

Oil

A Story About Addiction

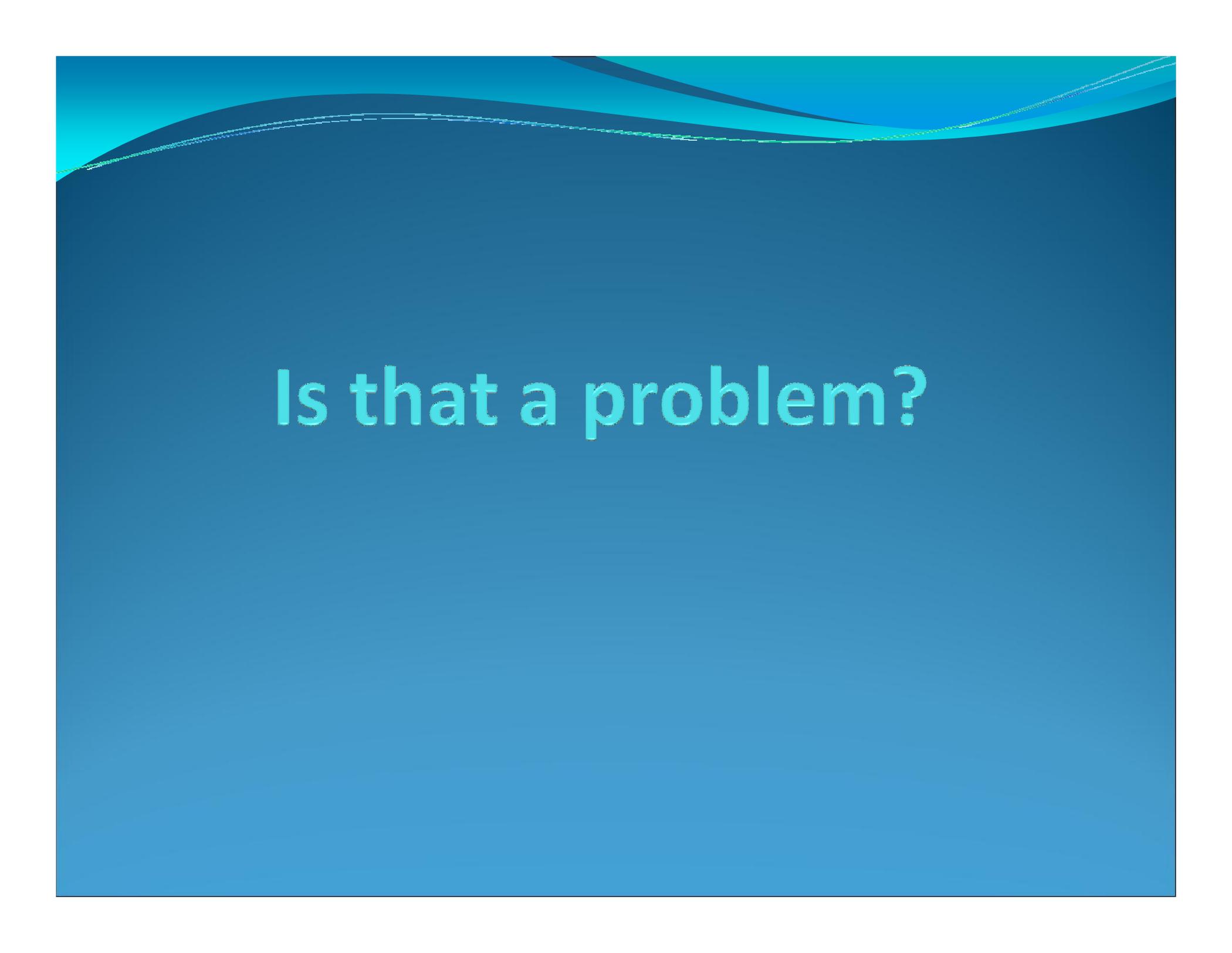
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SetAmericaFree.org

