be to make Iran's economy scream. A senior U.S. Treasury official recently [observed](http://www.guardian.co.uk/world/2011/jun/29/saudi-arabia-prince-turki-arab-spring-iran) that Iran is "increasingly isolated -- diplomatically, financially and economically.... The value of their currency, the rial, has dropped like a rock. That has had a significant impact on Iran's ability to pay for materials for the nuclear program, and, more broadly, it puts pressure on the leadership."¶ While it is true that the Islamic Republic of 2012 is a very different place from the Shah's Iran of 1977, it is equally true that no country -- let alone one with a sullen and increasingly impoverished urban populace -- can withstand for long an assault on its primary revenue stream without experiencing a degree of social unrest and political discontent.¶ The last time the Saudis intervened in the oil markets was in 2008. Fearing the collapse of U.S. banks and financial networks, President George W. Bush appealed to King Abdullah to open the spigots and offer price relief to Western consumers. In the last six months of 2008, the price of a barrel of oil plunged from $147 to under $35, dealing a massive and unexpected financial blow to Iran.¶ Although Ahmadinejad's government absorbed the losses, the outbreak of anti-regime protests the following year suggests a causal link between turbulence in the oil markets, economic distress, and social and political unrest. It was a lesson the Shah learned to his bitter regret 35 years ago. To paraphrase economist Jahangir Amuzegar, the Islamic Republic -- like the monarchy it succeeded -- still rests on "oily legs."¶ Iran cannot keep stockpiling oil forever -- but then neither can the Saudis. At some point, one side will call the other's bluff. The Iranians may soon be forced to sell their stockpiled millions at a discount. The Saudis may decide to flood the market with their own stockpiled oil at exactly the same time to magnify the scale of Iranian financial losses.

#### **Saudi policy shows willingness to drive down oil prices—Saudia Arabia would rather drive down price, instead of decreasing supply, to respond to global decreases in demand**

Campbell 6/18 (Robert, Reuters market analyst, “Saudi keeps traders guessing on oil downside”, 6/18/12, <http://www.reuters.com/article/2012/06/18/us-column-oil-idUSBRE85H0XR20120618>, Accessed 7/17/12, Chan)

Saudi policy also appears to have subtly shifted. In 2008 Riyadh insisted it was supplying the market with all the oil that consumers wanted, this time it has taken steps to ensure that is really happening.¶ Crude traders say Saudi pricing has made it easier to step up purchases of additional barrels. But buyers enthusiasm for additional supply has sometimes been limited.¶ The sharp backwardation in the forward curve of Brent crude [futures](http://www.reuters.com/finance/futures) has been a huge disincentive to stockpiling oil. Nevertheless, Saudi has taken on the task (and apparently some of the cost) of moving oil out of the kingdom and into tanks elsewhere in the world.¶ Last week's OPEC meeting merely ratified this policy.¶ Officially the exporters' group wants to portray the decision as a commitment to cut output back to the 30 million barrels per day ceiling agreed last year.¶ But behind the scenes Saudi Arabia has given no indication it considers itself more bound by this target than before.¶ Recall that after the 30 million bpd target was adopted, Saudi Oil Minister Ali al-Naimi pointedly said he would supply the market with the oil it needed, regardless of the ceiling.¶ At the time these words were perhaps taken lightly, given that they repeated the official Saudi line that has been heard for years.¶ But coupled with a new determination to push oil prices down, this is a slogan for an activist production policy.¶ NO DOWNSIDE GUIDANCE¶ Indeed, the most important thing that happened at last week's OPEC meeting was probably what did not happen.¶ Saudi officials were very guarded on oil policy, particularly on their approach to dealing with a fall in oil prices below $100 a barrel.¶ In public and in private, there were no strong reassuring words that Riyadh was poised to cut back its own crude oil production to keep the market stable.¶ So we know that Saudi is at least saying they do not want an abrupt shift in the price of oil. But they may well tolerate a slow decline to lower levels.¶ An important factor here is the strategic importance of Saudi Arabian oil output to the world economy and its usefulness as a tool to put pressure on regional rival [Iran](http://www.reuters.com/places/iran).¶ With growth in Europe, [China](http://www.reuters.com/places/china) and the United States looking weak, Saudi, as a member of the G-20, must feel pressure to do something to aid the world economy.¶ Lower oil prices, even for a short period, may well help.

### Internal Links - Oil price drop hurts Russian economy

Russian economy is dependent on high oil prices - it provides more than half of the government's revenues

Schuman 12 (Michael Schuman writes about global economic issues for *Time Business*. He has worked for *The Wall Street Journal* and *Forbes* in the past. July 5, 2012. *Time Business.* “Why Vladimir Putin Needs Higher Oil Prices” <http://business.time.com/2012/07/05/why-vladimir-putin-needs-higher-oil-prices/>) Sherman

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.

#### Plummeting oil prices are the only risk of Russian economic collapse

Bond 10 (Kingsmill, chief strategist at Troika Dialog, Financial Times, “A volatile oil price is the only serious risk for Russia”, 2/4/10, <http://www.ft.com/cms/s/0/e98c10b4-1146-11df-a6d6-00144feab49a.html#axzz20pANvlhR>, Accessed 7/16/12, Chan)

Since the middle of 2008 the Russian market has tracked the oil price. The rule of thumb that the Russian RTS index is the oil price times 20 has been the somewhat uninspiring reality.¶ Given that both price/earnings multiples and index earnings are oil-price dependent, there were good reasons for this link in a world where oil prices and markets were volatile. But greater oil price stability should encourage investors to look afresh at Russian markets as a high-growth, low-debt story, linked to the Asian boom. Provided oil stays near current levels, we expect the RTS index to end the year at 2,000, up nearly 40 per cent from today and still 20 per cent below its peak.¶ A good starting point is that the market and the currency are cheap. When oil was $70 a barrel, we forecast a 2010 price/earnings ratio of 8.4, and a price to book ratio of 1.1; across a series of sectors from oil to base metals to retail, Russian stocks trade at a 20-30 per cent discount to their [emerging market](http://www.ft.com/cms/s/0/e98c10b4-1146-11df-a6d6-00144feab49a.html) peers. It was not always thus. The market has in the past traded at a premium to emerging markets and at p/e multiples in the low teens. Meanwhile, the rouble trades at two-thirds of its purchasing power parity fair value, and the country runs a large current account surplus.¶ Russia has tremendous growth potential, as penetration levels for most goods and services are well under half those in western Europe; [mortgage](http://www.ft.com/cms/s/0/e98c10b4-1146-11df-a6d6-00144feab49a.html) penetration for example is 3 per cent of GDP and only 20 per cent of people have cars. For those companies that have been able to seize the opportunity, the rewards have proven tremendous, and Russia now boasts the largest markets in Europe for mobile subscribers, beer and white goods. Meanwhile Russia is the world's greatest repository of natural resources, and Russian companies are blessed with colossal amounts of commodities, valued at a fraction of their global peers.¶ Lacking as it is in capital, Russia is a high return market, with returns on equity (ROE) before the crisis of nearly 20 per cent, and an ROE over the cycle that we estimate at 16 per cent. This has been one of the foundations for the superb performance over the last decade, when the Russian market was up eightfold, the best performer among major markets.¶ Contrary to the various scare stories you may have heard during the crisis, debt levels are low in Russia. Government debt and household debt are both under 10 per cent of GDP, [bank loans](http://www.ft.com/cms/s/0/e98c10b4-1146-11df-a6d6-00144feab49a.html) to GDP are 39 per cent, and in the recent McKinsey study of the global credit bubble, Russia stands out for its extremely low level of total debt to GDP (71 per cent), half that of China and a quarter that of developed markets. Consequently, Russia will not be held back by the deleveraging facing other markets.¶ And into this relatively benign mix comes a catalyst that we believe will electrify the story in 2010 - disinflation. For the first time since the end of the Soviet Union, inflation has now fallen into single digits for an extended period. From 13 per cent in 2008, inflation fell to 9 per cent in 2009 and is currently running at about 6 per cent, where we think it will end the year. The government will thus be able to continue to cut the cost of money, and we anticipate a further 150 basis points of rate cuts this year. All of this leads to growth: in 2010, we expect loan growth of 20 per cent, GDP growth of at least 5 per cent, and earnings growth of 41 per cent.¶ There are a number of other factors that we believe will help the story. The modernisation programme being pushed by both President Medvedev and Prime Minister Putin will, over time, yield results in economic diversification, greater power for the courts, and a more modern administration; Russia continues to shift its centre of gravity to the growth markets of the east with the building of pipelines and infrastructure; and relations with the west continue to improve.¶ The usual counter to a positive stance on Russia is to cite transparency, corporate governance, and corruption. On transparency, the environment has changed radically in the last few years, with Russian companies adopting international accounting standards and disclosure. On corporate governance, a number of high-profile cases such as Mechel, Vimpelcom or Uralkali were favourably resolved over the last year; in a world of Madoffs and Enrons, Russia is perhaps no worse than its peers. Corruption remains a problem and a drag on growth, albeit an issue that the government is seeking to address.¶ Fears of a new cold war were always far-fetched given Russia's new capitalist direction, and we are likely to see much less concern about this given a new government in Ukraine and more accommodating US policy.¶ The main issue that should concern investors is the oil price, given that the rouble, government finances, and profits are heavily dependent upon this. Below $60 a barrel the market gets nervous, and more than $30 a barrel the whole macroeconomic framework looks fragile. This is the main tail risk.

#### **Putin has designed his economy to be dependent on high oil prices - he does not have the flexibility to adapt his budget if prices fall**

Schuman 12 (Michael Schuman writes about global economic issues for Time Business. He has worked for The Wall Street Journal and Forbes in the past. July 5, 2012. Time Business. “Why Vladimir Putin Needs Higher Oil Prices” http://business.time.com/2012/07/05/why-vladimir-putin-needs-higher-oil-prices/) Sherman

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:

#### Oil price reduction collapses Russian economy

**KUBONIWA 10** (Masaaki, “Diagnosing the “Russian Disease”¶ Growth and Structure of the Russian Economy Then and Now”, October 2010, AD: 07/18/12, <http://www.ier.hit-u.ac.jp/rrc/RRC_WP_No28.pdf> | Kushal)

In general, the relationship between the oil curse and economic growth in¶ resource-rich countries is elusive in the long run (Alexeev and Conrad, 2009).¶ Nevertheless, the Lehman shock, combined with the **collapse of the oil price bubble,¶ clearly showed that Russian economic growth heavily relies upon oil price changes.** We¶ here characterize the present Russian situation as the “Russian Disease,” the major¶ symptom of which is a strong positive relation between the country’s real growth and¶ 2¶ international oil price changes.¶ In the literature, the Russian Disease has often been considered as a variant of the¶ Dutch Disease. The term Dutch Disease in the original context refers to the contrast¶ between external health and internal ailments (The Economist, No. 26, 1977). It also¶ refers to the negative impact of expansion of natural resources in a country with oil¶ price rises on its manufacturing growth through the subsequent appreciation of the real¶ exchange rate of its national currency (see Ellman, 1981 and Corden, 1984). Although¶ the real exchange rate of the Russian national currency (ruble) appreciated along with¶ increases in oil prices, it is clear that the Russian Disease is quite different from the¶ Dutch Disease in many respects.¶ First, unlike the Dutch case in the 1970s, oil price rises for 1998-2008 resulted in¶ relatively high overall growth in Russia. In addition, the impact of the marked fall in oil¶ prices after the third quarter of 2008 on Russian growth was much greater than that in¶ the Dutch case during the 1980s.¶ Second, in contrast to the case of the Dutch Disease, the negative impact of oil¶ price increases on manufacturing growth was not observed in Russia for the 1998-2008¶ period. The manufacturing sector was one of the major sectors contributing to favorable¶ growth in the 1998 (bottom)-2008 (peak) period, whereas its sectoral contribution to the¶ great contraction of GDP in 2009 was the largest among sectors. Putin and Medvedev¶ expected, and still expect, that the diversification of the economy, including¶ developments of manufacturing, would contribute to establishing an economy that was¶ not dependent on oil. Ironically, it is now obvious that the diversification itself is¶ oil-dependent.¶ Third, the extraction of Russian oil and gas could not show any large expansion in¶ physical terms during the favorable growth period. The oil and gas industry was the¶ booming sector only in terms-of-trade. Putin seemed to expect the real expansion of oil¶ and gas extraction through re-nationalization of the oil and gas industry. The Russian oil¶ and gas industry has been stagnant in real terms since 2005, partly due to this¶ re-nationalization. Although the fixed capital increment in the oil and gas sector showed¶ subsequent increases, the value of its sectoral total factor productivity (TFP) remained¶ negative, and, thus, the oil and gas GDP growth was also very low for the 2004-2009¶ period and negative for the 2006-2007 period (Rosstat HP as of September 8, 2010).¶ The oil and gas sector will need tremendous capital replacement investments to raise its¶ TFP. The marked oil price falls induced Russia’s great contraction of the GDP in 2009,¶ while the oil and gas GDP did not show such a decline. This stagnant sector only¶ buffered the overall growth contraction in 2009. Ironically, Russia, with more than¶ 3¶ 10-million-barrel daily production, was the world’s largest producer of crude oil in 2009¶ thanks to a remarkable output adjustment (an 11 percent reduction) by Saudi Arabia (BP,¶ 2010). Russia, free from the OPEC output adjustments, has always escaped the¶ restraints of oil price increases, while **it has been forced to face reductions in oil prices¶ head-on**.¶ Fourth, the continuous appreciation of the real effective exchange rate of the ruble¶ due to oil price rises induced the boost of imports in Russia, which, in turn, did not¶ necessarily induce adverse effects on Russia’s economic growth and competitiveness.¶ Russia experienced servicization, as in advanced countries as well as former Soviet¶ republics. It has particularly Russian features deriving from its specific path dependency,¶ which includes economic players’ strong preferences for imported goods and FOREX¶ as well. The domestic distribution activities of imported goods are accounted for as a¶ part of sources of the GDP. The boost of imports largely contributed to the high growth¶ of the trade sector’s value added, which was, in turn, one of the major sources of the¶ overall high growth. In the Russian official statistics, the revenues from foreign trade of¶ oil and gas are included not in the mining sector but in the trade sector. However, these¶ special foreign trade revenues could not be the source of the rapid GDP growth because¶ Russia’s exports of oil and gas were also stagnant in real terms. Surprisingly, import¶ substitution, including domestic assembling of foreign-make durable goods, appeared¶ along with the boost of imports in Russia. The real appreciation of the exchange rate of¶ the ruble boosted the imports of consumer goods and eased the imports of equipment¶ and intermediate goods, which is considered to have contributed to improvements in the¶ manufacturing TFP. Based on the unpublished Rosstat data on import matrix, the share¶ of imports of manufacturing investment goods in the total gross demand for them¶ amounted to 40 percent in 2006.

#### **Drops in oil prices lead to Russian economic collapse—empirics prove**

Harding 8 (Luke, staff writer for The Guardian, “Russia close to economic collapse as oil price falls, experts predict”, 11/20/8, <http://www.guardian.co.uk/world/2008/nov/20/oil-russia-economy-putin-medvedev>, Accessed 7/17/12, Chan)

The collapse in the value of oil was likely to have several catastrophic consequences for Russia including a possible devaluation of the rouble and a severe drop in living standards next year, they warned.¶ With [oil prices](http://www.guardian.co.uk/world/2008/nov/20/oil-russia-economy-putin-medvedev) tumbling, and his own credibility at stake, Russia's prime minister Vladimir Putin today insisted that the country's economy was still robust.¶ Speaking at a meeting of the pro-Kremlin United Russia party, Putin told delegates in Moscow the country would survive the current global financial turmoil - which he blamed on the US.¶ But the Kremlin is acutely aware that any loss of confidence in the Russian economy could lead to a loss of confidence in Putin and his ally Dmitry Medvedev, who took over from Putin as Russia's president in May.¶ Medvedev's biggest initiative so far has been to float an extension in the presidential term from four to six years - a proposal that entrenches the current Kremlin's grip on power, and which Russia's loyal Duma is likely to approve on Saturday.¶ Putin today said his administration would do everything it could to prevent a recurrence of Russia's last oil-related financial crash in 1998 - which saw the savings of many ordinary Russians wiped out. But the plummeting oil price leaves him little room for manoeuvre. Experts suggest that Russia's economy is now facing profound difficulties, despite two massive stabilisation funds accumulated during the booming oil years.¶ The fall in oil prices from $147 this July to below $50 today has blown a gaping hole in the government's budget calculations. It is now facing a $150bn shortfall in its spending plans - and will have to slash expenditure in 2009.¶ Today Putin sought to assure hard-up Russians that their social benefits would not be affected, promising a $20bn assistance package. "We will do everything, everything in our power ... so that the collapses of the past years should never be repeated," he said.¶ The oil slump, however, exacerbates Russia's already severe economic problems. Since May Russian markets have lost 70% of their value. Russia's central bank, meanwhile, has been spent $57.5bn in two months trying to prop up the country's ailing currency.¶ "If the current trend continues with the government supporting the rouble, oil prices falling and a slowing economy we are going to have a major crisis," said Chris Weafer, an analyst with the Moscow brokerage Uralsib.¶ He added: "There will be more pressure on the rouble and an extremely difficult first quarter next year." Russia was more vulnerable than other countries because it was still an oil state, and had failed to diversify its economy, Weafer added.

#### Russian exchange rates, public finances, taxes, and trade all mirror oil prices—studies prove

S&P Rating Services 12 (World Finance Review, “Hooked On Oil:

Russia’s Vulnerability To Oil Prices”, May 2012, <http://worldfinancereview.com/may%202012/33-34.pdf>Accessed 7/17/12, Chan)

Nevertheless, Russia’s commodity ¶ dependency has at times also proved ¶ a burden. In 2008, Russia’s domestic ¶ economic bubble, which had in part ¶ been fed by rapidly rising oil prices, ¶ burst. In its wake, credit, asset prices, ¶ and economic activity started to ¶ correct. On top of that, global oil prices ¶ collapsed on the back of the global ¶ ﬁ nancial crisis and a recession in most ¶ developed economies, delivering an ¶ additional shock to Russia’s economy. ¶ In line with these developments, our ¶ foreign currency rating on Russia ¶ dropped by one notch to ‘BBB’, its ¶ current level, in December 2008.¶ The key indicators of Russia’s ¶ economic performance closely ¶ correlate with trends in oil prices. As ¶ for any commodity economy, Russia’s ¶ nominal GDP is driven not so much ¶ by growth of the real economy, but ¶ by commodity prices. Broadly the ¶ same trend is visible for Russia’s trade ¶ balance, where exports of crude and oil ¶ products account for well above 50% of ¶ all goods exports, while gas accounts ¶ for about another 10%, and metals for ¶ 20%. Hence, the trade balance patterns ¶ closely follow oil price developments. ¶ Even the Russian ruble’s exchange rate ¶ against the U.S. dollar, when adjusted ¶ for inﬂ ation differentials, follows oil ¶ prices very closely. Much in line with ¶ the trade balance, it tends to appreciate ¶ as oil prices rise, and to depreciate as ¶ oil prices fall.¶ PUBLIC FINANCES ARE ¶ ADDICTED TO OIL¶ The impact of oil prices on Russia’s ¶ public ﬁ nances is even more pronounced ¶ than on the overall economy. This is the ¶ result of a combination of direct and ¶ indirect effects. The marginal total tax ¶ rate for exported crude oil amounts to ¶ 86%. We estimate that direct revenues ¶ from oil through the mineral extraction ¶ tax and export duties alone generated ¶ close to one-half of federal government ¶ revenue in 2011 and still more than a ¶ quarter of total general government ¶ revenue. These revenues are directly ¶ affected by changes in the oil price. ¶ Calculating the direct impact of oil price ¶ changes on budget revenues, assuming ¶ stable oil production and exports, ¶ we ﬁ nd that a $10 change in the oil ¶ price leads to a 1% of GDP change in ¶ government revenues. On top of that, ¶ the strong impact the oil price has on ¶ economic activity--and hence the tax ¶ base--in Russia also creates an indirect ¶ channel through which oil prices affect ¶ the government’s general tax intake. ¶ Because a decrease in the oil price ¶ depresses GDP and hence incomes, ¶ proﬁ t, and consumption in the economy, ¶ the government’s general tax intake is ¶ also reduced. We estimate this indirect ¶ effect to contribute another 0.4% of GDP ¶ change in government revenue per $10 ¶ change in oil price.

#### Saudi Arabia dominates the world oil's market - dropping of oil prices would hit Russia's economy

Industry Leaders Magazine 6/27 (Commodities and Futures, “Saudi Arabia Poised to be the Oil Leader after the Highest Oil Output by Cutting Down its Crude Prices Relatively”, 6/27/12, <http://au.ibtimes.com/articles/356733/20120627/saudi-arabia-poised-oil-leader-highest-output.htm>, Accessed 7/16/12, Chan)

Saudi Arabia has been the most caring for the U.S. slowdown and the Eurozone crisis. After all, the G20 member friends shall keep up the good ties with each other. The oil price collapse will be a felicitous stimulus to the tormented EU and potentially hit USA, further affecting the slowing global economies and prevent yet another global recession.¶ Moreover, with two of the OPEC cartels, Iran and [Russia](http://au.ibtimes.com/topics/detail/396/russia/) giving hard jitters, Saudi Arabia takes this one stop solution to indulge them in the extreme pressure of balancing their economy at crude below $100 a barrel. Iran has been a tough knot in the stomach of other Middle Eastern countries, with its overpowering nuclear program. The oil price reduction would pressurize the Iranians more than anything. Moreover, Saudi has not liked the recent veto by [Russia](http://au.ibtimes.com/topics/detail/396/russia/) in U.N.'s attempt to curb Syrian violence. So, hurting the Russian economy with lower crude prices is the Saudi way of teaching the Russians a lesson.¶ OPEC cartels contribute to 40% global oil production. And the OPEC prefers it that way, at least the Saudis does. The recent shale drilling in parts of United States and Canada, has been a bee in the bonnet. Hence, for these new bees, which are anyways very sensitive to oil prices, falling oil prices shall curb their intentions of oil boom anywhere in the near future.

