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

Russian oil and gas fields in the Arctic

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

Field classification:
- Unique: more than 500 million metric tons of oil or 500 billion m³ of natural gas
- Large: from 30 to 300 million tons of oil or from 30 to 500 billion m³ of gas
- Middle: from 3 to 30 million tons of oil or from 3 to 30 billion m³ of gas

The Arctic in figures:
- Natural gas: 25% Russian share of world natural gas reserves (1st place in the world)•
- 95% Russian gas reserves in the Arctic zone•
- Oil: 5.3% Russian share of world oil reserves (8th place in the world)
- 60% Russian oil reserves in the Arctic zone

* CIA data
• according to Valery Yazyev, Vice Speaker of the State Duma of the Russian Federation; president of Russian Gas Society

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Conventional Wisdom: Its All About Oil

MICHAEL T. KLARE

BLOOD AND OIL

THE AMERICAN EMPIRE PROJECT
THE REAL REASON FOR WAR IN SYRIA:
ISRAEL GRANTS DICK CHENEY & ROTHSCILD OIL LICENSE
IN SYRIA'S GOLAN HEIGHTS
And my favorite.......
Foreign oil interests in Libya

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

**Libya’s oil industry**

- Total production, barrels per day: 1.8 million
- Total reserves: 44 billion
- Estimated net exports, barrels per day: 1.5 million

- BP*
- Statoil
- Eni
- Shell*
- TOTAL
- OMV
- BASE*
- Conoco
- Phillips
- Marathon
- Hess
- Occidental

*Exploration
**Wintershall subsidiary

Source: Company reports, U.S. Energy Information Administration, Reuters
Graphic: Pat Carr
© 2011 MCT
Iraq’s Oil & Gas infrastructure and territory occupied by ISIL/ISIS forces

Sources: New York Times Platts
Oil Production in Middle East since 1965 and forecast to 2015

- Other Middle East
- Yemen
- United Arab Emirates
- Syria
- Saudi Arabia
- Qatar
- Oman
- Kuwait
- Iraq
- Iran

Thousands Barrels Oil Per Day


EnergyInsights.net
Estimated distribution of Sunni Muslims in the Middle East

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

Map showing the estimated distribution of Sunni Muslims in various countries of the Middle East, including Egypt, Saudi Arabia, Syria, Iraq, Jordan, and others. The map uses different shades to indicate the percentage of Sunni Muslims in each country.

Source: CRS, Pew Research, CIA world factbook
It Has Nothing to Do With KSA
Five (5) Choke Points: 46% of world oil
Russian Air Force in ME First Time Since 1973
<table>
<thead>
<tr>
<th>Country</th>
<th>Imports</th>
<th>% of Total in 2013</th>
<th>% Change since 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Canada</td>
<td>2.57</td>
<td>33.3%</td>
<td>65.8%</td>
</tr>
<tr>
<td>2. Saudi Arabia</td>
<td>1.33</td>
<td>17.2%</td>
<td>-23.2%</td>
</tr>
<tr>
<td>3. Mexico</td>
<td>0.85</td>
<td>11.0%</td>
<td>-45.8%</td>
</tr>
<tr>
<td>4. Venezuela</td>
<td>0.76</td>
<td>9.8%</td>
<td>-36.2%</td>
</tr>
<tr>
<td>5. Colombia</td>
<td>0.37</td>
<td>4.8%</td>
<td>121.1%</td>
</tr>
<tr>
<td>6. Iraq</td>
<td>0.34</td>
<td>4.4%</td>
<td>-29.1%</td>
</tr>
<tr>
<td>7. Kuwait</td>
<td>0.33</td>
<td>4.2%</td>
<td>56.7%</td>
</tr>
<tr>
<td>8. Nigeria</td>
<td>0.24</td>
<td>3.1%</td>
<td>-71.3%</td>
</tr>
<tr>
<td>9. Ecuador</td>
<td>0.23</td>
<td>3.0%</td>
<td>64.0%</td>
</tr>
<tr>
<td>10. Angola</td>
<td>0.20</td>
<td>2.6%</td>
<td>-44.4%</td>
</tr>
</tbody>
</table>

Data from Energy Information Administration © Robert Rapier
OPEC/Non-OPEC/USA

Production and Price: 1970-3
• OPEC 1973: 10.6 bb/year
• Non-OPEC: 20.8 bb/year
• US: 4.6 bb/year (2008-Nadir)
• Price: $3.35 1970/b

Production and Price 2015
• OPEC 2016: 12 bb/year
• Non-OPEC: 29.2 bb/year
• US: 9.2 bb/year
• Price: $36—1980; $133—7/2008
OIL & DOW JONES & JOBS

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

• FIVE RECESSIONS SINCE AND INCLUDING 1973
• LOSS OF JOBS HAS BEEN 1.7-7.5 MILLION
• 16 MILLION TOTAL LOSS IN JOBS
• NEW YORK STOCK LOSES $17 TRILLION
• OIL PRICES UPSWINGS OF 70-400%
China's oil production and consumption, 1993-2016

million barrels per day

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

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

• To shield the global economy from the ruinous impact of future oil shocks it is necessary for the transportation sector to be open to fuels derived from other energy commodities in addition to petroleum. This way, if oil returns to unfriendly territory, consumers will be able to shift on-the-fly to cheaper fuels and hence drag the price back to equilibrium.

• Breaking oil’s virtual monopoly over the transportation fuel sector should be a common goal for the world’s two largest economies: China and the United States. China’s car fleet is currently 90 million strong, but it is growing by leaps and bounds. By 2020 China will have 200 million vehicles, according to the China Association of Automobile Manufacturers, a fleet nearly the size of the United States.'
The Russian Chess Match

• According to Russia’s Ministry of Finance, Russia needed an average oil price of just $50 to $55 per barrel to balance the budget in 2008 but by 2012-14, that minimum had increased to $117.

• Russian President Vladimir Putin’s seizure of Crimea from neighboring Ukraine was a dangerous political-military action without precedent in post–World War II Europe. Putin’s consistent policy of increasing state economic control may well be leading Russia on the path to stagnation and economic decline. The only way such a regime can survive is to grab more territory while distracting its citizens through ultra-nationalist propaganda.
The 21st Century Central Struggle?

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

Volume (barrels per day)

- Russia
- Saudi Arabia

Source: General Administration of Customs of China
The Oil Reality?

- Oil competition is a dangerous undercurrent in Putin's Middle Eastern policy. The Russian leader hopes that when its ally Iran re-enters the global oil and gas market, Russia will somehow share in the profits, perhaps through new pipelines across Syria. He also wants to stop the Saudis from establishing export routes in Syria. Now that Russian energy supremacy in Europe also is at stake, Putin's determination to resolve the Syrian conflict on his terms can only grow.
Geopolitically, and economically, everything in the Middle East pivots around oil and its hydrocarbon cousin, natural gas. Its entire economy is utterly dominated by oil exports. For Saudi Arabia, oil provides 90 percent of revenues; for Russia, oil and gas account for 70 percent of exports.
Putin: This Matters

• “Three facts motivate Putin. First, two regions utterly dominate world oil markets. The Middle East and Russia together ship 60 percent of all oil traded (45 and 15 percent, respectively).

• “Second, oil matters. It provides 97 percent of the global fuel needs for all the engines that transport everything on land, sea and air.

• “Finally, price matters. Here the U.S. has upset the apple cart.
CONCLUSION

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