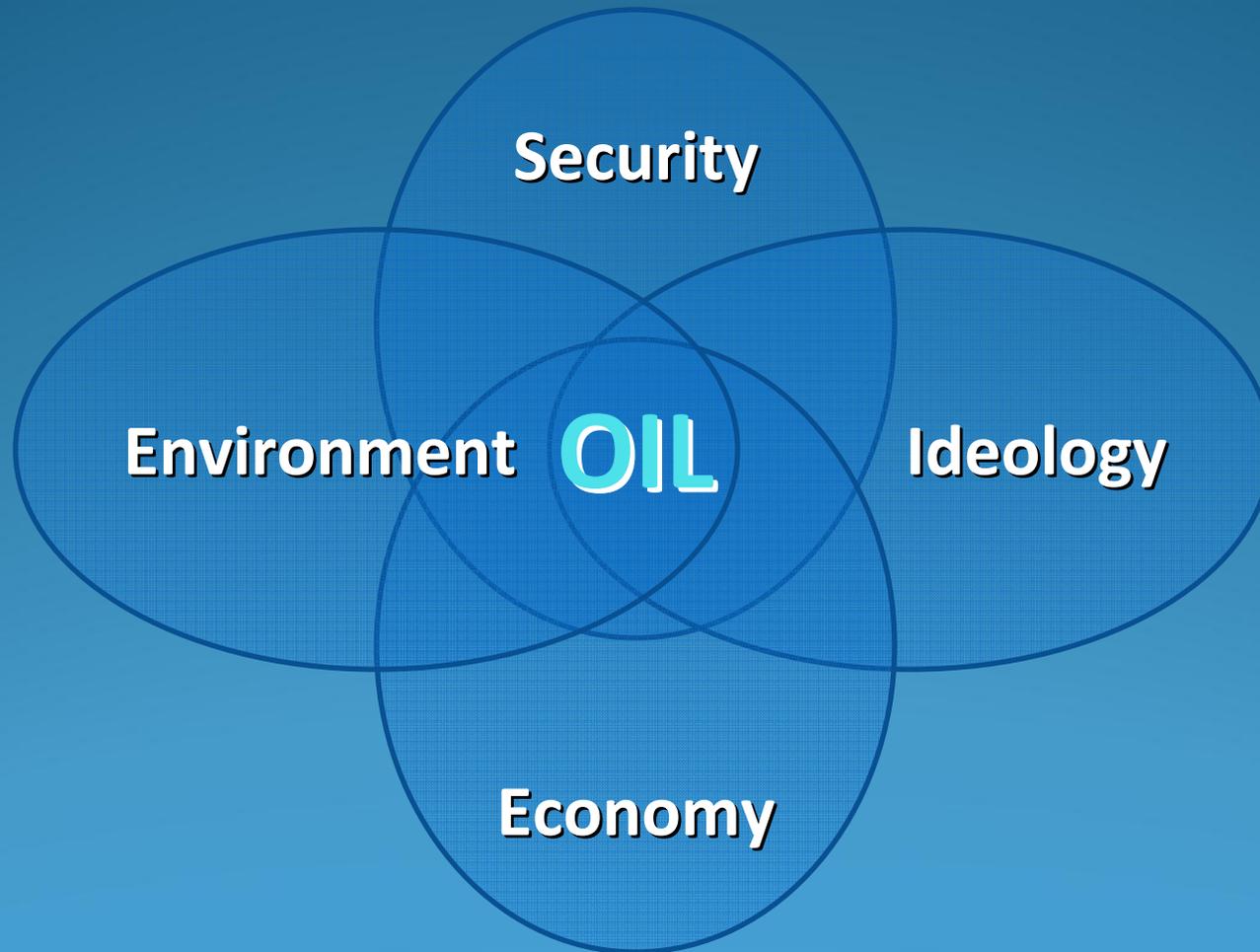
America is Addicted to Oil

- The US is less than 5% of world's population but consumes more than 20% of the world's oil production
- The US oil fields passed their peak and are declining at 4% a year
- 30 years ago the US imported 20% of its oil consumption - today it is more than 60%
- The numbers are mind boggling
 - We import 5 Billion barrels of oil a year
 - At \$130 a barrel it amounts to \$650 Billion

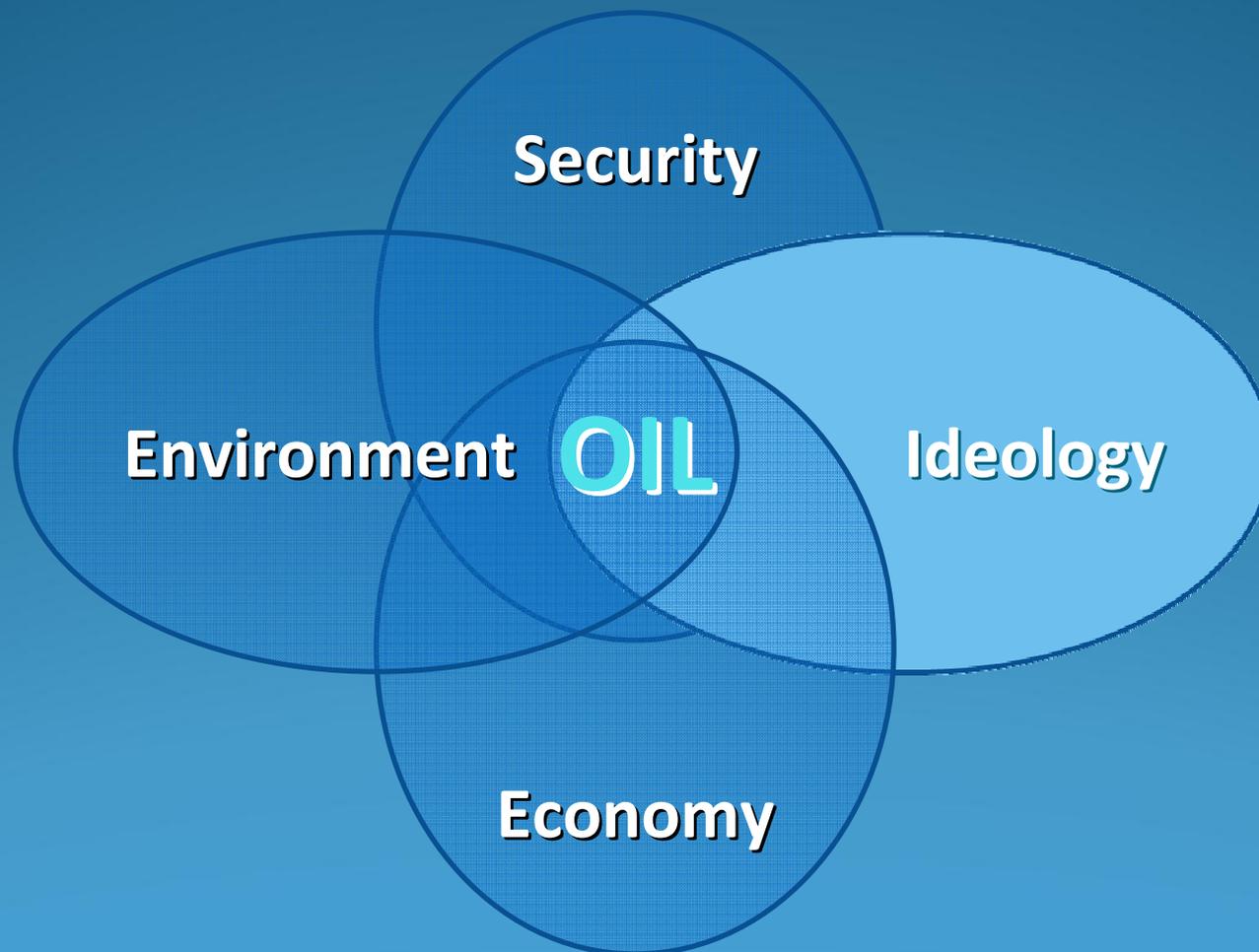
The image features a blue gradient background. The top edge is wavy, with a thin, multi-colored line (containing shades of blue, green, and yellow) running along it. The rest of the background is a solid, dark blue gradient.