#### Oil is the backbone of Russian economy

Huck 10

(Jeremy Huck is the president of BP Russia. 2010. “Building on Success: Modernization

and the Russian Oil and Gas Sector” <http://www.bp.com/liveassets/bp_internet/russia/bp_russia_english/STAGING/local_assets/downloads_pdfs/s/CIS_Oil_Gas_Jan_2011_eng.pdf>) Sherman

The oil and gas sector is the backbone of the Russian economy. It accounts for 40% of ¶ federal budget revenues and 70% of export revenues. This is something to build on as well ¶ as something to supplement.¶ The ongoing success of this sector will depend on its ability to compete internationally to ¶ deliver affordable and reliable oil and gas. This is where the role of technology and ¶ modernization come into play.¶ Energy efficiency at the point of consumption has been made a top priority in Russia's ¶ modernization program, and that is absolutely right. But let's not lose sight of the ¶ potential for increased efficiency at the point of production as well. ¶ Energy is a high-tech, IT-oriented sector. New technologies in a wide range of fields -¶ computing, imaging, communications, materials science and nanotechnology - are being ¶ applied to improve access and efficiency in the upstream oil and gas sector. These ¶ technologies are transferrable to other sectors.

### Internal Link helpers - AT: Russia can transition away from oil economy

#### A non-oil Russia is impossible—economic structures are entwined with oil exports

Gaddy 11 (Clifford, Senior Fellow at the Brookings Institute, “[Will the Russian economy rid itself of its dependence on oil?](http://en.rian.ru/valdai_op/20110616/164645377.html)”, 6/16/11,

<http://en.rian.ru/valdai_op/20110616/164645377.html>, Accessed 7/19/12, Chan)

The problem is that it is precisely the oil wealth (the so-called oil rent) that is used to support and perpetuate the inefficient structure. For the sake of social and political stability, a large share of Russia’s oil and gas rents is distributed to the production enterprises that employ the inherited physical and human capital. The production and supply chains in that part of the economy are in effect “rent distribution chains.” A serious attempt to convert Russia’s economy into something resembling a modern Western economy would require dismantling this rent distribution system. This would be both highly destabilizing, and costly in terms of current welfare. Current efforts for “diversification” do not challenge the rent distribution system. On the contrary, the kinds of investment envisioned in those efforts will preserve and reinforce the rent distribution chains, and hence make Russia more dependent on oil rents. Even under optimal conditions for investment, any dream of creating a “non-oil” Russia that could perform as well as today’s commodity-based economy is unrealistic. The proportion of GDP that would have to be invested in non-oil sectors is impossibly high. Granted, some new firms, and even entire sectors, may grow on the outside of the oil and gas sectors and the rent distribution chains they support. But the development of the new sectors will be difficult, slow, and costly. Even if successful, the net value they generate will be too small relative to oil and gas to change the overall profile of the economy.

### Impact U - Russia -Russia economy high now

#### Russia’s economy growing now – oil prices still a risk

CNBC 6/21 [CNBC is the recognized world leader in business news, providing real-time financial market coverage and business information. Antonia Oprita is a Deputy News Editor at CNBC, “Are Oil Exports Russia's Curse as Well as Its Blessing?” <http://www.cnbc.com/id/47870418/Are_Oil_Exports_Russia_s_Curse_as_Well_as_Its_Blessing>, 6/21/2012] Lin

Half of the revenues to Russia's budget come from the oil and gas sector, and taxation in that area depends heavily on the oil price on international markets. When prices decline, the Russian budget gets less revenue in dollar terms. But the budget is denominated in rubles, so a decline in the national currency helps to offset falls in oil prices to a certain degree. Oil prices fell to around $83 a barrel from around $110 in February because of worries that the global economy would slow down as the euro zone debt crisis spread. "Due to the devaluation of the ruble, the fall in oil prices was somewhat compensated," Struchenevsky said. Growth Forecast Upgraded The World Bank has upgraded slightly its economic growth estimate for Russia, forecasting growth of 3.8 percent in 2012 and 4.2 percent in 2013 in its June edition of the Global Economic Prospects. In January, the estimates were 3.5 percent for this year and 3.9 percent for next year. Russia's macroeconomic data would make many euro zone politicians go green with envy. The country's economy grew by 4.3 percent last year, its sovereign debt is around 10 percent of gross domestic product, its budget had a deficit of 0.9 percent in the first three months of this year and its current account had a surplus last year. "Actually, Russia is crediting the rest of the world," said Struchenevsky. One of the biggest risks for Russia's economy is the fact that it has become too dependent on high oil prices, said Neil Shearing, chief emerging markets economist at Capital Economics. In 2007, according to Capital Economics' calculations, Russia needed the oil price on international markets to be around $40 per barrel to balance its budget — that is, for the state's revenue to match expenditure. However, because of a big fiscal stimulus in 2008-2009 and increasing government spending on welfare, pensions and public sector salaries, it now needs an oil price of around $120 a barrel to incur no budget deficit, Shearing said. "If oil prices continue to fall, the economy is likely to suffer," he said. "They can cope with oil prices being a bit lower for a while, but that could quickly wrap up I think." Russia's Finance Minister Anton Siluanov said in an interview with the Financial Times that the country had earmarked around $40 billion for this year and the next to shore up the economy in case the euro debt crisis spreads. Part of it could be spent on making up for any shortfall to the budget should oil prices stay below $117 a barrel. Halligan pointed out that oil prices are still high, despite the fears about the global slowdown, as the oil market is tighter, with supply issues at the fore. "Year to date, the oil price is actually higher than the annual average in 2011, which was the highest ever," Halligan said.

#### Russian economy strong- strengthening trade ties

Northern Voices 7/24 (“Russia seeks faster trade growth with Italy”, 7/24/12, <http://nvonews.com/2012/07/24/russia-seeks-faster-trade-growth-with-italy/>)

Russian President Vladimir Putin has said that he is confident of restoration of bilateral trade between his country and Italy and the two-way trade volume can soon reach a pre-crisis level due to expanded economic ties. Putin was speaking during a meeting Monday with visiting Italian Prime Minister Mario Monti in the Russian resort of Sochi on the Black Sea, Xinhua reported. Russian-Italian trade grew by more than 25 percent to about $46 billion last year, Putin said, adding that if the two sides kept the positive momentum, a gap of $7 billion could be covered. “If we retain this pace, we will soon reach the pre-crisis level,” said Putin while adding that the global economic turbulence did not affect economic cooperation between the two sides. Monti said that given hard times in Europe, Italy needed to promote economic ties with traditional partners like Russia. “We are passing through tough situations in Europe and eurozone. It shows the necessity to strengthen economic and industrial ties, and Russia is the starting point of these relations,” said Monti.

### Impacts - Russia - Russian war over oil will escalate

#### A Russian war over oil will inevitably escalate - will go nuclear

Victor and Victor 3 (David G., “Professor at the School of International Relations and Pacific Studies and Director of the School’s new Laboratory on International Law and Regulation” and Nadejda M., Research fellow, PESD News, “Nuclear Energy, Not Oil, Should Fuel US-Russian Ties”, 2/19/3, <http://pesd.stanford.edu/news/in_oped_victor_and_victor_argue_that_nuclear_energy_should_fuel_usrussia_relations_20030219/>, Accessed 7/16, Chan)

Russian officials have pressed the US to guarantee the existing contracts, but officials have wisely demurred. There would be no faster way to confirm Arab suspicions that regime change is merely a cover for taking control of Iraq's oil than by awarding the jewels before a new government is known and seated.¶ Of course, the impact of a war on world oil supply and price is hard to predict. A long war and a tortuous rebuilding process could deprive the market of Iraqi crude oil (about two million barrels a day, last year). Damage to nearby fields in Kuwait and Saudi Arabia could make oil even more scarce. And already tight inventories and continued troubles in Venezuela could deliver a "perfect storm" of soaring oil prices.¶ The most plausible scenario, however, is bad news for Russia: a brief war, quickly followed by increased Iraqi exports, along with a clear policy of releasing oil from America's reserves to deter speculators. A more lasting Russian-American energy agenda would focus on subjects beyond the current, fleeting common interest in oil. To find an area in which dialogue can truly make a difference, Russia and the US should look to the subject that occupied much of their effort in the 1990s, but that both sides neglected too quickly: nuclear power.¶ With the end of the Cold War, the two nations created a multi-billion-dollar programme to sequester Russia's prodigious quantities of fissile material and nuclear technology. The goal was to prevent these "loose nukes" from falling into the hands of terrorists or hostile states.¶ The Co-operative Threat Reduction programme also included funds to employ Russian scientists through joint research projects and academic exchanges.¶ Inevitably, it has failed to meet all its goals. In a country where central control has broken down and scientific salaries have evaporated, it is difficult to halt the departure of every nuclear resource. Nor is it surprising that US appropriators have failed to deliver the billions of dollars promised for the collective endeavour. Other priorities have constantly intervened, and Russia's uneven record in complying with arms control agreements has made appropriation of funds a perpetual congressional battle. Various good ideas for reinvigorating the programme have gone without funding and bureaucratic attention - even in the post-September 11 political environment, in which practically any idea for fighting terrorism can get money.¶

#### Russia’s periods of aggressive nuclear policy are caused by desire to monopolize oil during times of economic weakness

Peters 10 (Andrea, writer for the World Socialist Website, published by the International Committee of the Fourth International, “Russia announces expansion of nuclear capabilities, sanctions pre-emptive nuclear strikes”, 1/7/10, <http://www.wsws.org/articles/2010/jan2010/russ-j07.shtml>, Accessed 7/17/12, Chan)

Indeed, the Russian president’s announcement comes on the heels of a revision of the country’s military doctrine to allow for pre-emptive nuclear strikes. As reported in Russia Today, the Kremlin-sponsored English-language news agency, in mid-December the Russian Security Council approved the draft of a new policy that will permit not only nuclear attacks to “prevent any military threat,” but also the “use of nukes in small-scale conflicts.”¶ This change to the country’s nuclear policy, which is similar to revisions made by the US to its military doctrine under the Bush administration, is part of a broader effort by Russia to both strengthen its armed forces and increase their profile in the international arena.¶ Also in December, the upper house of the Russian Duma, the Federation Council, passed a resolution giving the president broad powers to authorize the use of force outside the country’s borders without recourse to parliament. According to a December 10 article in the Jamestown Foundation’s Eurasia Daily Monitor, President Medvedev can now “send troops into action abroad anywhere, anytime; decide on the size of force, specify the enemy, with no legal restraints or limitations, ‘to defend the interests of the Russian Federation and its citizens.’”¶ This move is widely seen as providing the Kremlin with the legal basis to pursue military action akin to that which it took in August 2008 during its war with Georgia over the contested region of South Ossetia. At that time, taking advantage of the opportunity given to it by provocations orchestrated from Tbilisi, Russia entered Georgian territory, routing Georgian forces.¶ In the aftermath of the war, questions arose within the Russian political establishment about the constitutionality of the Kremlin’s actions and the necessity for creating a clear basis within Russian [law for](http://www.wsws.org/articles/2010/jan2010/russ-j07.shtml) similar measures in the future. The fact that the recently-passed legislation gives the president explicit power to take action to defend Russian citizens abroad is significant, as large ethnic Russian populations, portions of which have or can [claim](http://www.wsws.org/articles/2010/jan2010/russ-j07.shtml)Russian citizenship, reside in countries throughout the former Soviet sphere.¶ Over the course of the past year, Russia has been involved in a reform of its military, which has been in a state of general decline on all fronts since the collapse of the USSR. The overhaul is aimed at modernizing the armed forces both organizationally and technologically.¶ Roger McDermott of the Jamestown Foundation notes that the reforms are driven by the Russian military’s efforts to draw the lessons of the 2008 war with Georgia, which demonstrated, despite Russia’s success, that the country’s armed forces were poorly equipped for rapid-deployment, small-scale operations.¶ “The extent of the changes under way,” wrote McDermott in August 2009, “is unparalleled in the history of the Russian armed forces since the end of World War II, perhaps even earlier.”¶ “While any comment on the policy implications is premature,” he added, “it is likely that the Russian conventional armed forces will emerge in the next five years as an unrivaled dominant force within the former Soviet space, capable of sudden, decisive intervention.”¶ The recent changes made in Russia’s military doctrine and structure are a reflection of the ruling elite’s nervousness about ongoing challenges to Moscow’s geopolitical position in areas traditionally within its sphere of influence. These also seem to be interspersed with concerns about the future inviolability of Russia itself.¶ On December 17, Interfax quoted the commander of Russia’s strategic missile forces, Andrei Shvaichenko. Commenting on the changes to the country’s nuclear strike policy, he stated: “(Today) one must take into account the geopolitical and geostrategic changes that are not in Russia’s favor. In the future, it cannot be ruled out that Russia, being a nation with unlimited natural reserves and resources, could become a target of a large-scale military aggression.”¶ On Russia’s western flank the country confronts NATO’s ongoing efforts to expand eastward. Both Georgia and Ukraine underwent US-backed “color revolutions” during the 2000s, the immediate consequences of which were the installation of regimes with close ties to Washington. The two countries are of strategic significance to Moscow because of, among other things, the role they play as transit points for energy resources bound for European markets.¶ At the same time, Russia is facing an expanding American intervention in Central Asia in the form of the escalation of the war in Afghanistan. While in the short term the Kremlin may view the possibility of a US defeat in Afghanistan with wariness, as this could stoke up pro-Islamist sentiments in the region and undermine its own agenda, the expansion of US military action is also a major cause for concern for the Kremlin. It understands that the Obama administration’s intensifying focus on Afghanistan is driven by an agenda that has its sights on control of the energy resources and pipeline routes of Central Asia, where Russia has longstanding economic and geostrategic interests.¶ Russia’s anxieties about the challenge to its geopolitical position in these regions have been worsened by its economic crisis. In 2009, the country’s gross domestic product fell by 8.8 percent. It was, according to Nezavisimaia Gazeta, “the deepest slump in 15 years.” The intensity and speed of the collapse took the Kremlin by surprise. Over the course of the year, it had to continually revise its economic projections downwards.¶ Among the BRIC countries (Brazil, Russia, India and China), Russia distinguished itself by the size of its contraction relative to the others in the group, with Brazil’s GDP declining by 0.25 percent and India and China’s growth continuing, albeit at a slower pace. Russia’s poor performance compared to other BRIC nations even led some experts to question whether it should continue to be considered among the world’s leading developing economic powerhouses.¶ The economic crisis exposed the depth and intensity of Russia’s dependence on energy resources to sustain its economy. To the degree that the hemorrhaging of the Russian economy has stopped over the course of the past two months, it is largely because oil prices have rebounded somewhat.¶ While elements within the political establishment have responded by advocating a change in Russia’s economy away from its, as Medvedev observed, “humiliating dependence” on energy resources, a whole series of factors will prevent the ruling elite from pursuing, much less finding, an alternative source of political power and wealth.¶ The experience of the economic crisis of the past year, alongside the intensification of American military action under the Obama administration, has heightened the determination of the Russian ruling elite to prepare to militarily defend its oil wealth and its control over energy transit routes through Central Asia and the Caucasus.¶

#### Economic stability key to Russian regime stability

ADOMANIS 2010 [Mark - degrees in Russian studies @ Harvard and Oxford, “Russia’s economy: still not collapsing!” April 21,http://trueslant.com/markadomanis/2010/04/21/russias-economy-still-not-collapsing/] ttate

All of that being said, my personal opinions, and the opinions of any of the other over-excitable Western Russia analysts, don’t really matter. At all. I can stammer and stutter, or even wax eloquent, all I want about the profound incompetence and malevolence of the Kremlin, but if the Russian economy grows (even as a natural-resource remora of China) the Putin/Medvedev team will be entirely and completely secure. If Dima and Vlad can survive the international financial Krakatoa of 2008-09 almost totally unscathed they can survive virtually anything, much less the feeble protestations of nutcases such as Boris Nemtsov and Yulia Latynina.

### Impacts - Russia - Sino/Russian war

#### Russian economic decline leads to Russia/Sino war

David 1999 [Steven - professor of political science @ Johns Hopkins, *Foreign Affairs*, page lexis] ttate

If internal war does strike Russia, economic deterioration will be a prime cause. From 1989 to the present, the GDP has fallen by 50 percent. In a society where, ten years ago, unemployment scarcely existed, it reached 9.5 percent in 1997 with many economists declaring the true figure to be much higher. Twenty-two percent of Russians live below the official poverty line (earning less than $ 70 a month). Modern Russia can neither collect taxes (it gathers only half the revenue it is due) nor significantly cut spending. Reformers tout privatization as the country's cure-all, but in a land without well-defined property rights or contract law and where subsidies remain a way of life, the prospects for transition to an American-style capitalist economy look remote at best. As the massive devaluation of the ruble and the current political crisis show, Russia's condition is even worse than most analysts feared. If conditions get worse, even the stoic Russian people will soon run out of patience. A future conflict would quickly draw in Russia's military. In the Soviet days civilian rule kept the powerful armed forces in check. But with the Communist Party out of office, what little civilian control remains relies on an exceedingly fragile foundation -- personal friendships between government leaders and military commanders. Meanwhile, the morale of Russian soldiers has fallen to a dangerous low. Drastic cuts in spending mean inadequate pay, housing, and medical care. A new emphasis on domestic missions has created an ideological split between the old and new guard in the military leadership, increasing the risk that disgruntled generals may enter the political fray and feeding the resentment of soldiers who dislike being used as a national police force. Newly enhanced ties between military units and local authorities pose another danger. Soldiers grow ever more dependent on local governments for housing, food, and wages. Draftees serve closer to home, and new laws have increased local control over the armed forces. Were a conflict to emerge between a regional power and Moscow, it is not at all clear which side the military would support. Divining the military's allegiance is crucial, however, since the structure of the Russian Federation makes it virtually certain that regional conflicts will continue to erupt. Russia's 89 republics, krais, and oblasts grow ever more independent in a system that does little to keep them together. As the central government finds itself unable to force its will beyond Moscow (if even that far), power devolves to the periphery. With the economy collapsing, republics feel less and less incentive to pay taxes to Moscow when they receive so little in return. Three-quarters of them already have their own constitutions, nearly all of which make some claim to sovereignty. Strong ethnic bonds promoted by shortsighted Soviet policies may motivate non-Russians to secede from the Federation. Chechnya's successful revolt against Russian control inspired similar movements for autonomy and independence throughout the country. If these rebellions spread and Moscow responds with force, civil war is likely. Should Russia succumb to internal war, the consequences for the United States and Europe will be severe. A major power like Russia -- even though in decline -- does not suffer civil war quietly or alone. An embattled Russian Federation might provoke opportunistic attacks from enemies such as China. Massive flows of refugees would pour into central and western Europe. Armed struggles in Russia could easily spill into its neighbors. Damage from the fighting, particularly attacks on nuclear plants, would poison the environment of much of Europe and Asia. Within Russia, the consequences would be even worse. Just as the sheer brutality of the last Russian civil war laid the basis for the privations of Soviet communism, a second civil war might produce another horrific regime. Most alarming is the real possibility that the violent disintegration of Russia could lead to loss of control over its nuclear arsenal. No nuclear state has ever fallen victim to civil war, but even without a clear precedent the grim consequences can be foreseen. Russia retains some 20,000 nuclear weapons and the raw material for tens of thousands more, in scores of sites scattered throughout the country. So far, the government has managed to prevent the loss of any weapons or much material. If war erupts, however, Moscow's already weak grip on nuclear sites will slacken, making weapons and supplies available to a wide range of anti-American groups and states. Such dispersal of nuclear weapons represents the greatest physical threat America now faces. And it is hard to think of anything that would increase this threat more than the chaos that would follow a Russian civil war.

### Impacts - Russia - Regime collapse

#### Lower oil prices will oust Putin---if prices drop, Russia’s economy will collapse

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The most common question these days among independent analysts is how long President Vladimir Putin can hold onto power. The circumstances that led to the Soviet collapse in 1991 may provide some clues. First, the most intelligent, educated and energetic members of Soviet society had grown tired of the obtuse and stagnant leadership that offered no prospects for the future. They were sick of Soviet authority in the same way that a person could go crazy from being forced to wear an ugly and hole-ridden pair of shoes year after year, even while being told that they were the best shoes on Earth. Second, a split occurred within the Soviet elite that thrust Soviet leader Mikhail Gorbachev to prominence. He might not have intended to break apart the Soviet Union, but his perestroika program was clearly intended to reorganize the structure that Vladimir Lenin had originally built. Third, the economic crisis resulting from a sharp drop in oil prices in the second half of the 1980s turned a major segment of the population against the ruling regime. This opposition movement was far broader than the liberal, educated intelligentsia. Today, the protests that began in December indicate that the active and educated segment of society is tired of the Putin regime. They understand that the economic prosperity of recent years was due not to Putin's genius but to high global oil prices. They also understand that the Russian economy could just as easily collapse if prices drop. Many people rightfully conclude that because Putin has done little to develop the economy since he came to power in 1999, it is unlikely he will do anything in the future. As for a split within Putin's ruling elite, the situation now is more complicated. Soviet leaders saw that their own privileges, while large compared with those of Soviet citizens, still paled in comparison with the average standard of living achieved in Western consumer societies. Now, however, the members of Putin's ruling elite live like kings. Unlike the Soviet elite, today's elite can buy expensive real estate in the West and travel there at will. The Putin elites are far less tied to their own country than Soviet rulers were. At the same time, Putin actually has few staunch supporters among the political elite. Those officials are loyal to the regime only to the extent that it allows them to get wealthy. But they will betray Putin the moment his political system shows serious signs of weakness. They will not oppose Putin while he is strong, but they will also not hesitate to trample him underfoot if his political fortunes shift. What's more, many politicians, businessmen and cultural figures are ashamed of the way Putin has transformed Russia. They are tired of blushing when answering questions from their Western colleagues about rampant corruption or the personality cult surrounding Putin that increasingly resembles the cult around aging Soviet leaders. The third contributing factor is the economic crisis. When oil prices fell drastically in 2009, Russia's gross domestic product dropped by 8 percent. Had the crisis continued at this pace for a few more years, it would have been disastrous for the Putin regime. The standard of living would have plummeted, and we would have probably seen the same level of discontent that we witnessed in the late 1980s. But oil prices started to rise again in 2010, stabilizing the Russian economy as a whole. Today's oil prices translate into annual growth rates of 3 to 4 percent and enable Putin to provide the people with at least a small increase in their real incomes, which is enough to keep most Russians from joining the protest movement. This is the main reason why the demonstrations of recent months have not reached a level that would cause the regime to collapse. There is a large segment of society that does not think about the future and is largely content with a bottle of beer, bread and butter and cheap television serials. Putin's main constituency among the masses is less concerned about freedom, human rights protections, free elections and civil society. Although the country's intellectuals have openly turned their backs on Putin, the average Russian remains the last and best hope of the current regime. For his part, Putin cultivates the common people's support with patriotic speeches, an ongoing campaign against the United States, talk about saving the country from internal and external enemies and his harsh criticism of the democratic opposition. But the state of the economy is the primary factor determining how long the Putin regime can endure. If oil prices remain high, the regime could survive for years, but if a serious global economic crisis hits, its chances of survival are negligible. If, at the peak of such a crisis, Putin's blue-collar electorate were to ask, "Where is our bread and butter?" the elites and intellectuals would not come to his rescue, as they once did for former President Boris Yeltsin. If the intellectuals and a good portion of Putin's traditional constituency join forces to arise en masse against Putin, the political elites would either take a neutral position or, more likely, turn against Putin completely. If this ever happens, Putin would have no chance of remaining in power.

### Impacts - Russia - Nationalism

#### Drop in oil prices causes a super surge in Russia nationalism

NEWSWEEK 8-15-2011[“Fascist Russia?; The Kremlin plays a dangerous game by pandering to far-right hate groups,” <http://www.thedailybeast.com/newsweek.html>] ttate

As Norway's tragedy showed, paranoid and violent minds can lurk in the calmest, most prosperous countries. But the cancer of ultranationalism has found a particularly fertile breeding ground in the frustrations and resentments of young Russians. Belov claims to have predicted his country's future as far back as August 1991. Manezh Square, in the shadow of the Kremlin, was thronged with Russians celebrating the sudden collapse of Soviet communism; to most, the evening marked the birth of Russian democracy. But Belov, who was there with a friend, distributing pamphlets for the anti-Semitic Pamyat organization, says he saw something else. "We knew that these liberals would fail," he says. "And that their failure would fuel our rise--the rise of the right."

Twenty years later, at least half of that apocalyptic vision has come true. Russia's liberals have indeed failed; Russia is now ruled by an authoritarian clique of former KGB men. And Belov may also have accurately foreseen the triumph of the far right. On the surface, a decade of high oil prices has brought ordinary Russians rising living standards and a semblance of political stability. But even the Kremlin's closest allies fear that when oil prices eventually fall and the tide of easy money recedes, the ugly reality of an angry, fascist Russia could be revealed.

#### And, extinction

ISRAELYAN 1998 [Victor - former Soviet ambassador, diplomat, arms control negotiator, and leading political scientist, *Washington Quarterly*, Winter, page lexis] ttate

The first and by far most dangerous possibility is what I call the power scenario. Supporters of this option would, in the name of a "united and undivided Russia," radically change domestic and foreign policies. Many would seek to revive a dictatorship and take urgent military steps to mobilize the people against the outside "enemy." Such steps would include Russia's denunciation of the commitment to no-first-use of nuclear weapons; suspension of the Strategic Arms Reduction Treaty (START) I and refusal to ratify both START II and the Chemical Weapons Convention; denunciation of the Biological Weapons Convention; and reinstatement of a full-scale armed force, including the acquisition of additional intercontinental ballistic missiles with multiple warheads, as well as medium- and short-range missiles such as the SS-20. Some of these measures will demand substantial financing, whereas others, such as the denunciation and refusal to ratify arms control treaties, would, according to proponents, save money by alleviating the obligations of those agreements. In this scenario, Russia's military planners would shift Western countries from the category of strategic partners to the category of countries representing a threat to national security. This will revive the strategy of nuclear deterrence -- and indeed, realizing its unfavorable odds against the expanded NATO, Russia will place new emphasis on the first-use of nuclear weapons, a trend that is underway already. The power scenario envisages a hard-line policy toward the CIS countries, and in such circumstances the problem of the Russian diaspora in those countries would be greatly magnified. Moscow would use all the means at its disposal, including economic sanctions and political ultimatums, to ensure the rights of ethnic Russians in CIS countries as well as to have an influence on other issues. Of those means, even the use of direct military force in places like the Baltics cannot be ruled out. Some will object that this scenario is implausible because no potential dictator exists in Russia who could carry out this strategy. I am not so sure. Some Duma members -- such as Victor Antipov, Sergei Baburin, Vladimir Zhirinovsky, and Albert Makashov, who are leading politicians in ultranationalistic parties and fractions in the parliament -- are ready to follow this path to save a "united Russia." Baburin's "Anti-NATO" deputy group boasts a membership of more than 240 Duma members. One cannot help but remember that when Weimar Germany was isolated, exhausted, and humiliated as a result of World War I and the Versailles Treaty, Adolf Hitler took it upon himself to "save" his country. It took the former corporal only a few years to plunge the world into a second world war that cost humanity more than 50 million lives. I do not believe that Russia has the economic strength to implement such a scenario successfully, but then again, Germany's economic situation in the 1920s was hardly that strong either. Thus, I am afraid that economics will not deter the power scenario's would-be authors from attempting it. Baburin, for example, warned that any political leader who would "dare to encroach upon Russia" would be decisively repulsed by the Russian Federation "by all measures on heaven and earth up to the use of nuclear weapons." n10 In autumn 1996 Oleg Grynevsky, Russian ambassador to Sweden and former Soviet arms control negotiator, while saying that NATO expansion increases the risk of nuclear war, reminded his Western listeners that Russia has enough missiles to destroy both the United States and Europe. n11 Former Russian minister of defense Igor Rodionov warned several times that Russia's vast nuclear arsenal could become uncontrollable. In this context, one should keep in mind that, despite dramatically reduced nuclear arsenals -- and tensions -- Russia and the United States remain poised to launch their missiles in minutes. I cannot but agree with Anatol Lieven, who wrote, "It may be, therefore, that with all the new Russian order's many problems and weaknesses, it will for a long time be able to stumble on, until we all fall down together." n12 There are signs indicating that this scenario is emerging. The new military doctrine has actually reversed the pledge never to use nuclear weapons first. Earlier this year, Ivan Rybkin, secretary of Russia's Security Council, said, "Everyone must know that in case of a direct challenge our response will be fully fledged, and we are to choose the use of means." n13 Later, in an interview, he said that parliamentary ratification of START II has become "almost impossible." n14 The Duma has again postponed the ratification of the Chemical Weapons Convention, and Russian military planners are claiming that the only feasible military response to NATO expansion is the redeployment of Russian tactical nuclear weapons closer to Russia's borders.

### Impacts - Russia - Russian Loose Nukes

An economic collapse would decrease Russian nuclear safeguards - leads to an accidental nuclear launch

Bukharin 3

(Oleg Bukharin is a Research Staff Member at Princeton University's Center for Energy and Environmental. August 2003. Princeton University. “The Future of Russia: The Nuclear Factor” <http://www.princeton.edu/~lisd/publications/wp_russiaseries_bukharin.pdf>) Sherman

While the probability of an intentional nuclear war between the United States and¶ Russia has declined dramatically, the two countries continue to maintain a significant¶ fraction of their nuclear forces on a hair-trigger alert, ready for launch on a several-¶ ¶ Whether Russia completed the elimination of tactical warheads it pledged to destroy is not known. This posture and the deterioration of command, control, and early¶ warning infrastructure in Russia have raised concerns about an accidental nuclear launch¶ of Russian nuclear missiles.¶ 8¶ A different but equally frightening scenario, which some¶ Western analysts considered in the 1990s, involved a seizure of a nuclear-armed missile¶ by renegade military personnel for the purpose of a blackmail or unauthorized nuclear¶ launch. While the Russian nuclear weapons command and control system appears robust¶ at present, a breakdown of the Russian society due to an economic or political crisis, if it¶ occurs in the future, could compromise the existing controls and increase the risk of an¶ accidental or unauthorized nuclear launch.

#### Only a strong economy keeps Russian nukes safe

Woolf 3

(Amy F. Woolf is a member of the Foreign Affairs, Defense, and Trade Division of the CIA. August 15, 2003. “Nuclear Weapons in Russia: Safety, Security, and Control Issues” <http://www.fas.org/spp/starwars/crs/IB98038.pdf>) Sherman

According to Russian press reports, strategic rocket forces personnel have faced serious¶ financial hardship. Inadequate funding for training and maintenance, along with low morale,¶ could lead to an eventual breakdown of authority. Shooting incidents at facilities that house¶ nuclear weapons or materials and onboard a nuclear-powered attack submarines have raised¶ further concerns about the reliability of Russia’s military personnel. Although problems with¶ the troops probably would not lead to the unauthorized use of nuclear weapons, they could¶ make it difficult for Russia to remain confident in the reliability and effectiveness of its¶ nuclear deterrent. The National Intelligence Council reported, in February 2002, that these¶ concerns had eased somewhat in recent years, as the Russian economy had improved and¶ wages were restored. Russia has also implemented several programs that screen troops¶ responsible for nuclear weapons for psychological, drug, and alcohol problems.

#### Terrorists can get nukes from Russia’s stockpile

Pluta and Zimmerman 6

(Anna M. Pluta is a researcher in the Centre for Science and Security Studies. Peter D. Zimmerman is an American nuclear physicist, arms control expert, and former Chief Scientist of the Senate Foreign Relations Committee. July 16, 2006. *Nuclear terrorism: A disheartening dissent.* <http://www.tandfonline.com/doi/abs/10.1080/00396330600765583>) Sherman

Since the early 1990s, the maximum violence in acts of international terrorism has steadily increased. It is on the basis of this trajectory - and because of al-Qaeda's stated aims to acquire and use a so-called 'weapon of mass destruction' - that many analysts have concluded that a nuclear terror attack is likely only a matter of time. Others argue that this is alarmism, but the fissile material is available, or could become available, from a Russian nuclear stockpile that remains dangerously insecure. An improvised nuclear device would be difficult, but not too difficult, to build. And there are terrorist groups that have already demonstrated the technical abilities and organisational reach to make us very worried.

### Impacts - Russia - Russian Loose Nukes - AT: EWS checks

#### Early-warning systems fail—miscalculations and distrust mean a benign event could lead to a full-scale nuclear war

Forden 11 (Geoffrey, senior research fellow with the Security Studies Program at the Massachusetts Institute of Technology, NOVA, ”False Alarms in the Nuclear Age”, 6/1/11, <http://www.pbs.org/wgbh/nova/military/nuclear-false-alarms.html>, Accessed 7/18/12, Chan)

The danger posed by those incidents was not the unauthorized or accidental launch of a handful of nuclear-tipped missiles but the possibility that either country might misinterpret a benign event—a computer training tape mistakenly inserted into an operational computer or sunlight glinting off clouds during a rare lineup of the sun, Earth, and satellite—and decide to launch a full-scale nuclear attack.¶ Each incident caused officials to take steps to solve a specific problem. After the training tape incident, the U.S. Department of Defense constructed a separate facility to train operators so that a training tape could not again be inserted into the computer running the nation's early-warning system. Apparently, the Soviet Union launched a new fleet of early-warning satellites into geostationary orbit simply to provide a second angle from which to view U.S. missile fields. That expensive and redundant system ensured that at least one satellite could search for missile launches free from sun glint.¶ After three of the four incidents, the U.S. government maintained that steps were taken that would prevent any future false alarms. However, it had to wait only seven months after the first incident (the computer tape incident) to see that complex organizations, relying on even more complex machinery, can find new and unexpected ways to fail. In fact, a comprehensive study of nuclear accidents has shown convincing historical evidence that, despite measures taken to prevent them, such accidents are inevitable.¶ The most recent example of solving the "last problem" was the Clinton administration's initiative to share early-warning data with Russia. The jointly manned center has been presented by the American side as a solution to the decline of Russia's early-warning facilities. Russians familiar with the negotiations, however, maintain that the center has no military significance. That view is underscored by the choice of the site for the center: an old schoolhouse nearly an hour away from downtown Moscow. In fact, U.S. Department of Defense officials familiar with the Joint Data Exchange Center (JDEC) admit that, even if the center had been active during the Norwegian rocket incident, its only effect would have been to facilitate the launch notification issued before the NASA launch.¶ Any assistance the United States provides must increase Russia's confidence in the validity of its own early-warning systems. The JDEC fails that test. Russia would never believe that the United States would pass along launch indications if a U.S. nuclear attack had been launched.

### Impacts - Russia - Oil key to US/Russian relations

#### Oil key to US/Russian relations - key to cooperation with other US allies

Jaffe 2003 [Myers - fellow for energy studies @ Baker Institute, "The strategic geopolitical implications of Russian energy supply",

http://www.bakerinstitute.org/publications/the-strategic-and-geopolitical-implications-of-russian-energy-supply] ttate

The development of Russian/American joint strategies for cooperation in the energy sector has been highlighted as an important aspect of the U.S.-Russian relationship. While United States and Russian strategic interests do not overlap in every area of international discourse, common interest does exist in the energy sector and on other matters of international economy and security. Both the U.S. and Russia will benefit from rising Russian exports of oil and natural gas to global markets. Higher Russian oil exports help create a more diversified, and therefore more stable, international oil market, aiding the U.S. economy and American energy security. In fact, as Russia expands its export infrastructure, an increasing volume of Russian oil will probably make its way to U.S. shores, reducing the amount of oil the U.S. needs to buy from the Middle East. The U.S. market could be an important one for oil prolific Russia. The consistent growth in U.S. oil imports is an overwhelming factor in global oil markets. U.S. net imports rose from 6.79 million barrels a day in 1991 to 10.2 million barrels a day in 2000. Global oil trade, that is the amount of oil that is exported from one country to another, rose from 33.3 million barrels a day to 42.6 million b/d over that same period. This means that America’s rising oil imports alone have represented over one third of the increase in oil traded worldwide over the past ten years. In terms of the Organization of Petroleum Exporting Countries (OPEC), the U.S. import market was even more significant –over 50% of OPEC’s output gains between the years 1991 to 2000 wound up in the United States. Current U.S. oil demand is about 20 million barrels day, of which close to 40% is produced domestically. Russia will also be supplying more oil and gas to key U.S. allies like Japan, South Korea and the European Union. Higher Russian oil and gas exports also strengthen the Russian economy, reducing dependence on U.S. financial aid and helping make its democracy more sustainable. It can even lower the costs to Russia of cooperating on nuclear proliferation issues by shrinking the importance of military exports. The gains for Russia to higher exports are even more obvious. Russia is the world’s second largest crude oil producer and petroleum exporter. Oil and gas account for 40-50% of total Russian exports; 30% of fiscal revenues; and 13% of GDP. Rising oil exports helped Russia register a $5 billion budget surplus in 2002 and strong GDP growth, between 4-10% in recent years. Oil diplomacy has helped Russia enhance its international stature and improve its relationships with key consumer countries such as the U.S., Japan, China and the EU .

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### Impacts - Russia - US/Russian Relations Brinks

#### US-Russia relations are on the brink—asymmetrical mistrust by the US

Cohen 6/18 (Stephen F., writer for The Nation, “Is the US Returning to the Cold War With Russia?”, 6/18/12, [http://www.thenation.com/article/168460/us-returning-cold-war-russia/#](http://www.thenation.com/article/168460/us-returning-cold-war-russia/), Accessed 7/20/12, Chan)

As Washington and Moscow sink deeper into another familiar cold war–like conflict, this time over Syria, American policy-makers and commentators, Democrats and Republicans alike, declare that President Obama’s “reset” of relations with Moscow has failed. With equal unanimity, they blame only Moscow, in particular President Vladimir Putin, while entirely deleting Washington’s longstanding role in the deteriorating relationship, as they have done for more than a decade.¶ But as I pointed out in [this Nation article](http://www.thenation.com/article/161063/obamas-russia-reset-another-lost-opportunity) a year ago, Obama’s reset was all but doomed from inception because it was based on the same bipartisan, winner-take-all triumphalism that had guided US policy toward post-Soviet Russia since the 1990s. As before, Obama’s “new” policy meant “selective cooperation”—that is, concessions from Moscow without US reciprocity.¶ Until the US-Russian conflict over Syria erupted this year, the Obama White House wanted three major concessions from the Kremlin as part of the reset: support in the US confrontation with Iran (new [negotiations](http://www.thenation.com/article/168460/us-returning-cold-war-russia/) are under way in Moscow this week); assistance in supplying NATO forces in Afghanistan; and then withholding Russia’s veto of a UN Security Council resolution for a “no-fly zone” over Libya. The [Obama administration](http://www.thenation.com/article/168460/us-returning-cold-war-russia/) got all three concessions. In return, Moscow wanted a compromise on the administration’s plan to place missile defense installations near Russia’s borders; an end to NATO expansion in the direction of Ukraine and Georgia; and a curtailment of US interference, known as “democracy promotion,” in Russia’s internal politics. The Kremlin got none of these.¶ In short, another chance for expansive cooperation in US-Russian relations, even the partnership possible after the Soviet Union ended in 1991, has again been squandered in Washington, not in Moscow.

### Impacts - Russia - US/Russian War = Extinction

#### US-Russia war ensures nuclear winter and the Earth becomes uninhabitable

Wickersham 11 (Bill, University of Missouri adjunct professor of Peace Studies and a member of The Missouri University Nuclear Disarmament Education Team, Columbia Daily Tribune, “Nuclear weapons still a threat”, 9/27/11, <http://www.columbiatribune.com/news/2011/sep/27/nuclear-weapons-still-a-threat/>, Accessed 7/17/12, Chan)

Nearly 20 years after the Cold War ended, humankind still faces the distinct possibility of instant extinction without representation. If nuclear war occurs between Russia and the United States, there will be no parliamentary or congressional debates nor declarations of war. In a time of crisis or perceived attack, the Russian and U.S. presidents each have only a few minutes to make a decision to order an attack against each other. The time frame for those decisions could be as short as seven minutes, depending on the nature of the perceived attack and the efficiency of communications within the respective early-warning chains of command. Launch-to-landing time for submarine-launched nuclear missiles can occur in as few as four minutes. Launch-to-landing time for hundreds of land-based intercontinental ballistic missiles is about 25 minutes. An attack with just two 1-megaton nuclear warheads would unleash explosive power equivalent to that caused by all the bombs used during World War II.¶ For the duration of the Cold War, leaders of the United States and USSR were concerned about the devastation both countries would experience if a nuclear war were triggered by a false alarm attributable to human or technological error. The Sept. 11, 2001, terrorist attack on New York killed nearly 3,000 people, causing massive destruction, chaos and grief. In comparison, a purposeful or accidental nuclear strike between the United States and Russia would kill hundreds of millions in the short term and many more over time caused by worldwide, wind-driven nuclear fallout. Thus, the threat of nuclear war is the most serious potential health, environmental, agricultural, educational and moral problem facing humanity.¶ Steven Starr, senior scientist with [Physicians](http://www.columbiatribune.com/news/2011/sep/27/nuclear-weapons-still-a-threat/) for Social Responsibility, said research makes clear the environmental consequences of a U.S.-Russian nuclear war: “If these weapons are detonated in the large cities of either of their nations, they will cause such catastrophic damage to the [global environment](http://www.columbiatribune.com/news/2011/sep/27/nuclear-weapons-still-a-threat/) that the Earth will become virtually uninhabitable for most humans and many other complex forms of life.” (See www.nucleardarkness.org.)¶ It is important for Missourians to be aware that a Russian nuclear attack on the United States would probably incinerate the [Honeywell](http://www.columbiatribune.com/news/2011/sep/27/nuclear-weapons-still-a-threat/) nuclear bomb parts factory in Kansas City, the Boeing Defense, Space and Security plant near St. Louis, and Whiteman Air Force Base, home of U.S. B-2 bombers deployed at Knob Noster.¶ Political leaders have taken elaborate steps to assure us accidental war between the United States and Russia is next to impossible. However, the mere existence and deployment of launch-ready nuclear missiles offers the possibility of an unpredicted sequence of events that might lead to their accidental use.