Is that a problem?

The Ugly Faces of Oil



The Ugly Faces of Oil



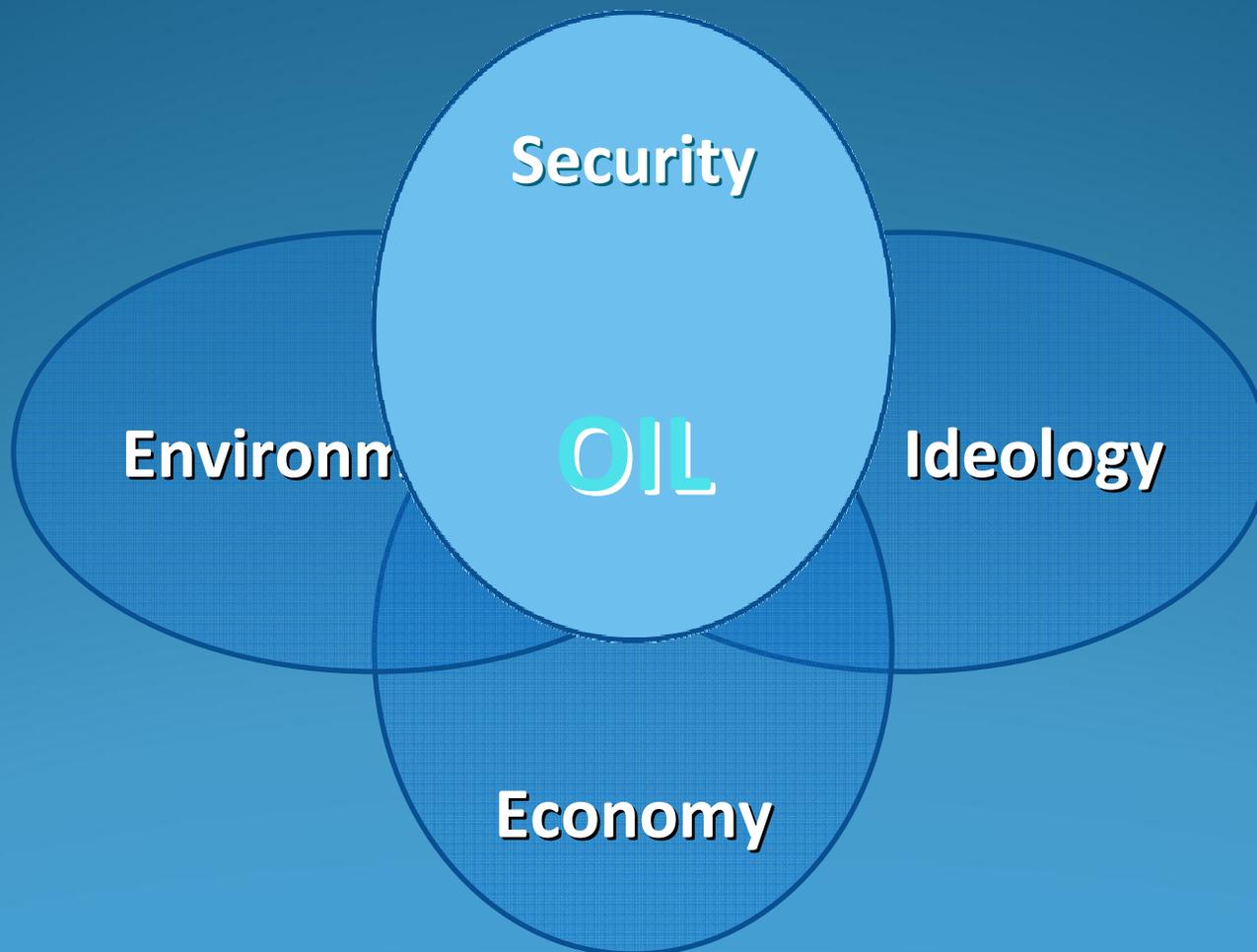
Oil and the Jihad Ideology

- 2/3 of oil reserves are in the hands of Islamic countries
- Petrodollar based governments
 - Don't need employment taxation to finance their activities
 - Have no incentive to invest in education and wellbeing of the population
 - Use the economic success of oil to propagate radical ideology throughout the globe
- To avert civil unrest the government found far away enemies to blame for daily hardship... Israel and the US
- There are no better examples than Saudi Arabia and Iran

Why Us?