### Impacts - Economy - Russia economy key to global econ

#### Russian economy key to the global economy

DELANEY 2011(Martin, “Russia: The Wild East,” *Investment And Pensions Europe*, January 26, <http://www.ipe.com/articles/print.php?id=38558>] ttate

However, many would argue they are wrong. "There are important reforms going on in Russia at the moment," explains Vladimir Kirillov, chief executive of TKB BNP Paribas Investment Partners. "You are seeing a reform of the social security system, ongoing reform in the pension system and a significant decrease in the burdens on small and medium-sized enterprises." Beyond the reform programme the fundamentals remain sound - despite the ongoing fall-out from the global economic crisis. According to Franklin Templeton Investm ents' latest Market Perspectives note, while the Russian economy contracted by 7.9% in 2009, it is forecast to grow by 4% in 2010 - and 4.3% in 2011. By the end of September 2010 Russian equities had more than doubled since they bottomed in January 2009. For October alone, the Russian equity market reported a rise of 5.7%. The Russian economy continues to stabilise, with unemployment falling substantially since the beginning of the year and retail sales and disposable income have increasing. The oil price remains relatively buoyant at just below $85 per barrel - well above the oft-cited $55-$60 range that Russia needs for its economy to break even. "This means that the Russian government will be able to run lower budget deficits this year and next, which in turn should mitigate inflationary pressure and prove supportive for the ruble as it will limit the rate of money supply growth," notes Michael Kart, managing partner at Marshall Spectrum, the Moscow-based emerging markets equity manager specialising in Russia and CIS. Concerns remain about the impact of the recent drought and wildfires, particularly on the agricultural sector, but the general trend of the markets and the economy is upwards. As the western markets falter, those in the emerging markets will continue to be the "the engine spurring the world's growth over the next years", explains Kart. "Russia as the world's main storehouse of raw materials will provide the necessary fuel for that. If we take a look at the country within the BRIC context, we would notice that the country has by far more natural resources, a more educated population, a higher proportion of the middle-class, a strong macroeconomic framework, a better track record - and it is cheaper." And this is the key: on virtually any metric Russia offers potentially better opportunities than most other emerging markets. Kart remains convinced the country offers investors a multitude of opportunities. "Contrary to popular belief, Russia, according to various studies performed by institutions such as World Bank and the IMF, compares well with its peers on metrics like ease of doing business, market size, transparency, infrastructure, penetration, dividend yield, and return on equity," he insists. That is a bold statement to make, but one echoed by fund managers and investment analysts based in Moscow. "The people who are able to identify and manage the risks should be able to benefit from the low multiples when the overall perception of Russia improves," says Dimitri Kryukov, founder and CIO of Verno Investment Management, which runs the Verno Russia fund. "Russia looks particularly interesting as it is one of the cheapest major markets in the world, supported by broad-based GDP and EPS growth, sound macro fundamentals and relatively high commodity prices," agrees Marcus Svedberg, chief economist at East Capital. "Russian WTO membership, which seems more realistic than ever, would be a positive trigger that is not yet priced in by the market. A steady stream of IPOs absorbed liquidity and Russia has underperformed other emerging markets in 2010 and is still 40% below its pre-crisis peak. We believe this is a good entry point." Matthias Siller, co-manager of the Baring Russia fund, says that one can find opportunities to make money work harder than in other places as long as you are there on the ground. "The finance and consumer-related sectors offer much higher returns on capital than you would find in other markets in Europe - and that has never been more pronounced than now," he says. "These sectors in Russia will only get bigger." The emergent middle class and an ancillary increase in consumer demand are fuelling an unparalleled period of expansion. And, in spite of rumbling concerns about its relations with its neighbours, Russia's government remains relatively stable. Expected presidential elections in 2012 are likely to see a smooth handover of power - although doubts grow as to whether Putin will be able to reclaim the top job. "Russia's political risk is different [to that of other emerging markets]," explains Hugo Bain, senior investment manager of the Pictet Russian Equities fund. "For example, in Turkey the political risk is top-down, but in Russia it is more focused at the company and sector level. Clearly there is political involvement in certain sectors and companies, and sometimes that does make investing in Russia quite opaque. You learn to live with it." Yet in spite of a general consensus that Russia offers one of the investment opportunities of the decade, there remain good reasons why valuations are so low. Claude Tiramani, manager of Lutetia Capital's Emerging Opportunities fund, points out that infrastructure spending as a percentage of GDP has declined from 40% in the 1970s to just 20% today. The dependence of the economy on the oil and gas sectors is also a worry (see further article in this section) - although the government is making a concerted effort to diversify its tax revenues. Moves to establish a broader economy have led to investments into agriculture and the development of the banking sector. Concerns around corporate governance and corruption are valid - exemplified by the Yukos affair. In its 2010 Corruption Perceptions Index, Transparency International, the anti-corruption group, ranked Russia at 2.1 on a scale of 1-10 where 10 represents "very clean". The other BRIC nations, China, India and Brazil, all scored 3.5, 3.3 and 3.7 respectively. By way of comparison, the US and the UK scored 7.1 and 7.6 respectively. The owner of the UK's Independent and Evening Standard newspapers, Alexander Lebedev, whose Moscow investment bank was recently raided by secret service agents, recently claimed Russians pay $300bn a year in bribes - almost a quarter of the country's GDP. He has categorically denied any wrongdoing himself. Ultimately, however, many of those based in Moscow say they read about a country in the press that they simply do not recognise. "I don't want to sound like an apologist, but Russia does receive a biased press," argues David Thornton, fund manager of the Matrix New Europe fund. "They have a complete blind spot in their reporting of Russia." Even investors into Yukos could still have made money - despite the state's tax levy. "From the first signs of trouble in July 2003," explains Dimitri Kryukov at the Verno Russia fund, "Yukos still managed to post a high in April 2004 - nine months after the trouble first emerged. Investors who had done their homework would still have been able to protect their capital." In essence, his comments represent a good first lesson for investors seeking opportunities in Russia: with an understanding of the situation and insight into the risks posed by the BRIC nation, the country offers superlative investment returns. Russia may be viewed as the wild east of the BRIC nations, but now is the time that the great fortunes of the future are being made.

#### Bad Russian econ spills over to other economies

Birkenes and Pennell 99

(Robert M. Birkenes is the U.S. Agency for International De- velopment representative to the Joint Interagency Task. Force in Iraq. “The Russian Financial Crisis:

Causes and Effects on ENI Countries” <http://pdf.usaid.gov/pdf_docs/PNACF234.pdf>) Sherman

¶ The drop in real wages in Russia—coupled with the devaluation of the ruble—has translated¶ into dramatically reduced Russian imports. For the neighboring countries that depend on¶ Russia as a market for their exports, the shrinking market in Russia has been disastrous for¶ their local economies. As Russians are shifting consumption away from the relatively more¶ expensive imported goods, the producers of these goods in neighboring countries are faced with a dramatic fall in demand for their products. This has translated into falling output and¶ increased unemployment for the countries that are most closely tied to Russia through trade,¶ especially Moldova (more than 50 percent of Moldovan exports go to Russia); Belarus,¶ Ukraine, and Kazakhstan, (>33 percent of exports to Russia, as of early 1998); and Georgia¶ (>30 percent of exports to Russia) (EC 1999).¶ The drop in remittances from nationals living in Russia has led to decreased incomes in¶ neighboring countries with large numbers of gastarbeiter working in Russia. Armenia,¶ Georgia, and Azerbaijan have been most severely hit by this decline in remittances. In some¶ cases the pattern seems to have been reversed, with families in neighboring countries now¶ supporting relatives living in Russia (EC 1999).¶ Finally, food prices have also increased in the neighboring countries of the NIS, as the cost¶ of imports from outside Russia has risen as a consequence of the significant devaluation of¶ local currencies. Some of the specific effects and impacts on other NIS and neighboring¶ countries are summarized briefly below.

### Impacts - US/Saudi Relations - Module

#### And, a move away from oil consumption guts US/Saudi relations

Mouawad 9 (Jad, “Saudi Blasts American Energy Policy” 9/25/9, New York Times, <http://green.blogs.nytimes.com/2009/08/25/saudi-blasts-american-energy-policy/> MGE | Kushal)

The question of American “energy independence” clearly rankles officials in Saudi Arabia, the world’s biggest exporter of crude oil, who seem increasingly puzzled by the energy policy of the United States, the world’s biggest oil consumer. In a short and strongly-worded essay in Foreign Policy magazine, Prince Turki al-Faisal, a former ambassador to the United States and a nephew to King Abdullah, said that for American politicians, invoking energy independence “is now as essential as baby-kissing,” and accuses them of “demagoguery.” All the talk about energy independence, Mr. al-Faisal said, is “political posturing at its worst — a concept that is unrealistic, misguided, and ultimately harmful to energy-producing and consuming countries alike.” There is no technology on the horizon that can completely replace oil as the fuel for the United States’ massive manufacturing, transportation, and military needs; any future, no matter how wishful, will include a mix of renewable and nonrenewable fuels. Considering this, efforts spent proselytizing about energy independence should instead focus on acknowledging energy interdependence. Like it or not, **the fates of the United States and Saudi Arabia are connected and will remain so for decades to come.** Relations between the United States and Saudi Arabia date back to the 1930s when American geologists first struck oil in the kingdom. While American companies built the Saudi oil industry, Americans have never shaken off their suspicions and mistrust of the kingdom since the Arab oil embargo of 1973. It’s not the first time a Saudi official has criticized American energy policy, or its growing reliance on renewable fuels. Many of Prince Turki’s arguments recycle Saudi Arabia’s position that for the past 30 years, the oil-rich kingdom has acted in a responsible manner to keep oil markets well supplied. Prince Turki correctly points at the steps taken by Saudi Arabia in recent years to increase its production to make up for lost production in Iraq or elsewhere in times of crisis, and invest close to $100 billion in new capacity over the past five years. On the other hand, he points out that four countries — Iran, Iraq, Nigeria and Venezuela — failed to live up to expectations that they would raise their production over the past decade for a variety of reasons, including “a U.S. invasion” in the case of Iraq. The Saudis have genuine reasons to fear the effects of the Obama administration’s energy policy and its commitment to reducing oil consumption, as well as efforts to reduce carbon emissions. As Prince Turki points out himself, Saudi Arabia holds 25 percent of the world’s known oil reserves and would like to keep selling oil for several more decades. As such, the Saudis know that any attempt to reduce gasoline consumption is a threat to the future of the Saudi economy. It’s an old refrain: in his most famous remark, the former Saudi oil minister, Sheik Yamani, once said that the stone age didn’t end because the world ran out of stones, and the oil age will not end because the world runs out of oil. It will end when something replaces it. The trend has already started. Oil demand in the United States has peaked — instead of rising as it has since the dawn of the age of oil more than a century ago, the nation’s oil consumption has begun its long decline. The question is: how fast will the transition take?

#### Decline in relations threatens Middle Eastern stability

THE MIDDLE EAST INSTITUTE 2002(Policy Brief #7, Congressional Staff briefing on "U.S. Challenges and Choices in the Gulf -- Saudi Arabia: A View from the Inside," jointly sponsored by: The Atlantic Council of the United States, The Middle East Institute, The Middle East Policy Council, and The Stanley Foundation, Nov 15, <http://www.mepc.org/forums_briefs/11-15-02.asp> | Kushal)

A significant deterioration in the US-Saudi relationship would be a major loss for both countries. It could threaten both regional stability and global energy security. The United States should thus be mindful of the parameters within which the Saudi regime must attempt to effect domestic change, support US policies, fight terrorism, and yet maintain political legitimacy. Although the Al-Saud family has not been a major catalyst for liberalization, it has selectively promoted moderate political and social reforms and it represents a unifying institution for Saudi society. It would be premature to speculate about the downfall of the current regime as a result of the current challenges it faces and the difficulties in US-Saudi relations. Moreover, even though discussion is growing in the United States of the need for democratization throughout the Middle East and the Gulf, there is little reason to believe that an alternate Saudi regime, particularly one brought about through revolution or even immediate democratization, would be friendlier to the United States or more open to liberalization than is the current government.

### Impacts - Saudi Arabia - Relations high now

#### Saudi relations high- oil key to compatibility

**Reed 12** (Matthew M. Reed, Middle East specialist for a consulting firm in Washington, DC, The Foreigner, “Note on US-Saudi relations after 2011”, 01/23/12, AD: 07/21/12, <http://alajnabee.wordpress.com/2012/01/23/note-on-us-saudi-relations-after-2011/> | Kushal)

My Saturday post on the likelihood of Saudi Arabia participating in a conflict with Iran got me thinking about a rumor which–to my knowledge–remains unsubstantiated by anyone in government willing to speak on record. According to a few sources whose comments were then recycled for months by the media, relations between Washington and Riyadh supposedly collapsed in 2011, after the Obama administration abandoned Egypt’s Hosni Mubarak and Saudi Arabia intervened in Bahrain without warning.¶ I understand why the Saudis might be disappointed with the U.S. taking a principled stance in Egypt, however clumsily it was articulated by an administration suffering whiplash. And I’m sure the Pentagon was surprised by the GCC’s Peninsular Shield Forces suddenly entering Bahrain back in March. But I can’t believe these two episodes have damaged relations as much as is claimed.¶ Firstly, the stakes are too high in the region and the U.S and Saudi Arabia are still animated by terrorism, the Iranian threat, and oil. Secondly, U.S.-Saudi relations are more institutionalized than ever, with cooperation taking place not just at the executive level, but most often–and most importantly–at the bureaucratic level, among mid-level officials. This allows the relationship to continue on “autopilot,” even when there are hiccups at higher levels of officialdom. Finally, let’s remember the relationship has always suffered from a certain amount of friction. The Palestinian issue is a chronic irritant to name but one. And yet in spite of this and the seeming incompatibility of U.S. and Saudi government traditions, cultures, and faith, the relationship endures, buoyed by permanent interests which have overlapped for decades.¶ This is not a “Pakistan scenario.” The U.S. and Saudi Arabia agree on what constitutes a genuine threat. There is no double game to be played. And there is no alternative to American military might in the Persian Gulf, which will remain in place for years. Unlike relations with Pakistan, U.S.-Saudi relations are characterized by mutual respect–rather than convenience or unfortunate circumstances that force cooperation. I’d like to know what more people think about this issue since claims made last year have seemingly crystallized into conventional wisdom. I can’t say how many times I’ve heard the canard repeated. But it did prompt me to write last July about why I believe U.S.-Saudi relations will continue moving forward. I still stand by that post, titled “Nowhere Near Rock Bottom.”

#### Relations stable now

**Gause 12** (Gregory Gause III, Professor of Political Science, University of Vermont. “Saudi Arabia in the New Middle East”, AD: 07/21/12, <http://www.cfr.org/saudi-arabia/saudi-arabia-new-middle-east/p26663> | Kushal)

The United States' relationship with Saudi Arabia has been one of the cornerstones of U.S. policy in the Middle East for decades. Despite their substantial differences in history, culture, and governance, the two countries have generally agreed on important political and economic issues and have often relied on each other to secure mutual aims. The 1990-91 Gulf War is perhaps the most obvious example, but their ongoing cooperation on maintaining regional stability, moderating the global oil market, and pursuing terrorists should not be downplayed.

### Impacts - Saudi Relations - Good relations checks conflict

#### Saudi influence over global economy incentivizes conflict- relations key

Bronson 06(Rachel, Council on Foreign Relations, “THICKER THAN OIL¶ America’s Uneasy Partnership¶ with Saudi Arabia”, 2006, AD: 07/21/12, <http://www.thedivineconspiracy.org/Z5220Z.pdf> | Kushal)

For its part, Saudi Arabia is no longer the impoverished, insular¶ country that American oil companies and diplomatic representatives¶ first engaged nearly seventy-five years ago**. It has emerged as a major¶ regional player and a significant global one, able to influence the price¶ of oil—one of the world’s most important commodities**. Demand¶ from oil-hungry states such as China and India, not just the requirements¶ of traditional markets such as Europe and the United States, now¶ influences Saudi decisions. Religious institutions that were constructed¶ four decades ago today serve as powerful political transmission belts¶ for Saudi Arabia’s influence across the globe.¶ With the end of the Cold War, economic, political, and geographical¶ circumstances have changed so dramatically that neither the U.S.¶ nor Saudi leadership should expect the continuation of the same kind¶ of relationship that existed for more than half a century. Still, there is¶ good reason for each to work to ensure that the relationship does not¶ collapse entirely, nor become so strained

### Impacts - Saudi Relations - Key to US Heg

#### Collapse of Saudi relations destroys US hegemony

SHAW 2004 (Charles, Editor-in-Chief, “Make the Greeleap,” Newtopia Magazine, Summer, <http://www.newtopiamagazine.org/issue17/features/greenleap.php> | Kushal)

The second critical issue is that the US Dollar is the fiat currency for the world's oil and natural gas transactions which means that all the oil and natural gas purchased by the world's nations is purchased in US "petrodollars". Because of this, most nations hold in their banks Dollar reserves equal to the value of their own currency. US global hegemony is predicated on this very means of control. This arrangement for the world's energy supplies to be purchased in Dollars, and by effect to have the Dollar become fiat currency, was set up by the US and OPEC, largely because of our relationship with Saudi Arabia. **If that relationship ends, through revolution or war, US hegemony ends**, unless we occupy the oil fields till they run dry.

### Impacts - Saudi Relations - Key to checking prolif

#### Collapse of Saudi relations causes nuclear proliferation

McDowell 03(Steven, Naval Post Graduate School, “IS SAUDI ARABIA A NUCLEAR THREAT?” September 2003, AD: 07/21/12, <http://edocs.nps.edu/npspubs/scholarly/theses/2003/Sep/03Sep_McDowell.pdf> | Kushal)

¶ Saudi Arabia may become one of the next states to acquire nuclear weapons. The Saudis have the challenge of securing a¶ large border area with a relatively small populace against several regional adversaries. The 1979 Iranian Revolution and¶ subsequent overthrow of the Shah, a U.S. ally, sent shockwaves across the Gulf states and prompted the Saudis to increase¶ defense spending and purchase the longest-range ballistic missile in the Gulf region: the Chinese CSS-2. These missiles have¶ since reached the end of their lifecycle and the Saudi regime is now considering their replacement.¶ This thesis examines the potential for the Saudis to replace their aging missile force with a nuclear-tipped inventory. The¶ United States has provided for the external security of the oil Kingdom through informal security agreements, but **a¶ deterioration in U.S.-Saudi relations may compel the Saudis to acquire nuclear weapons in order to deter the ballistic missile¶ and WMD threats posed by its regional adversaries.** Saudi Arabia has been a key pillar of the U.S. strategy in the Persian Gulf.¶ However, a nuclear-armed Saudi Arabia would undermine the international nonproliferation regime and would trigger a¶ destabilizing arms race in the region.

#### US-Saudi relations key to checking proliferation - Saudi Arabia can easily obtain nukes

Levi 2003 [Michael - science and technology fellow @ Brookings Institute, *The New Republic*, June 02, http://www.iranwatch.org/privateviews/Brookings/perspex-brookings-levi-060203.htm] ttate

Realists counter that the United States needs Saudi oil and Saudi military bases. But there's a less obvious argument for making sure the long-standing Washington-Riyadh partnership doesn't fracture: If it does, the Saudis might well go nuclear. Saudi Arabia could develop a nuclear arsenal relatively quickly. In the late '80s, Riyadh secretly purchased between 50 and 60 CSS-2 missiles from China. The missiles were advanced, each with a range of up to 3,500 kilometers and a payload capacity of up to 2,500 kilograms. What concerned observers, though, was not so much these impressive capabilities but rather the missiles' dismal accuracy. Mated to a conventional warhead, with a destructive radius of at most tens of meters, these CSS-2 missiles would be useless—their explosives would miss the target. But the CSS-2 is perfect for delivering a nuclear weapon. The missile itself may miss by a couple of kilometers, but, if the bomb's destructive radius is roughly as large, it will still destroy the target. The CSS-2 purchase, analysts reasoned, was an indication that the Saudis were at least hedging in the nuclear direction. July 1994 brought more news of Saudi interest in nuclear weapons when defector Mohammed Al Khilewi, a former diplomat in the Saudi U.N. mission, told London's Sunday Times that, between 1985 and 1990, Saudi Arabia had actively aided Iraq's nuclear weapons program, both financially and technologically, in return for a share of the program's product. Though Khilewi produced letters supporting his claim, no one has publicly corroborated his accusations. Still, the episode was unsettling. Then, in July 1999, *The New York Times* reported that Saudi Defense Minister Prince Sultan bin Abdulaziz Al Saud had recently visited sensitive Pakistani nuclear weapons sites. Prince Sultan toured the Kahuta facility where Pakistan produced enriched uranium for nuclear bombs—and which, at the same time, was allegedly supplying materiel and expertise to the North Korean nuclear program. The Saudis refused to explain the prince's visit. If Saudi Arabia chose the nuclear path, it would most likely exploit this Pakistani connection. Alternatively, it could go to North Korea or even to China, which has sold the Saudis missiles in the past. Most likely, as Richard L. Russell, a Saudi specialist at National Defense University, argued two years ago in the journal *Survival*, the Saudis would attempt to purchase complete warheads rather than build an extensive weapons-production infrastructure. Saudi Arabia saw Israel destroy Iraq's Osirak reactor in 1981, and it is familiar with America's 1994 threat to bomb North Korea's reactor and reprocessing facility at Yongbyon. As a result, it would probably conclude that any large nuclear infrastructure might be preemptively destroyed. At the same time, Riyadh probably realizes that America's current hesitation to attack North Korea stems at least in part from the fact that North Korea likely already has one or two complete warheads, which American forces would have no hope of destroying in a precision strike. By buying ready-made warheads, Riyadh would make a preemptive attack less likely. And, unlike recent proliferators such as North Korea, the Saudis have the money to do so.

### Impacts - Economy - Russia economy key to global econ

#### Bad Russian econ spills over to other economies

Birkenes and Pennell 99

(Robert M. Birkenes is the U.S. Agency for International De- velopment representative to the Joint Interagency Task. Force in Iraq. “The Russian Financial Crisis:

Causes and Effects on ENI Countries” <http://pdf.usaid.gov/pdf_docs/PNACF234.pdf>) Sherman

¶ The drop in real wages in Russia—coupled with the devaluation of the ruble—has translated¶ into dramatically reduced Russian imports. For the neighboring countries that depend on¶ Russia as a market for their exports, the shrinking market in Russia has been disastrous for¶ their local economies. As Russians are shifting consumption away from the relatively more¶ expensive imported goods, the producers of these goods in neighboring countries are faced with a dramatic fall in demand for their products. This has translated into falling output and¶ increased unemployment for the countries that are most closely tied to Russia through trade,¶ especially Moldova (more than 50 percent of Moldovan exports go to Russia); Belarus,¶ Ukraine, and Kazakhstan, (>33 percent of exports to Russia, as of early 1998); and Georgia¶ (>30 percent of exports to Russia) (EC 1999).¶ The drop in remittances from nationals living in Russia has led to decreased incomes in¶ neighboring countries with large numbers of gastarbeiter working in Russia. Armenia,¶ Georgia, and Azerbaijan have been most severely hit by this decline in remittances. In some¶ cases the pattern seems to have been reversed, with families in neighboring countries now¶ supporting relatives living in Russia (EC 1999).¶ Finally, food prices have also increased in the neighboring countries of the NIS, as the cost¶ of imports from outside Russia has risen as a consequence of the significant devaluation of¶ local currencies. Some of the specific effects and impacts on other NIS and neighboring¶ countries are summarized briefly below.

### Impacts - Economy - Econ Collapse = War

#### Economic collapse leads to nuclear war—false alerts are more likely to escalate into war with decaying early-warning technology

Forden 1 (Geoffrey, senior research fellow with the Security Studies Program at the Massachusetts Institute of Technology, Policy Analysis, No. 399, 5/3/1, “Reducing a Common Danger: Improving Russia’s Early-Warning System”, p. 1, <http://www.cato.org/pubs/pas/pa399.pdf>, Accessed 7/18/12, Chan)

During the past 20 years the world has survived at least four false alerts for nuclear war. Each¶ time, space-based early-warning systems played a¶ major role. In three of the four false alerts, two¶ involving U.S. forces and one Russian forces, reliable space-based sensors assured leaders that they¶ were not under attack when other systems indicated that nuclear annihilation was imminent. In¶ the fourth, in 1983, a relatively new Soviet satellite¶ system falsely indicated that the United States was¶ launching a nuclear attack. All four cases show the¶ importance of both sides’ having reliable spacebased early-warning systems.¶ Because of that need, Russia’s continuing economic difficulties pose a clear and increasing danger to itself, the world at large, and the United¶ States in particular. Russia no longer has the¶ working fleet of early-warning satellites that reassured its leaders that they were not under attack¶ during the most recent false alert—in 1995 when a¶ scientific research rocket launched from Norway¶ was, for a short time, mistaken for a U.S. nuclear¶ launch. With decaying satellites, the possibility¶ exists that, if a false alert occurs again, Russia¶ might launch its nuclear-tipped missiles.

### AT: High Oil Prices Bad

#### Low oil demand sparks resource wars

Miller 10 [Gregory - professor @ Oklahoma State University and PhD in political science @ Ohio State University, "The Energy Independence", *Washington Quarterly*, April, , <http://csis.org/files/publication/twq10aprilmiller.pdf>] ttate

Oil has often been a cause of regional conflicts, such as Iraq’s invasion of Kuwait in 1990 or the July 2001 clash between Iran and Azerbaijan over oilbearing zones in the Caspian Sea. So, it is possible that less global demand for oil would decrease the frequency of such situations. As states lose their oil revenue, however, and thus the ability to provide their people the standard of living to which they have grown accustomed, basic necessities could become catalysts for conflict. Resources such as food and water are already scarce in many parts of the world, a problem that would be exacerbated for states that lose substantial oil revenues.

#### **Low oil prices leads to overproduction - sparks quick resource wars**

Miller 10 [Gregory - professor @ Oklahoma State University and PhD in political science @ Ohio State University, "The Energy Independence", *Washington Quarterly*, April, , <http://csis.org/files/publication/twq10aprilmiller.pdf>] ttate

Initially, the loss of the United States as a major consumer would not cripple the economies of oil suppliers because there will be enough demand from countries such as India and China to provide continued revenue. In fact, U.S. reductions in consumption would even benefit many other potential consumers that do not have the money to purchase enough oil at current prices. To balance this drop in price, however, the likely response from oil producers will be to boost production and sell more oil. This will diminish the world’s oil reserves even more rapidly, possibly creating more interstate conflicts over remaining oil supplies, and ultimately run the security risks outlined here. As a result, the long-term consequences of even just the United States cutting its consumption of oil will be striking. These effects will be multiplied if global consumption also declines.

### Aff - NU - Several SQ thumpers to oil market

#### Oil markets face volatility—Iranian sanctions, Norwegian worker strikes, and low interest rates

Reuters 7/9 (Mike Dolan, [Investment Strategy](http://blogs.reuters.com/mike-dolan/) in Europe, Middle East and Africa, “Analysis: Flagging world economy relying on unstable energy boost”, 7/9/12, <http://in.reuters.com/article/2012/07/09/us-economy-oil-fillip-idINBRE8680GU20120709>, Accessed 7/18/12, Chan)

Long-term futures prices are certainly encouraging for policymakers trying to see through the fog. But the counterbalancing economic effects of spot prices go both ways and worries about oil supplies as much as demand come into play.¶ No sooner had last month's EU summit lifted world markets generally, correlated spot oil prices perked back up too.¶ Fresh nerves about the Iranian nuclear standoff and concern about oil workers' strikes in Norway pumped crude back briefly above $100 per barrel from lows below $90 last month.¶ And fears that new money printing from the developed-world central banks has for years now tended to "leak" into commodity markets and prices means the latest wave of monetary easing tends to at least underpin oil prices there too.¶ IMF economists poring over the question are quick to point out that the world economy has adapted relatively well to the four-fold increase in oil prices in a decade but acknowledge that supply disruptions and a pervasive market fear of long-term scarcity make price spikes higher a constant threat.¶ In a recent article on the impact of oil prices on world growth, IMF economist Jorg Decressin said growing consumption of oil revenues in oil-exporting countries that used to recycle windfalls back into western debt markets means this buffer for western economies may be weakened -- not least because western interest rates are rock bottom now anyway.

### Aff - NU - Oil prices decreasing now

#### We will control the uniqueness debate - oil prices are low and will continue to tumble - any cards the Neg reads are just increase blips and not conclusive

Saudi Gazette 07-15 ["Turbulence looms large for oil prices", <http://www.saudigazette.com.sa/index.cfm?method=home.regcon&contentid=20120715129987>] ttate

CRUDE markets continue to fluctuate, at the slightest pretext, oscillating in a narrow band. Prices have already fallen by around a quarter over the last three months with North Sea Brent dipping below $100 per barrel, down from a high above $128 in March, as supply outstripped demand.  
And despite some blips on the chart, here and there, the overall emerging scenario is indicative of a weakening market in the mid-term too. Analysts are now concurring that headwinds would continue to batter the crude markets in 2013 too.  
Major players on the energy scene - the OPEC, the Paris-based IEA and the US EIA - all seem to underline to varying degree that crude markets would continue to be soft into 2013 too.   
Global economic slowdown could put a lid on oil prices, the International Energy Agency said in its just released Oil Report. It underlined that oil market fundamentals had "clearly eased since the start of the year" and stocks had built up significantly over the last few months.

#### And, oil prices are low and US output is increasing - double thumps your uniqueness claims

San Francisco Chronicle 07-25 ["Oil falls as stockpiles gain, U.S. output surges to 13-year high", <http://www.sfgate.com/business/bloomberg/article/Oil-Falls-as-Stockpiles-Gain-U-S-Output-Surges-3734740.php>] ttate

July 25 (Bloomberg) -- Oil declined in New York after an [Energy Department](http://www.sfgate.com/?controllerName=search&action=search&channel=business%2Fbloomberg&search=1&inlineLink=1&query=%22Energy+Department%22) report showed U.S. stockpiles unexpectedly climbed as production surged to the highest level in 13 years.

Futures fell as much as 1.9 percent as supplies rose 2.72 million barrels to 380.1 million last week. A 1 million-barrel decrease was projected, according to analysts surveyed by Bloomberg. U.S. crude output advanced 1.9 percent to 6.36 million, the highest level since February 1999.

“The inventory numbers were very bearish,” said [John Kilduff](http://www.sfgate.com/?controllerName=search&action=search&channel=business%2Fbloomberg&search=1&inlineLink=1&query=%22John+Kilduff%22), a partner at Again Capital LLC, a New York-based hedge fund that focuses on energy. “We’ve been seeing a steady increase in U.S. oil production over the last two years, which is quite a turnaround from the prior trend.”

#### Oil prices low and tumbling- European crisis fears

Smith 7/23 (Grant, “Oil Plunges To Four-Day Low As European Debt Turmoil Intensifies”, Bloomberg, 7/23/12, <http://www.bloomberg.com/news/2012-07-23/crude-oil-falls-to-four-day-low-on-china-slowdown-european-debt.html>) Swoap

Oil declined to the lowest level in four days in [New York](http://topics.bloomberg.com/new-york/), dropping to below $90 a barrel amid concern that Europe’s debt crisis is deepening. Futures tumbled as much as 3.7 percent as the euro dropped to an 11-year low against the yen and the cost of insuring Spanish debt surged to a record. International creditors meet in Athens tomorrow as concern grows that Greece may not meet its bailout targets. Crude also fell after a Chinese central bank adviser said the nation’s economy may cool further, putting at risk demand in the world’s second-biggest crude consumer. “The continuing saga of the euro, and in particular the travails of [Spain](http://topics.bloomberg.com/spain/) and fears that this will soon be played out in France and Italy, is driving today’s sell-off,” said [Christopher Bellew](http://topics.bloomberg.com/christopher-bellew/), senior broker at Jefferies Bache Ltd. in London, who predicts further price losses may be limited. Crude for September delivery fell as much as $3.43 to $88.40 a barrel in electronic trading on the [New York Mercantile Exchange](http://topics.bloomberg.com/new-york-mercantile-exchange/) and was at $89.12 at 12:39 p.m. London time. The contract decreased 1.2 percent to $91.83 on July 20. Prices are 10 percent lower this year. Brent oil for September settlement on the London-based ICE Futures Europe exchange dropped as much as $3.88, or 3.6 percent, to $102.95 a barrel. The European benchmark crude was at a $14.67 premium to New York-traded West Texas Intermediate grade. The spread was $15 on July 20, the widest in four days.

#### Oil prices low and falling- Spain bailout worries

Economic Times 7/24 (“Spain debt woes take crude oil prices below $103 a barrel”, 7/24/12, <http://economictimes.indiatimes.com/articleshow/15114628.cms?prtpage=1>) Swoap

Oil prices slipped towards $103 a barrel on Monday as investors sold off riskier assets and fled for the perceived safety of the dollar on fears that [Spain](http://economictimes.indiatimes.com/topic/Spain) will not be able to avoid a costly sovereign bailout. Brent crude was down $3.20 at $103.63 a barrel by 0852 GMT, after brushing an intra-day low of $102.95. Brent had posted a fourth straight weekly gain in the previous session. US crude fell $3.05 to $88.78 a barrel. Oil followed equities and the euro lower on fears that Spain, the eurozone's fourth-largest economy, may be forced to seek a lifeline from international lenders. [Brent oil](http://economictimes.indiatimes.com/topic/Brent-oil) for September settlement on the London-based ICE Futures Europe exchange dropped as much as $3.88, or 3.6%, to $102.95 a barrel.

#### Oil prices falling on Spain bailout concerns

Reuters 7/23 (“COMMODITIES-Oil, copper spiral lower on Spanish debt fears”, 7/23/12, <http://www.reuters.com/article/2012/07/23/markets-commodities-idUSL6E8INCZL20120723>) Swoap

Commodities tumbled on Monday on fears that [Spain](http://www.reuters.com/places/spain) would need a major bailout as the euro slid to two-year lows and investors rushed to sell off risky assets. Oil prices shed more than 4 percent, copper hit a three-week low and corn spiralled down over 2 percent from record highs on Friday on forecasts of rain in the drought-hit U.S. Midwest. "When you've got fear in the markets, risk assets get sold off," said Michael Hewson, an analyst at CMC Markets. The Thomson Reuters CRB index, a global commodities benchmark, fell 1.75 percent to 299.25 by 1400 GMT, after gaining 3.6 percent last week. The 19-commodity index has added 5 percent so far for July, heading for the strongest month since October 2011. Commodities followed equities and the euro lower on worries that Spain, the euro zone's fourth-largest economy, may be forced to seek a lifeline from international lenders as Spain's regional authorities begin to go cap in hand to the central government. Spanish 10-year government bond yields hit their highest level since the euro was launched after weekend media reports that half a dozen local authorities were ready to follow in the footsteps of Valencia. [Brent crude](http://www.reuters.com/finance/commodity?symbol=GB@IB.1) dropped as much as 4.1 percent to a low of $102.42 a barrel, after posting a fourth straight weekly gain in the previous session. U.S. crude lost 4.2 percent to a low of $88.01 a barrel.

#### **Oil prices lowering---recent fears over Spanish debt decrease prices**

Onstad 7/23, Specialist Correspondent, Commodities, EMEA at Thomson Reuters---Former Deputy Editor in Charge, Commodities, EMEA at Thomson Reuters, 7/23/12[Eric, “COMMODITIES-Oil, copper spiral lower on Spanish debt fears” Reuters, [http://www.reuters.com/article/2012/07/23/markets-commodities-idUSL6E8INCZL20120723]ADravid](http://www.reuters.com/article/2012/07/23/markets-commodities-idUSL6E8INCZL20120723%5dADravid)

\* Crude oil falls more than 4 percent \* Copper hits three-week lows, gold also down \* Grains slide on forecast for rain in parched U.S. Midwest By Eric Onstad LONDON, July 23 (Reuters) - Commodities tumbled on Monday on fears that Spain would need a major bailout as the euro slid to two-year lows and investors rushed to sell off risky assets. Oil prices shed more than 4 percent, copper hit a three-week low and corn spiralled down over 2 percent from record highs on Friday on forecasts of rain in the drought-hit U.S. Midwest. "When you've got fear in the markets, risk assets get sold off," said Michael Hewson, an analyst at CMC Markets. The Thomson Reuters CRB index, a global commodities benchmark, fell 1.75 percent to 299.25 by 1400 GMT, after gaining 3.6 percent last week. The 19-commodity index has added 5 percent so far for July, heading for the strongest month since October 2011. Commodities followed equities and the euro lower on worries that Spain, the euro zone's fourth-largest economy, may be forced to seek a lifeline from international lenders as Spain's regional authorities begin to go cap in hand to the central government. Spanish 10-year government bond yields hit their highest level since the euro was launched after weekend media reports that half a dozen local authorities were ready to follow in the footsteps of Valencia. Brent crude dropped as much as 4.1 percent to a low of $102.42 a barrel, after posting a fourth straight weekly gain in the previous session. U.S. crude lost 4.2 percent to a low of $88.01 a barrel. Analysts said only supply side geopolitical risks could underpin oil prices, with a string of bomb attacks in Iraq and ongoing tensions with Iran, but in the current environment these were unlikely to prevent further price falls. "There is still a lot of correction potential in oil prices," said Carsten Fritsch, energy analyst at Commerzbank in Frankfurt. "We had risen some $10 in seven days up until last Thursday. That was purely driven by perceived supply side risk but there has been no real improvement in fundamentals." STRONGER DOLLAR The dollar strengthened 0.5 percent against a basket of currencies, weighing on commodities. A firmer dollar makes commodities more expensive to holders of other currencies. The robust dollar attracted safe haven flows from investors, leaving gold exposed. Spot gold prices fell as much as 1.3 percent to an intraday low of $1,562.99 an ounce. From a technical perspective, gold is set to find support around $1,559/1,560, according to analysts who study past price patterns to determine the future direction of trade. Prices have held within a $1,525-1,675 range for more than three months. Worries about Spain and the euro zone also hit copper, which slid to the weakest point since mid-June. Three-month copper on the London Metal Exchange gave up as much as 2.5 percent to a low of $7,359.75 a tonne and aluminium lost 2 percent to $1,867 a tonne. Copper has fallen more than 12 percent since the end of the first quarter, dented by slowing growth in top copper consumer China, a shaky recovery in the United States and mounting sovereign debt problems in the euro zone. "I can't see anything over the next couple of months to support copper. We don't think quantitative easing is likely (in the U.S.) until early next year. There's more scope for China to relax (monetary policy) but we'll have to wait till later in the year," said Societe Generale analyst Robin Bhar. U.S. corn and soybean futures shed 2 percent from record highs set the previous session on forecasts for rain this week in the parched northern U.S. Midwest. Wheat fell 3 percent from a near four-year high notched late last week. "We don't think the rally is over yet, especially for corn as demand rationing, which the market has to do, is something it has never done before in terms of the scale," said Victor Thianpiriya, agricultural commodity strategist at ANZ. Chicago Board of trade September corn lost 2.7 percent cents to $8.02-1/4 per bushel, August soybeans fell 2.3 percent to $17.17-1/2 and September wheat shed 3.3 percent to $9.12. The euro zone debt worries also hit sugar and coffee futures while cocoa dipped following mixed global grindings results this month, clouding the outlook for demand.

#### Oil prices are unstable—Iranian sanctions and tensions

Kahn 7/12 (Chris, Associated Press Energy Writer, “New sanctions on Iran boost oil prices”, 7/12/12, <http://finance.yahoo.com/news/sanctions-iran-boost-oil-prices-195350845.html>, Accessed 7/18/12, Chan/Kushal)

Fears of violence in the Persian Gulf escalated Thursday, pushing the price of oil higher.¶ The Obama administration slapped Iran with more sanctions aimed at stifling its nuclear program. Traders, who worry that the sanctions will eventually lead to a military conflict in the Gulf, responded by buying oil.¶ "This just puts the risk back out there," said Phil Flynn, an oil analyst with Price Futures Group.¶ The U.S. and other Western nations believe Iran is building a weapon and have heaped financial and diplomatic pressure on the country since November to force it to negotiate. Iran denies the claim. Its leaders have threatened to block a key shipping channel out of the Gulf if the sanctions continue.¶ Such a move, or a conflict in the area, could slow down or even halt shipments out of one of the world's most prolific sources of oil. About 20 percent of the oil traded around the world comes from the Persian Gulf. Sanctions helped cut Iran's oil production by 188,500 barrels per day from May to June as buyers looked for other sources of crude, according to OPEC. Iran fell to No. 3 in OPEC production last month. Iraq moved to No. 2, behind Saudi Arabia.¶ Oil prices, which had been down all day, jumped after the sanctions were announced. Benchmark U.S. crude added 27 cents to end at $86.08 per barrel in New York. Brent crude, which sets the price for imported oil, added 84 cents to finish at $101.07 per barrel in London.¶ Thursday's sanctions were aimed at companies and people affiliated with Iran's defense ministry. Previous sanctions were meant to curtail its ability to export oil. Earlier this year, European refineries stopped buying Iranian oil, and Iran's banks were blocked from doing business with much of the world.¶ For most of July, oil prices have been on a bumpy ride, changing direction almost every day as the global economy putters along.

#### Oil prices falling now – slowdown in manufacturing and demand

CNNMoney 6/21 [Chicago News Network Money is the world's largest business website. Emily Jane Fox is a staff writer for CNNMoney, “Oil prices continue their slide” <http://money.cnn.com/2012/06/21/investing/oil_prices/index.htm>, 6-21-2012] Lin

NEW YORK (CNNMoney) -- Oil prices fell Thursday, hitting an eight-month low, as markets continued to react to disappointing economic news across the globe. The price of oil for August delivery fell to $78.58 a barrel as markets settled, down nearly 4% from Wednesday. This is the first time since October that oil prices hit below $80, what analysts consider a key psychological number. Signs of a slowdown in manufacturing in China, Europe and the United States delivered the oil market another blow on Thursday. "Prices have gotten clobbered, and it's being driven by the deteriorating economic data," said Matt Smith, a commodity analyst at Summit Energy Services. A survey of Chinese manufacturers saw a decline in the number of export orders, while the manufacturing index in Europe remained at a three-year low. Domestically, the Philadelphia Federal Reserve reported a 16.6% drop in its regional manufacturing index. The oil markets also reacted to jobless claims, which analysts said showed little improvement. Prices were also still coming down from disappointment over the Federal Reserve's decision to hold interest rates steady. Chesapeake's board shakeup and takeover talk The sharp dive in prices over the last month and a half has analysts concerned. Crude oil prices are often indicative of what's going on in the larger global economy.