- Freedom is an existential threat to religious based autocratic regimes
- The US in particular represents freedom
- As such the US is depicted as corrupted and unworthy
- The distance from that to 'kill them all' is very short
- Hence the emergence of the Jihadist movement targeting freedom, the US and Israel
- The chief tool of this movement is terror

The Ugly Faces of Oil



The War on Terror

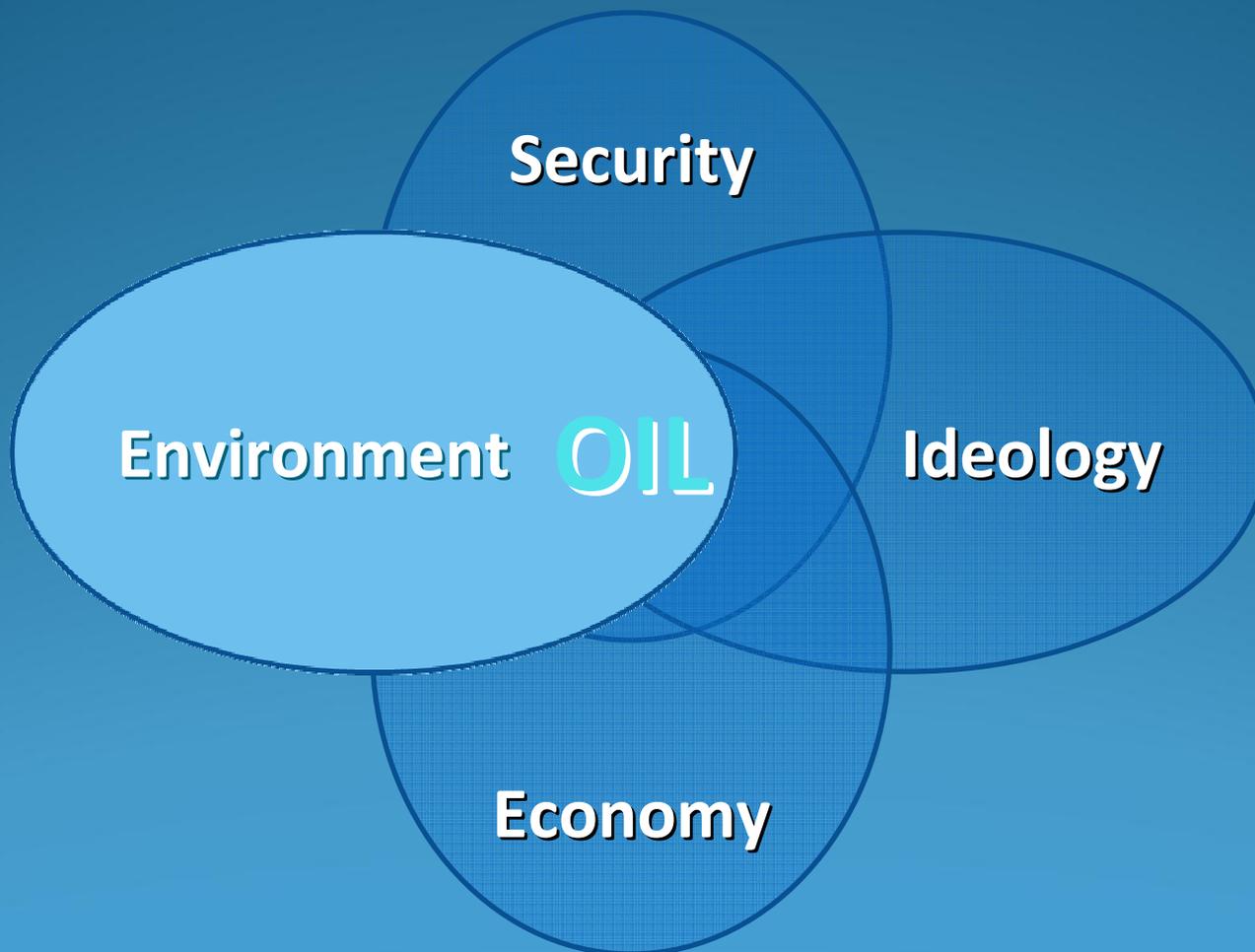
- After 9/11 the US enacted a world wide war against terror In the effort to “dismantle the terror organizations and their state sponsors”
- The only states we actually acted on were Afghanistan and Iraq
- Terror is the result of government sponsored dissemination of radical Islam particularly by the Iranians and Saudis
- Our War on Terror fights the symptoms of terror not the cause of terror

Who Benefits from Terror

- Terror increases uncertainty
- Uncertainty increases the price of oil through a mechanism called 'supply risk premium'
- As price of oil goes up, the sponsors of terrorism make more money
- Terrorism is profitable!
- ...and we are paying for it at the pump