#### Oil prices falling now – declining demand with no signs of recovery

McKillop 6/26 [Andrew McKillop is a former Expert-Policy and Programming, Division A-Policy, DG XVII-Energy, with the European Commission, Brussels. He writes and consults about the impact of oil prices on the economy.. “Waiting For Russia And Saudi Arabia: Crude Oil Prices Will Fall” http://www.marketoracle.co.uk/Article35327.html, 6-26-2012] Lin

Oil prices have now fallen for about two months, with Brent crude sinking through several supposed "resistance/support levels" to around US$90.10 a barrel, compared with US$119.57 on May 1, and West Texas Intermediate at about US$79.10 today, falling from US$106.17 on May 1. To be sure, the famous "Brent premium" hangs on and hangs in, but so many fundamentals run against that antique hand-me-down of the oil trading fraternity, that its life expectancy is low: nothing prevents the premium being squeezed to a symbolic $5 in a relatively short timespan ahead. The basic explanation is simple: since Q1 2012 the world has been producing more oil while global oil demand is for the most or best set in a mould of very close to zero growth, or perhaps decline. The arguments for straight decline are rising, almost exactly tracking the decline of oil prices. According to the Energy Intelligence Group, global demand showed no recovery at all from daily demand levels of November-December 2011. Possible short-term and fragile recovery in global demand, early in Q1 2012 - which was used by the oil trading fraternity to talk prices above $125 per barrel for Brent - has surely disappeared off the radar screen. Global oil demand may have attained 90.5 million barrels per day (Mbd) early in the year, but since late April, as now recognized by the IEA, the track of decline is sure and certain. Current global demand may be less than 88.5 Mbd. At the same time, global conventional gas finds, some of it with probably appreciable condensate yield potentials, have been massive since late 2011, and the OPEC group, and Russia, are producing oil at high, or sometimes record rates. Year on year, OPEC's output has grown 10 percent during the past 12 months.

#### Oil market falling now – economic slowdown

Sidhamed 6/23 [Alsir Sidahmed is a media consultant, trainer and free lance journalist, “A new oil market downturn?” http://www.arabnews.com/new-oil-market-downturn “Waiting For Russia And Saudi Arabia: Crude Oil Prices Will Fall” http://www.arabnews.com/new-oil-market-downturn, 6-23-2012] Lin

Is the oil market heading toward another cycle of uncertainty, but on the downturn side this time? The initial signals point to that direction. Four months ago, the price of a barrel of oil hovered around $126 and the talk at the time was it would be heading towards $160. Last Thursday and as a reaction to US stocks reports, July prices dropped $1.74 a barrel to close at $82.29 and the feeling now is that the prices are heading to go below $80 in two weeks' time. So in four months' time, oil prices lost one-third of their value. Again it is an issue of supply and demand. The US oil stocks report showed an increase of 2.86 million to 387.3 million, the highest level seen in 22 years. That was compounded by the increase in domestic US oil production of 117,000 barrels per day (bpd) to top 6.35 million bpd, also the highest in 13 years. These are indicators of the general increase in oil production and supplies worldwide. They now stand at 91.1 million bpd and of that OPEC is pumping 31.5 million, which puts the organization's market share below the conventional 40 percent and that is despite the fact that it is exceeding its self-imposed production ceiling by more than three million bpd. In addition to the increase in supplies, another important factor playing a significant role is the growing sense of a looming world economic slowdown, if not outright recession. That is adding to the new mood governing the market now and probably signaling to emerging belief that the long growth in oil demand and strengthening of prices for more than a decade is finally coming to a halt. The first decade of this century was characterized by strong demand mainly pushed by China, which was and still is to a great extent clouded in mystery. Unlike the United States where available data in terms of historic record and future forecast give some clues enabling analysis, China is a big mystery. And that is why the world market was taken by surprise by a strong Chinese oil demand and growth in imports.

### Aff - NU - Oil consumption decreasing now

#### Oil consumption decreasing now - US oil production increasing - both thump your DA

Tertzakian 7/2 (Peter, chief energy economist at ARC Financial Corp., Globe and Mail, “Oil patch searches for customers as inventories soar”, 7/2/12, <http://www.theglobeandmail.com/report-on-business/industry-news/energy-and-resources/oil-patch-searches-for-customers-as-inventories-soar/article4385127/>, Accessed 7/17/12, Chan)

The causal side of the equation is clear. Economic woes continue to weigh on global oil demand growth; U.S. consumption is in decline; and North American production is soaring. All these factors converge in inventory, where continental levels are at a 22-year high. Buyers of oil know that there is no need to pay up when white storage tanks at key gathering points like Cushing, Okla., are heading to the spill point.¶ In the short term, the trends are pointing to an overstocked oil market. That means lingering pressure on oil prices and the potential for discounts to continue rippling up the pipes to distant producers.¶ Qualitative historical observations offer context. The attached chart shows monthly data for U.S. crude oil inventories since 1982, highlighting three broad trends over the past 30 years.¶ A period of relative stability emerged after the oil price shocks of the 1970s. Oil inventories held steady around 350-million barrels between 1981 and 1993. The only excitement was in 1990. Mild recession combined with a price spike – caused by the first Gulf War – arrested consumption to cause a brief period of rising inventories.¶ As a side note, this blip serves as a reminder for what could happen in the event of a military strike by Israel on Iran. Everyone can agree that a price jump is guaranteed. But notwithstanding regional Armageddon, the spike would likely be short-lived due to rapid destruction of demand and building of inventories.¶ Let’s also put the statement “Today’s oil inventories are the highest since 1990,” into context. It’s a true observation, but only because of that brief Gulf War anomaly. From a trending perspective, today’s accumulated barrels are the highest ever recorded.¶ The period between the mid-1990s and 2003 saw a gradual decline in oil inventory, bottoming around 275-million barrels. A number of factors can be cited, including a business trend toward just-in-time inventory systems. Events like the Asian Flu (1998), the technology bust (2001) and the fallout from 9/11 (2002) triggered momentary buildups. But by the early 2000s, global consumption was growing so fast – especially from emerging markets – that keeping inventories robust was difficult.¶ Today’s inventory buildup can be traced back to the mid-2000s, when the combination of higher prices and new technology began triggering structural changes to supply and demand, especially the former. Expansion in North America’s productive oil capacity using “unconventional” processes – first from the oil sands and more recently from light tight oil – has caused a renaissance in oil output. Against this backdrop, growth in demand has been waning due to many forces, including rising prices, economic downturn, product substitution and behavioural change, to name a few.¶ In the absence of a miraculous economic recovery or sudden supply shock (i.e., war in the Middle East), the benchmark price of a barrel of WTI appears to be seeking a new range between $70 and $90, with lower prices radiating across the continent depending on how badly the inventory is backing up.¶ Even lower prices are possible. What do businesses do when they have too much product in stock? They slash prices and give it away at cost (sometimes less) and try to find new customers. For the Canadian oil industry, it’s the latter solution that is the most appropriate, though it will take time to break Canada’s reliance on the continental market. Efforts to ship our oil in different ways, to tap into higher-value global markets, are the key to lessening the impact of U.S. oil inventory buildups on domestic producers.

#### Non unique – US reducing dependence now

Addison 12 [John Addison is the publisher and editor of the Clean Fleet Report. John is a member of the Western Automotive Journalists and the Society of Environmental Journalists. John Addison has delivered over 1,000 speeches, workshops, and moderated conference panels in over 20 countries. “Record Public Transit Ridership Reduces U.S. Oil Dependency” <http://www.cleantechblog.com/2012/03/record-public-transit-ridership-reduces-u-s-oil-dependency.html>, 3-14-2012] Lin

The United States is reducing its dependency on oil as we now consuming 18.3 million barrels a day, down from our peak of 21 million barrels a few years ago. Record use of public transit is a major factor – less solo driving in gridlock and we use less oil. Other major factors, of course, include high gasoline prices and more fuel-efficient cars. Since 96 percent of our transportation is from oil refined into gasoline, diesel, and jet fuel, we will take all the help we can get. According to a report released today by the American Public Transportation Association (APTA), Americans took 10.4 billion trips on public transportation in 2011, the second highest annual ridership since 1957. Only ridership in 2008, when gas rose to more than $4 a gallon, surpassed last year’s ridership. With an increase of 2.3 percent over the 2010 ridership, this was the sixth year in a row that more than 10 billion trips were taken on public transportation systems nationwide. During 2011, vehicle miles of travel (VMTs) declined by 1.2 percent. A number of U.S. regions demonstrated leadership in improving bus and rail systems, often doing more with less. The best systems use rail as the backbone of the system integrated with more cost-effective bus.

#### U.S. policymakers already pushing for oil reduction- alternative energy and petroleum tax

**Levi et al 10** (Michael A. Levi, Senior Fellow for Energy and the Environment, Council on Foreign Relations, “Reducing U.S. Oil Consumption”, 06/11/10, AD: 07/18/12, <http://www.cfr.org/energyenvironment/reducing-us-oil-consumption/p22413> | Kushal)

Higher oil prices and growing global demand have pushed energy companies to recover oil in riskier locations, such as the deep waters of the Gulf of Mexico. But the recent Deepwater Horizon oil spill has raised questions about expanding drilling **and led to calls to reduce the demand for oil**. Here, three experts weigh in on what the United States could do to significantly reduce oil consumption.¶ CFR's Senior Fellow Michael Levi says the United States could reduce consumption by both ending heating oil use and changing the mix of transportation options, such as "shifting to hybrid and plug-in-hybrid vehicles," but he notes consumption reductions won't necessarily translate into abandoning risky drilling projects. Ian Parry, a fellow at the environmental think tank Resources for the Future, argues that taxing all oil products would modestly reduce oil consumption, but predicts even with new taxes the United States will remain oil dependent.¶ Anthony Perl, director for the Urban Studies Program at Canada's Simon Frasier University says **more high-speed rail would help reduce consumption,** but the pace at which it could be introduced would hinge on government's "capacity to plan and execute the needed infrastructure." Daniel J. Weiss, senior fellow and director of climate strategy for the Center for American Progress, encourages aggressive oil reform by Congress and the White House, including more safeguards for oil and gas production, increased vehicle efficiency, higher revenues for clean fuel, and accountability for oil companies¶ Michael A. Levi, Senior Fellow for Energy and the Environment, Council on Foreign Relations¶ The United States could substantially reduce its oil consumption in the next two decades if it chose to do so. It is unlikely, though, that it would abandon drilling in the Gulf of Mexico as a result.¶ The International Energy Agency (IEA), for example, outlined a moderately aggressive scenario last year that would see the United States cut its oil consumption by 29 percent between 2007 and 2030. **Sixty percent of that cut would have come from transportation,** with the balance coming primarily from nearly eliminating oil use in electricity generation and from conservation in heating homes. A mix of better internal combustion engines, shifting to hybrid and plug-in-hybrid vehicles, and greater use of biofuels would produce the transport result. If that was combined with increased onshore oil production, perhaps from CO2-enhanced oil recovery, it could cut U.S. imports by more than half.¶ The International Energy Agency (IEA) outlined a moderately aggressive scenario last year that would see the United States cut its oil consumption by 29 percent between 2007 and 2030.¶ These steps would have enormous benefits**. The U.S. economy would be less vulnerable to oil price shocks**. It would also be more capable of handling high oil prices, since it would be sending less oil money abroad. Greenhouse gas emissions would be cut. The United States would still depend on oil, but its vulnerabilities would be reduced.¶ Yet I doubt that the United States would abandon risky offshore drilling as a result. Companies are drilling in the Gulf of Mexico for two reasons. First, oil prices are high enough to justify it. They are expected to continue their recent rise. Reduced U.S. consumption would depress future prices, but there is no reason to believe that they would drop low enough to make offshore drilling unprofitable. Second, many U.S. politicians and voters respond to those high oil prices and to the use of imported oil by pushing to open up more territory for oil exploration and production. Even deep reductions in oil consumption would be unlikely to change either of these forces. That does not mean that deepwater drilling will be necessary (not that it necessarily is today). It does mean, though, that it will not automatically vanish.¶

#### U.S. oil consumption reach lowest levels in 17 years- use of alternative energy in the status quo

**Crooks 12** (Ed, staff writer for the Financial Times Ltd, “US crude oil imports fall to 12-year low”, 03/01/12, AD: 07/18/12, <http://www.ft.com/cms/s/0/4611795a-63bb-11e1-9686-00144feabdc0.html#axzz20zECBa7P> | Kushal)

¶ **US crude imports have fallen to their lowest level for a decade** as a result of weak demand and growth in domestic production, making the economy more resilient to oil price rises.¶ The US imported 8.91m barrels a day of crude oil last year, according to the US Energy Information Administration, the lowest amount since 1999.¶ ¶ **Imports as a share of US oil consumption dropped to 44.8 per cent, the lowest proportion since 1995**, down from a peak of 60.3 per cent in 2005.¶ Rising fuel prices, driven by tensions with Iran, have become a big political issue in the US and raised concerns that the economic recovery could be derailed.¶ The US remains the world’s largest oil importer by far and is still exposed to the impact of rising oil prices, but the decline in imports has made it less vulnerable.¶ Some analysts and industry executives say present trends support hopes that “energy independence”, a dream of every American president since Richard Nixon, might be achievable over the next two decades.¶ Philip Verleger, an energy economist, said the US was going through “transformative” change. “Part of it is going to be a drop in demand, part an increase in supply,” he said. “**This is going to be the foundation for a resurgence in the US economy.”¶ US oil demand is being curbed by high prices inhibiting driving, a shift to more efficient cars and the rise of alternative fuels, particularly ethanol** but also natural gas. Petroleum product demand fell 2 per cent last year.¶ US production, meanwhile, is being boosted by the boom in onshore “tight oil” production, using the same techniques that have unlocked huge US shale gas reserves.¶ Horizontal drilling, extending wells thousands of feet laterally underground, and hydraulic fracturing, injecting water, sand and chemicals at high pressure to crack the rock, have made production economically attractive in reservoirs that were previously uncommercial.¶

### Aff - NU - Oil market unstable now

#### Investors wary of oil right now

**Crashaw 12** (Julie, staff writer for Money News, “Faber: Don't Invest in Oil Now, Prices Are Too Volatile”, 03/15/12, AD: 07/18/12, <http://www.moneynews.com/StreetTalk/Faber-Invest-Oil-crude/2012/03/15/id/432630> | Kushal)

¶ Gloom, Boom and Doom editor and contrarian investor Marc Faber says now isn't a good time to invest in oil.¶ ¶ "I think there is a risk that oil prices will go much higher," Faber tells oilprice.com. "At the same time, the bullish consensus on oil is now at one of the most elevated levels it's ever been," he said.¶ ¶ "In other words, from a contrarian point of view, **you shouldn't buy oil right now**." ¶ Editor's Note: Wall Street Whistleblower Warns of Meltdown, See His Uncensored Interview¶ ¶ "In general, if trouble breaks out in the Middle East, or if there is a war, I think the price of oil could go much higher," he said.¶ ¶ Faber says the Federal Reserve’s expansionary monetary policies and artificially low interest rates have increased oil prices.¶ ¶ “We don't know exactly how long this asset bubble will last — but say if you had interest rates in real terms, of five percent, instead of negative five percent, then I think all commodity prices, including gold, would be lower,” says Faber.¶ ¶ “It’s possible for an increase in supplies to drive down the price a little bit,” he says. “But in emerging economies like China and India, the demand continues to go up.” ¶ ¶ Faber also thinks selling down U.S. oil reserves would be a useless strategy as one of the main reasons prices are rising is due to international tensions, and that the Keystone pipeline is an excellent idea. ¶ ¶ In the most recent Federal Open Market Committee statement, Chairman Ben Bernanke and the Federal noted that rising oil prices will feed higher inflation.¶ ¶ “The recent increase in oil and gasoline prices will push up inflation temporarily, but the Committee anticipates that subsequently inflation will run at or below the rate that it judges most consistent with its dual mandate,” said the statement. ¶ ¶ Read more: Faber: Don't Invest in Oil Now, Prices Are Too Volatile

#### Oil markets are volatile—European debt crisis, Iranian sanctions, US production

Resource Investing News 7/10 (The Street, “Volatile Crude Market Bringing Out The Bears”,

<http://www.thestreet.com/story/11614390/2/volatile-crude-market-bringing-out-the-bears.html>, Accessed 7/21/12, Chan)

Earlier this year, the [European Union](http://europa.eu/)'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 increase earlier this year as it sparred with the western world over its nuclear program. When it held military exercises in the Gulf, [oil prices](http://www.thestreet.com/story/11614390/1/volatile-crude-market-bringing-out-the-bears.html) 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](http://www.globalnews.ca/canada/money/global+economy+not+iran+now+dominates+oil+prices+crude+falls+three+per+cent/6442674289/story.html) 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](http://www.thestreet.com/story/11614390/1/volatile-crude-market-bringing-out-the-bears.html) crisis.¶ European concerns¶ Adding to these issues are macroeconomic concerns exuding from Europe. While the recently signed Euro Accord does not necessarily change what is causing the financial crisis, it has notably affected oil pricing. Slowing European demand, coupled with parts of Europe being in recession, has meant that less oil is being consumed, which in turn has caused price falls.¶ Meanwhile, a strike by oil workers in Norway, the largest oil exporter in Western Europe, has helped support prices over the past few weeks.¶ “There really is very little comfort out there for any bulls that remain in the market,” said energy consultancy KBC. “The economic outlook remains bleak, oil demand growth is faltering ... and crude supply is high despite the ongoing strike in Norway and the loss of Iranian exports.”¶ Brimming inventories¶ Brimming US inventories have also caused prices to stumble. Inventory levels are at their highest levels in 22 years even though the domestic refinery [rate](http://www.thestreet.com/story/11614390/2/volatile-crude-market-bringing-out-the-bears.html) has increased from 85 percent in January to 92 percent in July, according to the US Energy Information Administration. From an investor standpoint, too much unsold product is never a good thing.¶ In the short term, trends are pointing to an overstocked market; however, inventory buildup can be traced back to the mid-2000s when a combination of high prices and new technology - fracking and horizontal drilling - began triggering structural changes to crude supply and demand. Add to these changes the expansion in North America's productive oil capacity (using unconventional processes such as oil sands), and a renaissance in oil output can be noted.¶ The crude market is a shadow of its former self, and without a miraculous economic recovery or sudden supply shock, the benchmark price of a barrel of WTI is likely to reach a new range of $70 to $90 per barrel. From an investment standpoint there is still ample upside to the range, but if prices continue to dip some oil juniors may very well find themselves in the uncharted territory of being supply rich, yet [cash](http://www.thestreet.com/story/11614390/2/volatile-crude-market-bringing-out-the-bears.html) poor.

#### Oil prices volatile now

**Levi 12** (Michael A. Levi is the Director of the Program on Energy Security and Climate Change at the Council on Foreign Relations, “The danger of volatile oil prices”, 03/19/12, AD: 07/18/12, <http://globalpublicsquare.blogs.cnn.com/2012/03/19/the-danger-of-volatile-oil-prices/> | Kushal)

There is a myth, popular among both politicians and the public, that high oil prices are the greatest economic risk that the United States faces when it comes to energy**. They're wrong; wildly changing prices,** not high ones per se, are what really do damage. Rapidly rising prices drain consumers' wallets without giving them time to adapt; frequent change also makes long-term investments more difficult. People may applaud when prices crash, but to turn a cliché on its head, what goes down must go up.¶ Policymakers should focus their responses along two dimensions: steps that blunt intolerable volatility and ones that help consumers cope with the consequences of whatever remains.¶ Some volatility is natural and quite tolerable. Markets aren't perfect predictors of the future, which means that prices will shift to and fro. Since there's no reason to think that governments would be smarter, they usually shouldn't try to override what the markets do. Moreover, modest volatility can prompt consumers to take steps, like shifting to more fuel-efficient cars that will help them if volatility later explodes.¶ There are, however, exceptions to the general rule that government should stay out of the market. Markets are ill-equipped to handle the sorts of large price swings that would result from major geopolitical events like, for example, a confrontation with Iran. Those sorts of occasions call for the government to use the Strategic Petroleum Reserve in order to buffer the market.¶ Moreover, in many cases, other governments' market interference through things like oil subsidies makes volatility worse; there, U.S. diplomatic efforts to help reduce those distortions are wise.¶ There is more, though, that government can do to help consumers cope. A fifty-dollar price swing is only half as bad if you're using half as much oil. Strict fuel economy regulations can steer people in that direction. So would a gas tax, perhaps as part of a comprehensive fiscal package, though the prospects remain remote. Helping consumers get access to hedging products–in essence, helping democratize oil derivatives rather than trying to shut them down–could also help them better deal with gyrations.¶ All of these would pay off over the long term**. The best bet for the next few months is an increasingly wild ride.**

### Aff - No Internal Link - US consumption not key

#### US oil consumption doesn’t affect markets—Chinese demand and Middle Eastern war overshadow

Krugman 3/15 (Paul, Nobel Prize winner, Professor of Economics and International Affairs at the Woodrow Wilson School of Public and International Affairs at Princeton University, New York Times, “Natural Born Drillers”, 3/15/12, <http://www.nytimes.com/2012/03/16/opinion/krugman-natural-born-drillers.html>, 7/22/12, Chan)

Strange to say, however, while natural gas prices have dropped, rising oil production and a sharp fall in import dependence haven’t stopped gasoline prices from rising toward $4 a gallon. Nor has the oil and gas boom given a noticeable boost to an economic recovery that, despite better news lately, has been very disappointing on the jobs front. As I said, this was totally predictable.¶ First up, oil prices. Unlike natural gas, which is expensive to ship across oceans, oil is traded on a world market — and the big developments moving prices in that market usually have little to do with events in the United States. Oil prices are up because of rising demand from China and other emerging economies, and more recently because of war scares in the Middle East; these forces easily outweigh any downward pressure on prices from rising U.S. production. And the same thing would happen if Republicans got their way and oil companies were set free to drill freely in the Gulf of Mexico and punch holes in the tundra: the effect on prices at the pump would be negligible.