- To win the war on terror we have to win the battle with our oil addiction

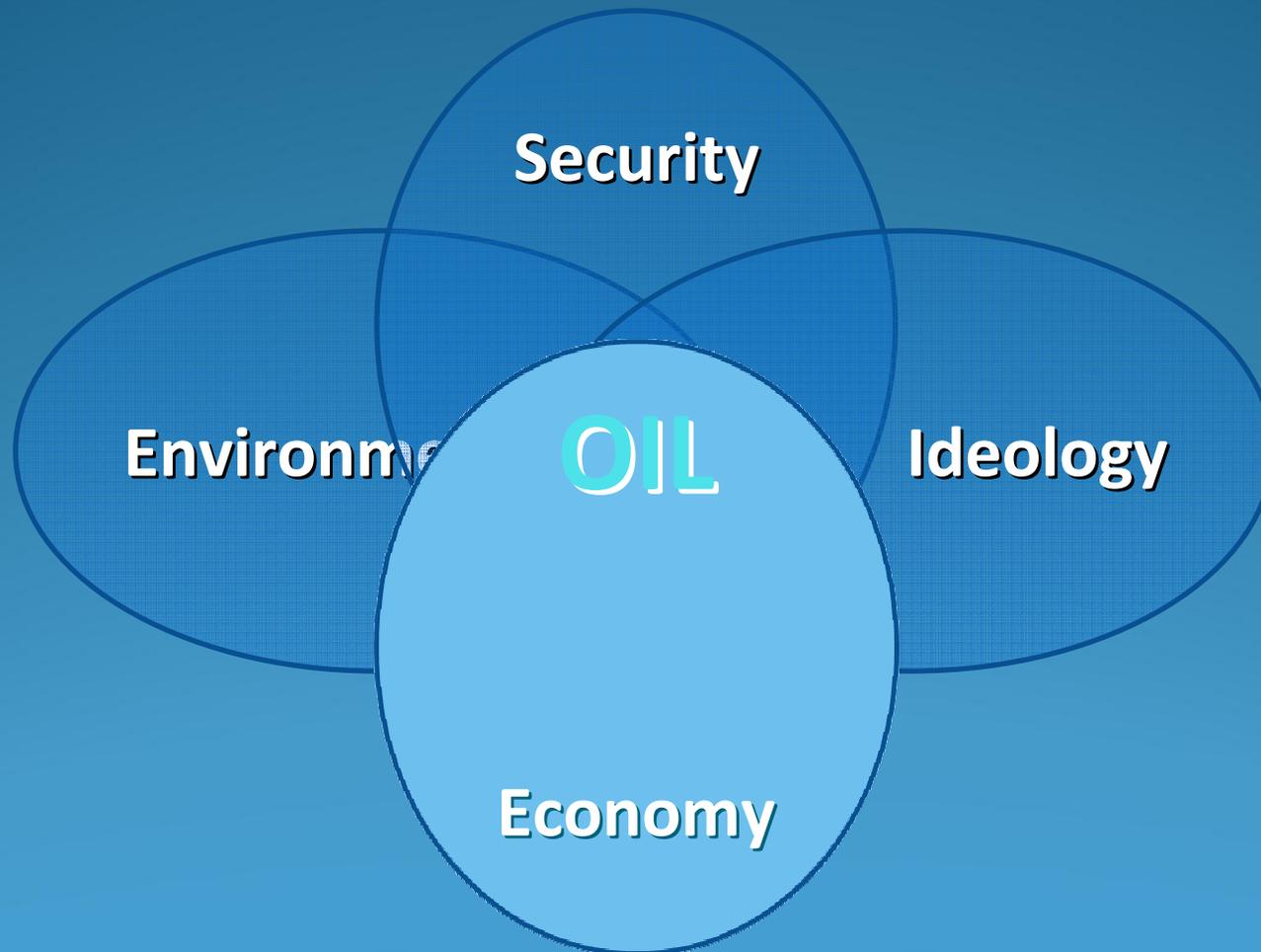
The Ugly Faces of Oil



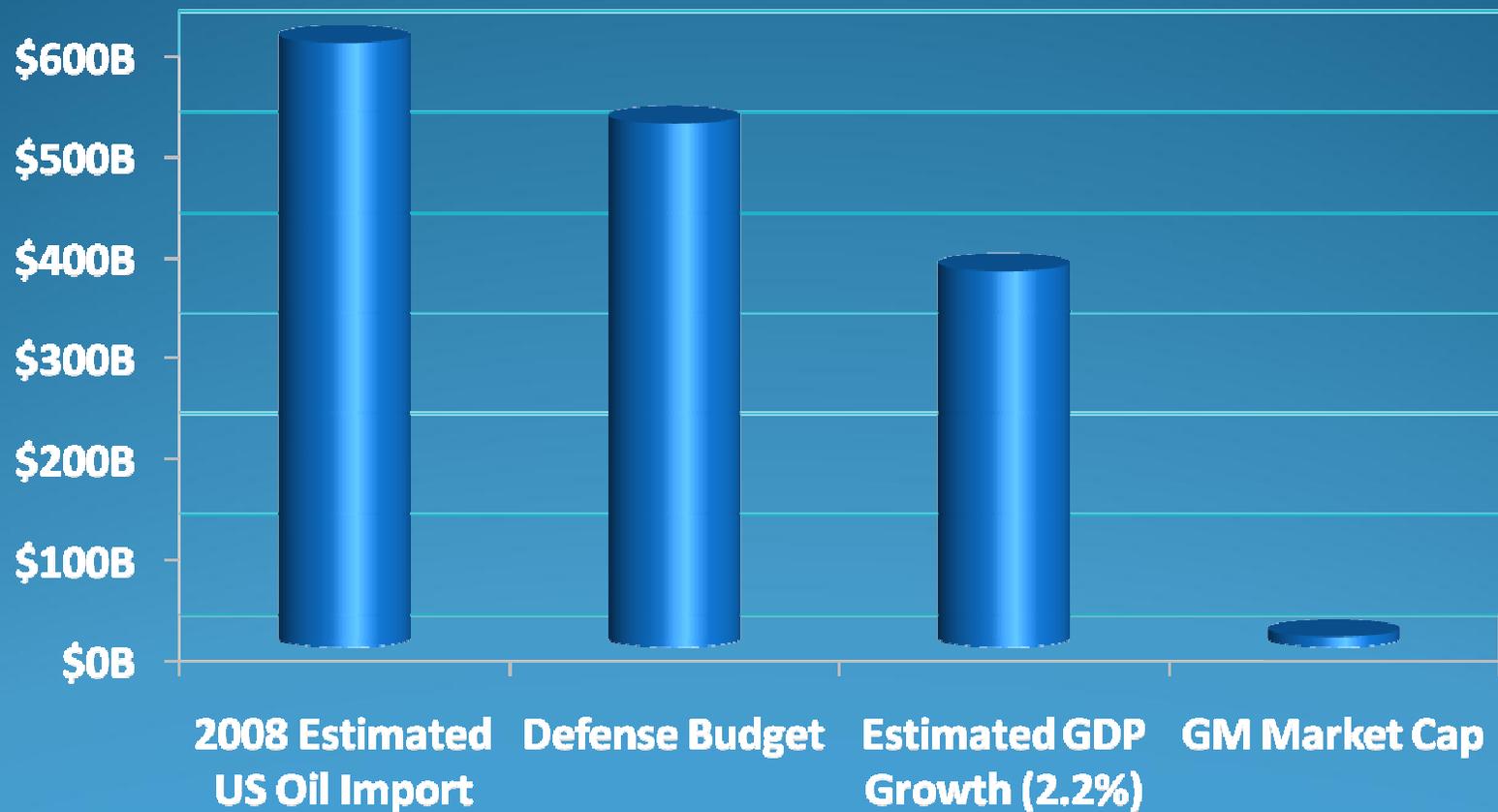
Oil and the Environment

- Oil based transportation is the number one cause of airborne pollution in urban areas
- Trucks and cars are among the top contributors to green house gas emissions
- There is no hope to fight pollution and global warming without drastically reducing petroleum use
- The problem is that when the economy goes bad, no one cares about the environment

The ugly faces of oil



The Cost of Oil Addiction



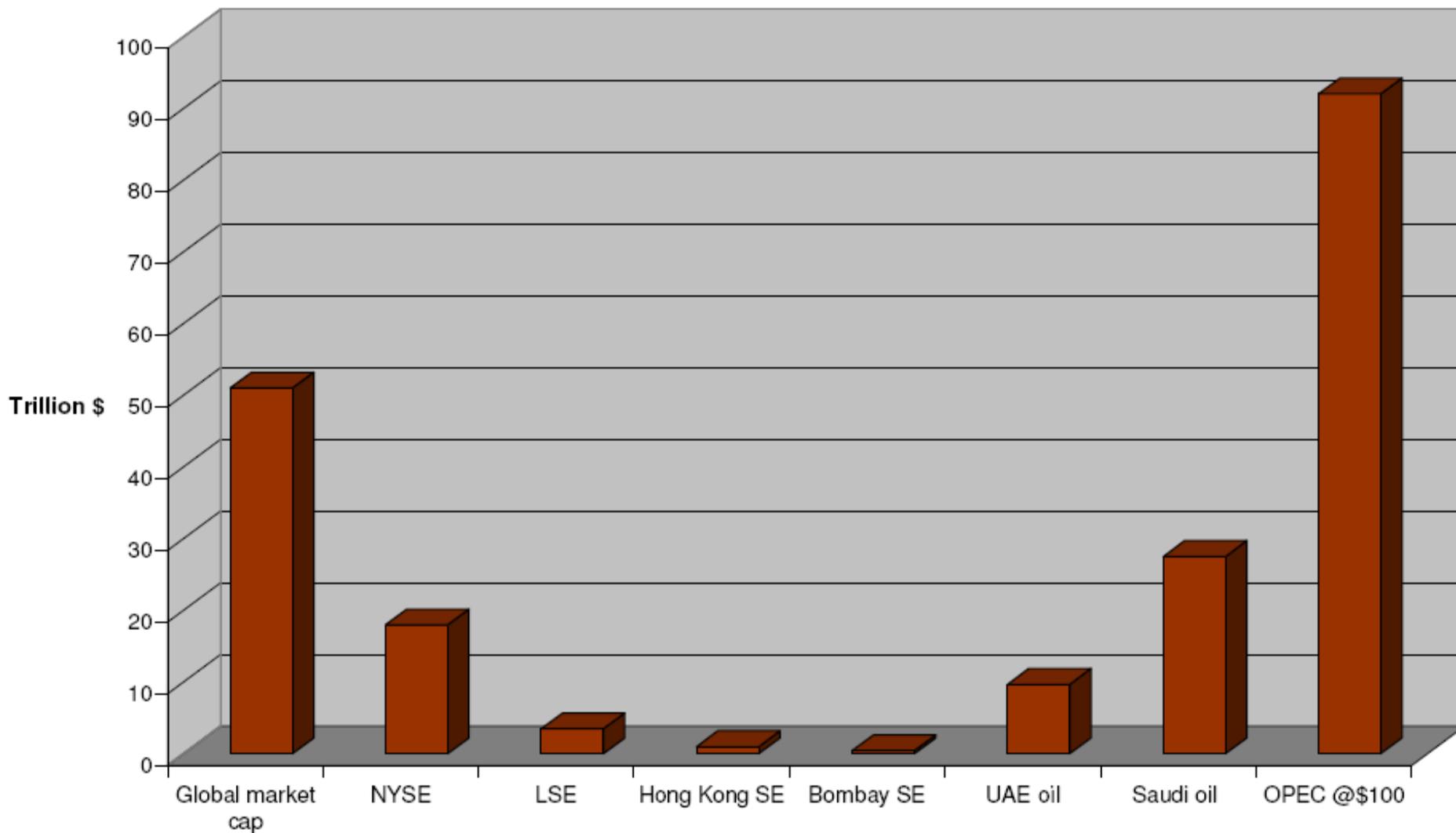
American Dream: Rude Awakening

- We are spending on oil import more than the growth in GDP
- Which means that non of the growth goes into prosperity
- The government and the armed forces have to pay a lot more for gasoline too
- This expense will result in higher taxes, higher deficit and higher inflation as more money is printed
- Until we beat the oil addiction we are looking into years of higher inflation, lower growth, no new prosperity