### Aff - No Internal Link - Saudi can't flood

#### OPEC will rein in production—empirics prove Saudis endorse

Mouawad 9 (Jad, writer for the NYT, “Swings in Price of Oil Hobble Forecasting”, 7/5/9, <http://www.nytimes.com/2009/07/06/business/06oil.html>, Accessed 7/21/12, Chan)

The OPEC cartel has also been remarkably successful in reining in production in recent months to keep prices from falling. Even as prices recovered, members of the Organization of the Petroleum Exporting Countries have been unwilling to open their taps.¶ Top officials said that OPEC’s goal was to achieve $75 a barrel oil by the end of the year, a target that has been endorsed by Saudi Arabia, the group’s kingpin.¶ “Neither the organization, nor its key members, has any real interest in halting the rise in oil prices,” said a report by the Center for Global Energy Studies, a consulting group in London founded by Sheik Ahmed Zaki Yamani, a former Saudi oil minister.

#### Saudis lack capacity to flood the oil market—aging fields, domestic demand, and supply quotas

Ergo 12 (Expert A, Former Production Manager at Saudi Aramco, Expert B, Former ExxonMobil Treasury and Government Relations Executive, Expert C, Petrochemical Specialist, Consultant to Aramco and Saudi Government, Expert D, Director of R&D for Leading Middle East NGO, Expert E, Executive Director of Leading Gulf Affairs Think Tank, Expert F, Middle East Scholar, Leading Authority on Middle East Energy and former fellow at Princeton University’s Oil, Energy, and the Middle East project, Expert G, Energy Advisor to the Saudi Ministry of Commerce, and Expert H, Saudi Aramco Consultant, Former OPEC Employee, International Law Specialist, “The Waning Era of Saudi Oil Dominance”, p. 8-9, February 2012, <http://www.ergo.net/ErgoSpecialReport_Saudi_Oil_Feb2012.pdf>, Accessed 7/18/12, Chan)

Ergo sources caution that Saudi oil fields are ¶ aging, and light crude has become scarcer and ¶ more costly to extract. “What is worrisome is that ¶ many of Saudi Arabia’s fields are of poor quality ¶ with technical difficulties. It is not only a question ¶ of having a vast amount; Saudi Arabia must be ¶ able to extract it effectively and economically,” ¶ explains a former ExxonMobil executive. In ¶ the past, Saudi Arabia has been able to inject ¶ additional production into the market because of ¶ its accumulated spare capacity, but Ergo sources ¶ question this ability in the future: “Spare capacity ¶ is a dynamic term. Sure, the Saudis can get a ¶ sugar rush, but for how long? They have the ability ¶ to produce an extra 2-3 mbpd, but not for as long ¶ as they once could,” says a former energy advisor ¶ to the Saudi Ministry of Commerce. ¶ Sources also believe that Saudi Arabia’s future ¶ oil production gains will depend on enhanced oil ¶ recovery (EOR) technology advances to revisit ¶ existing fields. Saudi Arabia is now exploring ¶ options including gas injection, steam-flooding, ¶ CO2, seawater injection, and a new solar powergenerated steam technology. But while EOR can ¶ substantially increase recoverability (up to 40% in ¶ some cases), it also comes with an additional cost, ¶ ranging from $20 to a whopping $60 a barrel.¶ The easy oil in Saudi Arabia has already been ¶ extracted. Its oil fields are maturing, and while ¶ advanced techniques might improve production ¶ incrementally, it will come only at a higher cost, ¶ and spare capacity will not be as easy to maintain.9¶ A GROWING AND DEMANDING ¶ POPULATION //¶ Saudi Arabia’s resource base will also struggle to ¶ keep pace with a growing and consuming domestic ¶ population. Saudi Arabia’s expanding population—¶ expected to reach 30 million by 2016—is beginning ¶ to constrain resources in several ways that will ¶ impact Saudi oil dominance. First, the increasing ¶ population has led to a sharp hike in electricity ¶ demand from residential, industrial, and ¶ commercial sources. Present generating capacity ¶ is about 45,000 MW, while the Saudi Electricity ¶ and Co-Generation Regulatory Authority expects ¶ demand to rise to 120,000 MW by 2030. Saudi ¶ Arabia is at pains to keep pace with additional ¶ generation needs, and by its own reckoning the ¶ electricity sector needs a $100 billion overhaul. ¶ In order to increase generation, it will need to ¶ devote additional liquids to domestic consumption ¶ (approximately 56% of current generation uses oil as a fuel source), invest a great deal to further develop its natural ¶ gas reserves, or go nuclear, explain Ergo sources who have intimate knowledge of the Saudi gas sector. ¶ But improving gas production may not be simple. At present Saudi Arabia produces approximately 8.4 billion cubic ¶ feet per day (bcfd) of natural gas, while demand is expected to reach 14.5 bcfd by 2030. Since much of Saudi Arabia’s ¶ natural gas is associated, the country’s production is constrained by its OPEC oil quota. Ergo sources familiar with ¶ Saudi Arabia’s gas industry suggest that prior initiatives to develop non-associated gas resources have been poorly ¶ executed. In 2000, amidst falling oil prices and the need for outside investment and industry knowledge, Saudi ¶ Aramco turned to IOCs to assist in natural gas development, but the parties involved were unable to agree on terms. ¶ Four Aramco-IOC joint ventures were launched in 2004 to explore for gas in Saudi Arabia’s massive southeastern ¶ desert, the Empty Quarter, but these JVs have yet to locate commercial quantities.

#### **Saudis can’t flood market—increased Chinese and domestic consumption check**

Vann 11 (Tap, writer for the Weekly World News, “[SAUDI ARABIA RUNNING OUT OF OIL](http://weeklyworldnews.com/headlines/34209/saudi-arabia-running-out-of-oil/)”, 6/11/11, <http://weeklyworldnews.com/headlines/34209/saudi-arabia-running-out-of-oil/>, Accessed 7/20/12, Chan)

A OPEC report confirms that Saudi Arabia is running out of oil.¶ A major Saudi Arabia oil company has set off alarms to warn that oil in the country will be depleted by 2013 based on current worldwide consumption.¶ The report, published in the magazine Al Mashka says that the increase in worldwide consumption (particularly by China) is one of the main challenges facing the country, mainly because oil accounts for 80% of national income. Abdel Salem al-Barani, head of the Saudi Oil Company company also warned of the consequences for citizens of the world to ignore the calls to save electricity, and has advised that they depend more on[solar energy](http://weeklyworldnews.com/headlines/34209/saudi-arabia-running-out-of-oil/) and windmills.¶ Wikileaks documents have indicated that Saudi Arabia’s reserves have been wildly overestimated.¶ The cables, released by WikiLeaks, urge Washington to take seriously a warning from a senior Saudi government oil executive that the kingdom’s crude oil reserves may have been overstated by as much as 1,000 barrels – nearly 70%.¶ The revelation comes as the oil price has soared in recent weeks to more than $100 a barrel on global demand and tensions in the Middle East. Many analysts expect that the Saudis and their OPEC cartel partners would pump more oil if rising prices threatened to choke off demand.¶ Earlier today, with OPEC refusing, to raise official production rate, Saudi Arabia decided to boost production on its own – which will cause them to run out oil even faster.¶ Even though Saudi Arabia is boosting production, they are considering drastically lowering production so that they can make their oil supply last longer. But, either way, the days of wealthy Saudi Arabian princes are coming to an end.

### Aff - No Internal Link - Saudi Arabia not control global market

#### Saudi Arabia doesn’t dominate markets—new oil reserves in North America and growing domestic consumption means there are few incentives to drill

Shamseddine 11 (Reem, writer for The Globe and Mail, <http://www.theglobeandmail.com/report-on-business/international-business/african-and-mideast-business/new-oil-reserves-seen-reducing-saudi-arabias-importance/article4085322/>, 11/21/11, Accessed 7/19/12, Chan)

Saudi Arabia’s state energy company said on Monday that its dominant role in world oil supply had been altered by large new reserves in North America, sapping the urgency to develop the kingdom’s own reserves.¶ The speech by Saudi Aramco’s chief executive officer was the first from the globe’s top oil exporter to acknowledge that unconventional oil was set to shift the energy balance of power and cut U.S. dependence on Middle East crude.¶ “The abundance of resources and the more ‘balanced’ geographical distribution of unconventionals have reduced the much-hyped concerns over ‘energy security’ which once served as the undercurrent driving energy policies and dominated the global energy debate,” Khalid al-Falih said.¶ For years oil markets, nervously watching pressure on limited spare production capacity, have obsessed over Saudi Arabia’s supply cushion as the last defence against prices spiralling higher.¶ “A few years ago, much of the global energy debate was based on the premise of acute resource scarcity and its economic and political ramifications,” Mr. al-Falih said.¶ “Rather than supply scarcity, oil supplies remain at comfortable levels, even given rising demand from fast-growing nations like China and India,” he added.¶ Saudi Arabian Oil Minister Ali al-Naimi said on Sunday that he saw oil markets as balanced ahead of OPEC’s Dec. 14 meeting.¶ Mr. al-Falih said in early October that he saw no reason for Aramco to significantly increase its oil production capacity in the mid-term because of rising conventional output from countries like Brazil and Iraq.¶ Weak U.S. economic data, mounting euro zone sovereign debt and concern about the exposure of major banks to it raised “the spectre of a double-dip global recession,” he told the conference in the Saudi capital on Monday.¶ “All that makes spending on aggressive energy programs unlikely,” he said, adding that abundant affordable hydrocarbon supplies challenged investment in renewable technologies.¶ As a result, Saudi Aramco had no plans to increase its oil production capacity to 15 million barrels a day, Mr. al-Falih said.¶ “Saudi Aramco has more spare capacity than the kingdom is obligated to or has committed to,” he told reporters. “So it wouldn’t make sense.”¶ OPEC expects global output of non-conventional oil to rise 3.4 million b/d by 2015, still dominated by oil sands, to 5.8 million by 2025 and to 8.4 million by 2035 when tight oil would be playing a much bigger role.¶ In 2035, the United States and Canada is expected to be dominating unconventional oil production with 6.6 million b/d, but China could be producing 1.1 million of its own unconventional oil by then.¶ A technology-led surge in North American shale gas production has created a global glut over the past few years which has reduced U.S. reliance on Middle Eastern gas imports, forced exporters to look for new buyers and cut their revenues.¶ With competition for crude sales rising and its own gas needs intensifying, Aramco is now focusing on tapping enough of its own gas reserves to meet the kingdom’s growing appetite for power generation and industry.

### Aff - No Internal Link - Alt Causes to Saudi flood

#### Alt cause to Saudi over-production—Arab Spring, Iranian sanctions, and a tight market

Gamm 6/18 (Scott, Forbes analyst, “Saudi Arabia Keeps OPEC Spigots Open”, 6/18/12,

<http://www.forbes.com/sites/scottgamm/2012/06/18/saudi-arabia-keeps-opec-spigots-open/>, Accessed 7/19/12, Chan)

In the midst of financial and political turmoil throughout Europe, the Organization of Petroleum Exporting Countries (OPEC) met last Thursday in Vienna, Austria, to discuss the future of oil production.¶ The verdict? Production levels will remain at 30 million barrels per day (bpd.) Some countries were contributing to the overproduction of 1.6 million bpd (making for a grand total of 31.6 million bpa), but at Thursday’s meeting, agreed to embrace the 30 million bpd ceiling.¶ The rationale behind this decision ultimately stems from Saudi Arabia, which has been producing a staggering 9.9 million bpd in May. “The Saudis weren’t willing to cut production, especially with the Iranian sanctions slated to take hold, they may not have wanted to risk a tight market and send prices higher,” says Morningstar analyst Allen Good.¶ Having the most excess capacity, Good tells Forbes if any OPEC country were to cut production, it would be Saudi Arabia and since they refused, OPEC had to keep levels where they were.¶ Oppenheimer & Co. analyst Fadel Gheit points to the Arab Spring as to why Saudi Arabia doesn’t want to cut production. A drop in Saudi oil output would cause prices to rise (above $100 per barrel), threaten global economic health and lower oil demand. “Saudi Arabia is caught between a rock and a hard place. While they don’t want oil prices to rise, they[need extra money](http://www.forbes.com/sites/scottgamm/2012/06/18/saudi-arabia-keeps-opec-spigots-open/) to buy peace at home. They don’t want to be like Egypt, Syria or Tunisia with demonstrations,” he says.¶ Gheit says the Saudis are essentially “renting” peace by offering money to its citizens in response to the high [unemployment](http://www.forbes.com/sites/scottgamm/2012/06/18/saudi-arabia-keeps-opec-spigots-open/) and effort to prevent uprisings.

### Aff - Impact D - NU - Russian economy low now

#### Russian economy faltering- Moody’s threatens downgrade

Kolyandr 7/23 (Alexander, “Moody's Puts Russian Banks on Notice For Downgrade”, Dow Jones Newswires, <http://www.foxbusiness.com/news/2012/07/23/moody-puts-russian-banks-on-notice-for-downgrade/>) Swoap

Moody's rating firm on Monday warned that banks in Russia and other former Soviet republics could face a downgrade if the euro crisis worsens. The firm said it may lower the credit ratings of these banking systems if the probability of its adverse scenario increases. Under that scenario, the economy would contract 5% in yearly terms over the next 10 to 12 months while the ruble would shed 30% of its value, making one of every four loans nonperforming. Credit growth in this scenario amounts to 5% and will be mostly concentrated at state banks, the agency said, drawing parallels with the 2008-2009 financial crisis. The adverse scenario could be triggered by an escalation of the euro area debt crisis. If it happens, Moody's said, most of the region's banking systems would report capital ratios lower than regulatory minimums.

#### Russian economy low and unprepared- Eurozone crisis and oil prices

RIA Novosti 7/24 (“[Russia Studies Crisis Budget Options – Finance Ministry](http://en.ria.ru/business/20120724/174759893.html)”, 7/24/12, <http://en.ria.ru/business/20120724/174759893.html>) Swoap

Russia is preparing for a possible economic meltdown in the wake of the eurozone sovereign debt crisis and the slowing of global economic growth, and is drafting several crisis budget scenarios to cater for low oil prices, Deputy Finance Minister Alexei Lavrov said on Tuesday.¶ ‘We are currently checking the resilience of the federal budget, and holding stress tests to see its exposure to sharp changes in external economic conditions. We are calculating revenues to estimate their levels at an oil price of $80 per barrel or even $60 per barrel,” he said.¶ Russia’s federal budget will fall short of 100 billion rubles ($3 billion) if the annual world oil price averages $100 per barrel in 2012, Deputy Finance Minister Tatiana Nesterenko said in early July.¶ Economic Development Minister Andrei Belousov had previously said the average oil price could equal $100 per barrel rather than the $115 per barrel forecast projected in the 2012 budget.

### Aff - Impact D - Oil not key to Russia

#### No impact – Russia making budget cuts now to reduce sensitivity to prices

Reuters 7/6 [Reuters is an international news agency that has a strict policy towards upholding journalistic objectivity. “Russia tightens budget to reduce oil price risk” <http://www.reuters.com/article/2012/07/06/russia-budget-idUSL6E8I6A1Y20120706>, 7-6-2012] Lin/chan

MOSCOW, July 6 (Reuters) - Russia will keep a tight grip on budget spending to reduce an excessive reliance on oil and gas revenues, according to a draft three-year budget plan reviewed by the new government on Friday. The fiscal strategy cuts projections for both revenues and spending, rowing back on fast spending growth that has helped Russia to resist global economic weakness and smoothed President Vladimir Putin's return to the Kremlin. It also targets a balanced budget by 2015, although a fiscal rule being phased in to reduce the government's dependence on oil and gas taxes is far less strict than the one in place before the global slump of 2008-09. "Experts are already calling next year's budget tough, and probably with justification," Prime Minister Dmitry Medvedev told a cabinet meeting. Russia, the world's largest oil producer, relies on oil and gas taxes to cover half of its federal revenues and has been able to ramp up spending in recent years as crude prices have held over $100 per barrel. With the global economy weakening and oil prices wobbling, the latest draft fiscal plan envisages that in 2013 the federal government would spend 13.4 trillion roubles ($408 billion), while anticipating revenues of 12.3 trillion roubles. FISCAL RULE That arithmetic would trim both sides of the fiscal equation, compared to expansive spending plans made before December's parliamentary election and the presidential election in March that returned Putin for a third presidential term. The projections are 300-400 billion roubles lower than in the previous three-year budget plan, in line with a budget rule designed to reduce its sensitivity to oil price fluctuations. Whereas the budget was previously based on the forecast oil price, the new plan bases income and expenditures on the average oil price during previous years. "This is a serious instrument that will allow us to minimise the dependence of our budgetary system on the price of hydrocarbons and of course preserve internal stability," Medevedev said. The fiscal plan envisages that in 2013, expenditures would be based on the average oil price over the previous five years, rising to 10 years by 2018

#### Russia is growing less oil dependent—recently sheltered from the economic crisis

RT 6/22 (Real Time, “Lower oil price 'good for Russia'”, 6/22/12, <http://rt.com/business/news/oil-price-russia-economy-497/>, Accessed 7/19/12, Chan)

And Russia seems to be heading in the right direction. President Vladimir Putin told [the St. Petersburg Forum](http://rt.com/business/news/putin-joins-calls-for-brics-getting-more-voting-rights-in-the-imf-385/) it was not enough to rely on an oil price of 115 dollars per barrel to achieve a deficit-free budget. ¶ “We need to diversify our economy away from total reliance on oil revenues, and turn to private capital as a source of growth,” he said. “Russia not only needs a deficit-free budget but a budget with a reserve of resilience.”¶ Putin also said that “budget rules will be adopted soon under which "neither state liabilities, nor budgetary expenditure, nor long-term [investment programs](http://rt.com/business/news/oil-price-russia-economy-497/) will depend on oil prices, and excess profits will go to replenish funds.”¶ Analysts say Russia, one of the four BRIC countries, has become a particular surprise this year, Russia seems to be more sheltered from the current global [economic crisis](http://rt.com/business/news/oil-price-russia-economy-497/) than it was during the 2008 and 2009 downturn. Its prospects are brighter than those of many other economies The country’s economy is expected to grow between 4-5 percent this year -much higher than any developed country. ¶ “If it carries on growing at these rates it will contribute more to the world this decade than he whole of Europe,” said Jim O’Neill. ¶ Together with the other BRIC nations Russia is ready to tackle the global economic crisis.

#### No internal link – Russian economy doesn’t rely on oil

The Voice of Russia 11

(The Voice of Russia is a news radio station in Russia. April 21, 2011. “Russian economy won’t depend on oil price – Kudrin” <http://english.ruvr.ru/2011/04/21/49258460.html>) Sherman

Growth in oil prices no longer drives the development of the Russian economy, Finance Minister Alexei Kudrin said at a session of the Russian Union of Industrialists & Entrepreneurs.¶ According to him, the country’s mid-term economic growth scenario that is presently before the government does not depend on oil prices. The minister also believes that their further growth worldwide will “depress the economy even more now.”¶ Kudrin said that the 2011 federal budget stipulates $75 per barrel, whereas significantly less than the current world prices.

#### Russia is stepping away from oil dependence—foreign investors show support for a new focus on high-technology which will allow the transition

NYT 10 (“Russia Steps Up Effort to Woo Foreign Investors”, 6/21/10, <http://dealbook.nytimes.com/2010/06/21/russia-steps-up-effort-to-woo-foreign-investors/>, Accessed 7/19/12, Chan)

But on Friday, Mr. Medvedev described in the most detail yet an emerging policy to diversify Russia’s economy away from oil by developing a high-technology sector with foreign investment.¶ A need to maintain close ties with Western countries and businessmen to attract technology and expertise has been a recurring theme recently for his presidency.¶ A foreign-policy document leaked to the Russian version of [Newsweek](http://topics.nytimes.com/top/reference/timestopics/organizations/n/newsweek_inc/index.html?inline=nyt-org) recently raised arguments for improving ties with the United States and [European Union](http://topics.nytimes.com/top/reference/timestopics/organizations/e/european_union/index.html?inline=nyt-org) with the goal of easing technology transfer to Russia.¶ On Friday, Mr. Medvedev said he had good news for the chief executives gathered at the forum and described how Russia would seek to improve the climate for foreign investments. “We changed,” Mr. Medvedev said.¶ Economic diversification has been a top priority for Russia, the world’s largest energy-exporting nation, since its oil-dependent economy faltered in the autumn of 2008, though there have been few results so far. What is new is the policy of linking the goals of diversification and modernization with improved access for foreign investors.¶ “Creating a comfortable climate for investors is essentially our most important task,” Mr. Medvedev said. “These are the goals of our modernization.”¶ Mr. Medvedev said Russia would cut capital gains taxes, reform white-collar criminal law and privatize state enterprises, all to make the country more attractive to investors in sectors other than the boom-and-bust oil and mining industries. The government, he said, would reduce the number of wholly owned state companies to 159 from 230, though this reform would not cover the largest state companies like [Gazprom](http://topics.nytimes.com/top/news/business/companies/gazprom/index.html?inline=nyt-org) because they already had private shareholders. Mr. Medvedev noted changes in legislation requiring prosecutorial oversight of police enforcement of financial crime, apparently intended to curb widespread police corruption.¶ “Russia should become an attractive country,” Mr. Medvedev said. “People from around the world will go here in search of their dreams and search for better opportunities for success and self-fulfillment.”¶ Mr. Medvedev, a former law professor and corporate lawyer, has shown a greater inclination to foster private business than his predecessor, who is now prime minister. Mr. Putin oversaw a partial nationalization of the oil industry and is still the final arbiter of economic policy.¶ As if to underscore that point, Mr. Putin announced on Friday new supports for the domestic banking sector and, while visiting factories in a rust-belt area of Russia, suggested he would help them by reviewing import duties on heavy machinery.¶ All the same, businessmen greeted Mr. Medvedev’s sunny speech as a welcome pitch to foreign investors from a government known more for its cold shoulder, made plausible by the government’s need for an infusion of expertise in running technology enterprises.