The Point of No Return: When drug addicts can no longer pay for their addiction with cash flow they start selling their assets

- Over the last 9 months we are seeing a large number of private equity investments of petrodollars into US corporations
- At current oil prices OPEC countries will end up owning blocking votes in every major US company within 5 years
- Within 10-12 years, if they wish, they could own every major corporation outright

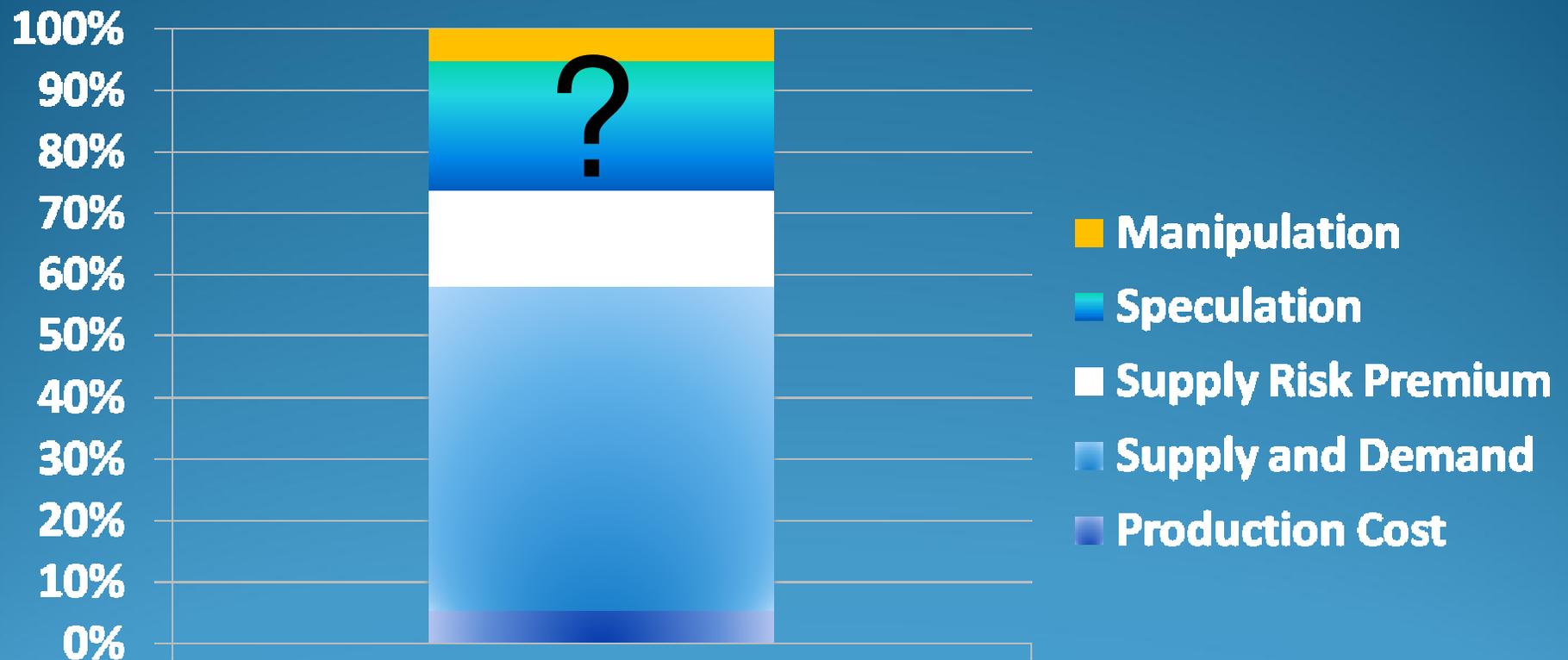
The New Economic Balance of Power



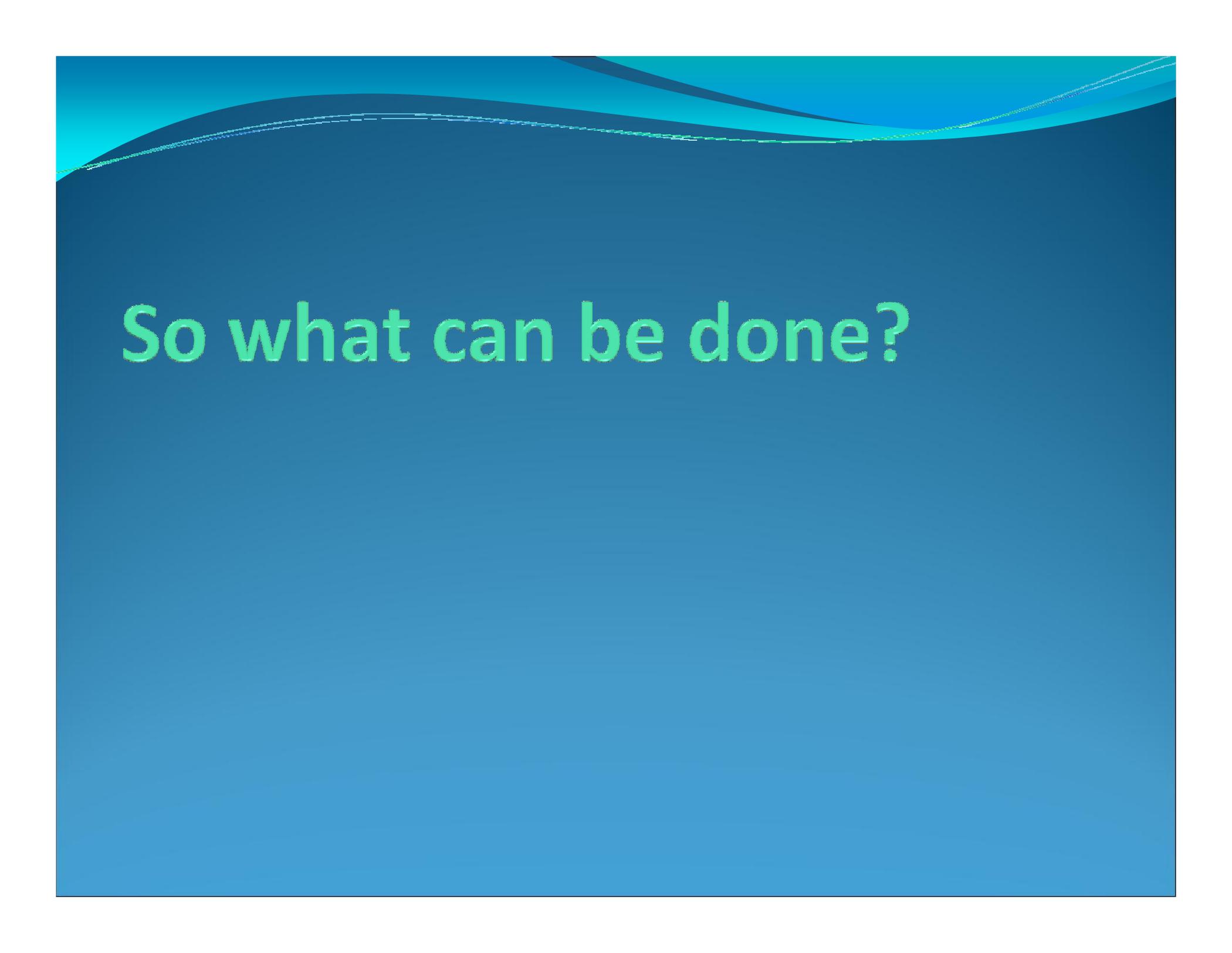
Are We Running Out of Oil?

- 'Peak Oil' theory states that once 50% of the oil is recovered, the pumping rate will start declining at about 4% a year
- We are not running out of oil, however 70% of geologists believe that sometime before 2015 the **rate** of crude oil recovery will fall below the on-going world consumption
- At that point there will be a physical constraint on oil supply over and above supply manipulation by OPEC
- This might lead to a major recession or worse...
- **Remember: During the term of the next president there is better than 70% chance that we will see an oil bottleneck**

Does that explain the current oil price?



Oil Price Components

The background is a solid blue gradient, darker at the bottom and lighter at the top. The top edge is wavy, with a thin white line following the curve. The text is centered horizontally and vertically in the upper half of the image.

So what can be done?

Alternative Energy - Primer

- Electricity
 - Solar, wind, geothermal, nuclear, Hydrogen
- Transportation
 - Gasoline replacements: Ethanol, Methanol, DME, Butanol, BioGasoline
 - Diesel replacements: BioDiesel
 - Electric cars: Gasoline hybrid (Prius), electric hybrid (or plug-in hybrid), all electric
 - Hydrogen fuel cell electric