#### Russia isn’t oil dependent—investing substantially in coal, nuclear energy, and natural gases

Pravda 7 (Russian news source, “Russia to reform national economy to get rid of oil dependence”

6/22/7, <http://english.pravda.ru/russia/economics/22-06-2007/93835-russia_oil-1/>, Accessed 7/21/12, Chan)

Taking into account even the most pessimistic predictions, Russia is ready to deal with the consequences in a calm manner. Being one of the world’s richest countries in terms of natural recourses, Russia looks set to refute the allegations relating to its heavy dependence on revenues from oil sales. First off, Russia has 45% of the world’s natural gas reserves; 13% of global oil reserves; 23% of global coal reserves, and 14% of the world’s uranium deposits. Russia has produced 40% of the total oil production increase since 2000, thus making a significant contribution to maintaining global oil demand and supply in balance. According to Sergei Kiriyenko, head of the Russian Nuclear Agency, a new holding will supervise the entire nuclear power generation process from start to finish e.g. from ore mining to nuclear power engineering. The holding will lay the foundations for carrying out a plan to build 40 [nuclear power](http://english.pravda.ru/filing/nuclear_power/) plant blocks in the next 25 years. As a result, Russia’s nuclear facilities should account for 25% of all power generated by the federal energy system. At present, 16% of all [electricity](http://english.pravda.ru/russia/economics/22-06-2007/93835-russia_oil-1/) in Russia is produced by nuclear power plants. Besides, Russia can make good use of its huge reserves of coal and increase the volumes of coal-generated energy supplies. Igor Tomberg, a senior researcher with the Center of Energy Studies under the Russian Academy of Sciences, pointed out a year ago that Russia’s [economy](http://english.pravda.ru/russia/economics/22-06-2007/93835-russia_oil-1/) could achieve significant savings of natural gas by switching its all domestic consumers to the use of coal and fuel oil as envisaged by the new energy supply strategy for the period up to 2015.¶ Coal currently accounts for 39% of global power supplies, and coal demand is growing faster than expected. Coal-generated power totals 40-60% in the EU countries; 51.9% - in the United States; 75% - in Australia; 78% - in China; 77% - in India; 92.4% - in the Republic of South Africa; and 94.7% in Poland. Aside from increasing its oil production volumes, Russia also intends to [step](http://english.pravda.ru/russia/economics/22-06-2007/93835-russia_oil-1/) up its efforts for alternative [energy solutions](http://english.pravda.ru/filing/energy_solutions/). President Putin laid special emphasis on the development of alternative sources of energy while delivering his address to the Federal Assembly in April 2007. Putin stressed the importance of completing a structural reform of the Russian power grid. He also pointed out the need to increase power production by two-thirds by 2020. To fulfill the goal, there are plans to build 26 new nuclear power plant blocks. Over the entire Soviet-era period, only 30 nuclear power plant blocks were built.¶ In February 2007, President Putin signed a new bill into law to separate Russia’s nuclear complex into two sectors. The first one will be related to national defense, and the other one will focus on nuclear projects for civil purposes. A state-controlled holding Atomenergoprom is to be created on the basis of the second part of the Russian nuclear industry. The new holding will have a complete technological cycle of the nuclear power complex.¶ The volumes of power produced by Russia’s coal power plants are quite insignificant so far, about 17%. It is obvious that Russia can its vast coal reserves to advantage. According to estimates by the Institute for the Study of Natural Monopolies, Russia could save up to 27 billion cubic meters of natural gas by switching to coal its power plants which run on coal and natural gas. At the moment Russia has about 20 power plants running on coal only.

### Aff - Impact D - No US-Russian nuclear war

#### The Cold War is over—a long history of US-Russia nuclear cooperation proves no one will risk war

Kimball and Collina 7/10 (Darryl G., executive director at the [Arms Control Association](http://www.armscontrol.org/about), and Tom Z., research director at ACA, Public Service Europe, “Nuclear war plans 'outdated' - armed states need to move on”, 7/10/12, <http://www.publicserviceeurope.com/article/2198/nuclear-war-plans-outdated-armed-states-need-to-move-on#ixzz20zHdpVy4>, Accessed 7/18/12, Chan)

¶ In the coming weeks, following a long bipartisan tradition, United States President Barack Obama is expected to take a [step](http://www.publicserviceeurope.com/article/2198/nuclear-war-plans-outdated-armed-states-need-to-move-on) away from the nuclear brink by proposing further reductions in American and Russian arsenals. This would be a welcome step toward making the world safer while redirecting defence dollars to higher priority needs. Back in 1986, then US President Ronald Reagan and Soviet leader Mikhail Gorbachev shifted away from ever-higher nuclear stockpiles - which peaked at about 70,000 nuclear warheads - and started down the path of reductions that continues today. American and Russian arsenals have now been reduced by more than two-thirds and the world is safer for it. Within weeks, President Obama is expected to announce revisions to outdated nuclear deterrence requirements that would allow another round of US and Russian nuclear stockpile reductions, beyond those mandated by the 2010 New Strategic Arms Reduction Treaty. As Obama said in March: "We have more nuclear weapons than we need. I firmly believe that we can ensure the security of the United States and our allies, maintain a strong deterrent against any threat and still pursue further reductions in our nuclear arsenal." Obama's efforts to reduce excess nuclear stockpiles have strong military and bipartisan support. In April, General James Cartwright - former vice-chairman of the Joint Chiefs of Staff and commander of US nuclear forces under former US President George W. Bush - called for a reduction in US and Russian nuclear arsenals of 80 per cent on current levels. He wrote, along with other authors including former senator Chuck Hagel, that the current American and Russian arsenals "vastly exceed what is needed to satisfy reasonable requirements of deterrence". In March 2011 - former US secretaries of state George Shultz and Henry Kissinger, former secretary of defence Bill Perry and former senator Sam Nunn wrote that "deeper nuclear reductions should remain a priority," and that the US and Russia, which led the build-up for decades, "must [continue](http://www.publicserviceeurope.com/article/2198/nuclear-war-plans-outdated-armed-states-need-to-move-on) to lead the build-down." And Senator Carl Levin, chairman of the Senate Armed Services Committee, said in June: "I can't see any reason for having as large an inventory as we are allowed to have under New START, in terms of real threat, potential threat. The more weapons that exist out there, the less secure we are, rather than the more secure we are." Today, it is clear that the US can maintain a credible deterrent at lower levels of nuclear weapons than the 1,550 deployed strategic warheads allowed by New START. There is no reasonable justification today for such high numbers. The [Obama administration](http://www.publicserviceeurope.com/article/2198/nuclear-war-plans-outdated-armed-states-need-to-move-on) outlined its approach to nuclear policy in its April 2010 nuclear posture review. The NPR stated that the "fundamental role of nuclear forces is to deter nuclear attacks against the US and our allies and partners". This is a major shift away from the Cold War-era strategy of "prevailing" in a nuclear war and using nuclear weapons to counter conventional military threats. By signalling that America is prepared to accelerate reductions and go below New START ceilings - Washington could induce Moscow, which is already below New START levels, to rethink its plans to build up its forces; including a new long-range missile with multiple warheads. It could also eventually open the way for discussions with other nuclear-armed states to limit their stockpiles. Further nuclear reductions would also help trim the high cost of maintaining and modernising US nuclear forces, which is estimated to cost $31bn annually. Fresh thinking is in order. By discarding outdated nuclear war plans, Obama can open the way for lower US-Russian nuclear force levels. This would enhance the prospects for mutual, verifiable reductions involving the world's other nuclear-armed states - and reduce the danger that nuclear weapons will be used ever again.

#### US-Russia relations are healing—Obama’s success with nuclear arms reductions proves there’s no threat

VOA 11 (Voice of America, “Analysts: US, Russia Relations Are Good Despite Differences”, 12/28/11, <http://www.voanews.com/content/relations-between-us-russia-are-good-136389268/170976.html>, Accessed 7/19/12, Chan)

Most experts agree relations between the United States and Russia are good. The two countries still have differences, but they increasingly work together on a wide range of issues. President Barack Obama has made better relations with Russia a cornerstone of his foreign policy. Experts say the so-called “reset” in relations that Obama launched shortly after coming into office almost three years ago has generated important achievements. Angela Stent, a Russia expert at [Georgetown University](http://www.voanews.com/content/relations-between-us-russia-are-good-136389268/170976.html), said the highlight was the ratification by both countries of the New START treaty reducing long-range nuclear weapons. “We can still destroy each other - it makes no sense to have all those warheads. The Cold War is over, so we’ve drastically cut down the number of warheads and we are going to cut them down further. So I think it was very important to accomplish that,” said Stent. Stent and others say another achievement was the agreement allowing U.S. military transports to transit through Russia into Afghanistan. Given the frayed relationship between the United States and Pakistan, Stent says that supply route is crucial for the conduct of the war. Moscow also has supported stronger United Nations sanctions against Iran and has canceled the delivery of S-300 anti-aircraft missiles to Tehran. In addition, the Russian government did not oppose a no-fly zone over Libya.

### Aff - Impact D - No Loose Nukes

#### No impact – Russian nukes are secure

Woolf 3

(Amy F. Woolf is a member of the Foreign Affairs, Defense, and Trade Division of the CIA. August 15, 2003. “Nuclear Weapons in Russia: Safety, Security, and Control Issues” <http://www.fas.org/spp/starwars/crs/IB98038.pdf>) Sherman

Some concerns are also focused on the¶ safety and security of nuclear warheads in¶ storage facilities in Russia. Press reports and¶ statements by Russian officials about possible¶ missing warheads have added to these¶ concerns. However, General Eugene Habiger,¶ former Commander-in-Chief of the U.S.¶ Strategic Command, stated that he had no¶ major concerns about security at Russian¶ nuclear storage facilities after he visited several storage sites in Oct. 1997 and June 1998.¶ Reports of Russian nuclear materials for¶ sale on the black market, when combined with¶ evidence of weaknesses in the security systems have raised concerns about the possible¶ theft or diversion of nuclear materials from¶ these facilities.¶ The United States and Russia are cooperating in many fora to improve the safety,¶ security, and control over Russia’s nuclear¶ weapons and materials. Through the NunnLugar Cooperative Threat Reduction Program,¶ the U.S. Department of Defense has provided¶ assistance worth nearly $2 billion to help¶ Russia, Ukraine, Kazakhstan, and Belarus¶ safely transport and store weapons and eliminate launchers under the START Treaties.¶ The Department of Energy’s Materials Protection, Control and Accounting Program is¶ helping Russia and other former Soviet republics secure nuclear materials at research and¶ other facilities in the former Soviet Union.¶ The nations have also held bilateral meetings¶ to identify ways in which they might cooperate to improve security and resolve concerns.

### Aff - Low Oil Prices Good - Russia

#### Turn, lower oil prices better for Russia – force economic reforms

RT 6/22 [Russia Times is the first Russian 24/7 English-language news channel which brings the Russian view on global news. “Lower oil price 'good for Russia'”, <http://rt.com/business/news/oil-price-russia-economy-497/>, 6-22-2012] Lin

Russia will benefit from lower oil prices says Jim O’Neill, Chairman for Goldman Sachs Asset Management. This follows news that Russia is to adopt new policies to make its economy less dependent on the price of crude. "I think it will be good for Russia if oil prices go down”, Jim O’Neill told RT at the St. Petersburg International Economic Forum. Russia’s economy has long been heavily dependent on oil exports. Half of the budget revenues come from oil and gas. ”Russia certainly needs to be not so dependent on the drug of rising oil prices. It has to adopt and change to a quarter balance." And Russia seems to be heading in the right direction. President Vladimir Putin told the St. Petersburg Forum it was not enough to rely on an oil price of 115 dollars per barrel to achieve a deficit-free budget. “We need to diversify our economy away from total reliance on oil revenues, and turn to private capital as a source of growth,” he said. “Russia not only needs a deficit-free budget but a budget with a reserve of resilience.” Putin also said that “budget rules will be adopted soon under which "neither state liabilities, nor budgetary expenditure, nor long-term investment programs will depend on oil prices, and excess profits will go to replenish funds.” Analysts say Russia, one of the four BRIC countries, has become a particular surprise this year, Russia seems to be more sheltered from the current global economic crisis than it was during the 2008 and 2009 downturn. Its prospects are brighter than those of many other economies The country’s economy is expected to grow between 4-5 percent this year -much higher than any developed country. “If it carries on growing at these rates it will contribute more to the world this decade than the whole of Europe,” said Jim O’Neill.

### Aff - Russian Oil Dominance Bad

#### Continued dependence on Russian oil only undermines U.S. hegemony

McNamara 12(Sally McNamara, a Senior Policy Analyst in European Affairs at The Heritage Foundation's Margaret Thatcher Center for Freedom, “The Failure of the “Russia Reset”—Next Steps for the United States and Europe”, 01/10/12, AD: 07/20/12, <http://georgiandaily.com/index.php?option=com_content&task=view&id=22063&Itemid=132> | Kushal)

**Russian Foreign Policy: Undemocratic and Unfriendly** As President of Russia (2000–2008), Vladimir Putin united Moscow’s leaders around an increasingly nationalist foreign policy that sought to actively challenge American leadership in Europe and project Russian power in its neighborhood. As prime minister, Putin continues to lead Russian foreign policy thinking, and he has directed President Dmitry Medvedev to frustrate key U.S policy goals, including NATO enlargement, U.S. missile defense installations in Europe, and the strengthening of U.S. bilateral relations with former Soviet satellite countries. Putin craves reclamation of Russia’s empire days, exemplified by his 2005 description of the collapse of the Soviet Union as “the greatest geopolitical catastrophe of the 20th century.”[3] **His reclaim on the presidency come 2012 looks set to continue this neo-imperialist trend in Russian foreign policy thinking, and his creation of an even more authoritarian regime.**¶ Russia is overtly hostile to Europe’s institutional architecture, and in particular, NATO. As Russian ambassador to NATO, Dmitry Rogozin stated in 2009: “We’re told by the West that they like NATO and the EU as it is: ‘They suit us fine.’ Well, they do not suit us.”[4] Rogozin was restating long-standing Russian policy that Europe needs new security architecture that recognizes Russia’s privileged position along its periphery and, by implication, downgrades the transatlantic alliance.[5]¶ Russia categorically rejects—and bristles at—outside criticisms of its poor human rights record and its curtailing of media freedoms and opposition activities. In 2006, one of Putin’s top aides, Vladislav Surkov, argued that Brussels and Washington must accept Moscow’s assurances on these issues henceforth, that they are matters for the Russian people and not of concern to external organizations, such as the EU.[6]¶ These policy tenets are fundamentally incompatible with the EU’s stated desire to fast-forward relations with Russia, as well as with the U.S. reset policy. However, President Obama’s singular commitment to the reset policy has given EU elites a green light to brush aside many of its Central and Eastern European member states’ deeply held concerns about Russian foreign policy. In Washington, Central and Eastern European diplomats and politicians have been unable to effectively convey their concerns about the U.S. reset policy for fear of being seen as “anti-Russian.”[7] The Obama Administration has made it clear that it wishes to hear no bad news about its prized Russian reset policy.¶ The EU should not neglect its Central and Eastern European members—who have long histories with Russia, and the most experience to draw upon. The U.S. and the EU must begin to see Russia as it is, rather than what they wish it were. Reports that a Russian intelligence officer may have been behind an explosion near the U.S. embassy in Georgia in 2010 must result in a robust U.S. investigation, for instance.[8] The U.S., the EU, and individual European nations must also unequivocally state their support for the re-establishment of the territorial integrity of Georgia—and not allow Russia to “invoke international law only when they feel like it,” argues Terry Davis, Secretary General of the Council of Europe.[9] Until Russia demonstrably proves that it wishes to be a transparent and democratic partner to all of Europe, rather than an ad hoc ally to some, the European Union should not upgrade its relations with Moscow.

#### Russian oil monopoly bad- energy dominance used to manipulate European allies

McNamara 12(Sally McNamara, a Senior Policy Analyst in European Affairs at The Heritage Foundation's Margaret Thatcher Center for Freedom, “The Failure of the “Russia Reset”—Next Steps for the United States and Europe”, 01/10/12, AD: 07/20/12, <http://georgiandaily.com/index.php?option=com_content&task=view&id=22063&Itemid=132> | Kushal)

The first international speech that President Medvedev made after his inauguration was in Germany, advocating greater economic cooperation between Russia and Europe.[38] Since 80 percent of Russia’s foreign investment comes from Europe, the EU has substantial leverage in future economic negotiations with Moscow, and the EU must link these negotiations to the broader question of energy security in order to ensure a more advantageous situation for both sides.¶ Energy. **Russia is currently an energy superpower and Moscow seems determined to use its energy dominance to political as well as economic effect**. It has long been Russian strategy to be a reliable energy supplier to Western Europe while holding hostage its immediate neighbors. Russia has cut energy supplies to several of its neighbors in recent years, including gas supplies to Belarus (2010), and oil supplies to Latvia (2003), Lithuania (2006), and the Czech Republic (2008). In early 2009—when Europe was experiencing a particularly cold winter—Gazprom turned off the gas taps to Ukraine in the wake of a major price dispute. However, since Ukraine is a major transit corridor for Russian gas into Europe, gas shortages were reported in several EU member states including Romania, Bulgaria, Greece, and the Czech Republic. Europe was finally awakened to its chronic over-reliance on Russian energy.¶ Europe receives more than 40 percent of its gas and almost one-third of its oil from Russia. The European Commission estimates that the EU’s total imports of natural gas will increase from 61 percent to 84 percent by 2030, signaling that Europe’s dependence on Russian gas is likely to increase.[39]Even though Russia clearly needs Europe as an energy customer, this mutual dependence has not resulted in a less politicized energy relationship.¶ Brussels cannot afford to stand idly by and simply hope that Moscow will play fair in the future. The EU must therefore focus on constructing a genuine energy security policy. It should abandon its disastrous “20 20 20 by 2020” plan which emphasizes unproven renewable energy sources, such as wind power, over proven technologies, such as nuclear energy and liquefied natural gas (LNG), and stop perpetuating the myth of “green” jobs. The Spanish example has already demonstrated that for every job created in the green sector, 2.2 jobs were lost elsewhere.[40]¶ In addition to diversifying their sources of energy, European nations should broaden their supply routes and combat Russia’s vice-like grip on pipeline development. **Russia views pipelines as a strategic tool in its petro-political arsenal; if it controls the transit routes, it can turn the gas taps off on a political whim (as it has done with Ukraine twice) and back the country into a corner on other foreign policy issues.** The soon-to-be-operational Nord Stream pipeline—which will pipe Russian gas directly to Germany and bypass the Baltic nations—has already partially fulfilled Putin’s desire to be a reliable supplier to Western Europe while keeping supplies to the EU’s eastern neighborhood at risk.¶ There is little doubt that Russia fears Europe’s development of alternate routes that bypass Russia, such as the Nabucco pipeline.[41] Moscow vehemently opposed the Baku–Tbilisi–Ceyhan (BTC) pipeline, which became operational in May 2006. When Russian bombs came perilously close to BTC during the Russo–Georgian war in August 2008, EU Commissioner for Energy Andris Piebalgs argued that the EU should “redouble its efforts” to bring Nabucco online.[42] However, progress remains slow and Europe still has too few routes and too few energy suppliers. Construction on Nabucco has been delayed until 2013, and gas is not scheduled to be piped until 2017 at the earliest. It is imperative that this new timeline not be pushed back further, lest Russia’s competitor South Stream pipeline steal an unassailable march on the project.

### Aff - Decreasing US Consumption Good - China

#### Declining US consumption good—balances China’s accelerating oil imports

Perry 11 (Douglas, Source: Rice University, “China to Match U.S. Oil Demand by 2040”, 12/3/11, <http://www.tomsguide.com/us/china-usa-oil-energy-petroleum,news-13381.html>, Accessed 7/21/12, Chan)

The Baker Institute at Rice University has released an elaborate report on China's hunger for energy resources and the potential impact on the entire globe.The energy study entitled "The Rise of China and Its Energy Implications" suggests that China will not be successful at curbing energy use or making it more efficient. The result will be that, in the foreseeable time, that it will rival the oil consumption in U.S., which has been criticized by the world community for decades of burning an excessive amount of energy resources. The authors of the study noted that "China's recent efforts at centralizing energy policy do not appear to be significantly more successful than the makeshift patchwork of energy initiatives devised by the United States."¶ The study highlights two major oil acquisition and consumption trends in China. First, it appears that China may be more compelled in the future to act "in concert" with world community in crisis regions of the world, as it has a growing interest in securing oil resources. According to the study, China has invested more than $40 billion in [oil and gas](http://www.tomsguide.com/us/china-usa-oil-energy-petroleum,news-13381.html) acquisitions in Iran, Sudan, Libya and Venezuela between 2007 and 2008 alone. While China has huge gas resources in its own territory, their exploitation may be delayed due to "technical, regulatory and market infrastructure challenges" and put further pressure on the availability of oil.