Alternative Energy as Cure for Oil Dependence

- Only 2% of US electricity is derived from petroleum products
- Investment in alternative ways to produce electricity, by itself, will NOT reduce our dependence on foreign oil
- It is all about solutions for petroleum based transportation

Reduce Consumption

- Drive more efficient cars
 - Trade your SUV for a Hybrid
 - Prius is the new Mercedes
- Drive less
 - For example: from casual Friday to telecommuting Friday
 - By adding another phone line to your home and forwarding your phone line from the office, nobody knows you are not at work!
- **Remember: When you pay at the pump you are funding terrorism**

Is Conservation Enough?

- Conservation is like going on a diet
- Just like going on a diet does not make you less dependent on food, conservation by itself does not make us less dependent on oil
- We need to break the oil monopoly on transportation fuel
- **What we need fuel choice!**

GEM Flex Fuel Cars

- For \$100 every new car can be a flex fuel car
- GEM = Gasoline, Ethanol, Methanol
- Methanol can be created from
 - Coal (at roughly \$2 a gallon) or natural gas
 - Agriculture byproducts
 - Food manufacturing byproduct
 - Timber and paper industry refuse
 - Sludge
- Methanol can also be created from CO₂ captured from power plants

Ethanol as Fuel

- Ethanol in the US is mostly fermented out of corn
- It is economical because of the \$4B subsidy the government gives to the corn and oil lobbies
- Nonetheless, it contributes about 15% to a reduction of oil prices = \$75B in savings – not a bad investment!
- There are much better crops that can be used to produce Ethanol
- In Brazil 80% of cars are Flex Fuel cars running on sugar cane Ethanol putting a ceiling on gasoline prices
- Future: Ethanol derived from cellulose and algae

Food vs Fuel

- The corn market is much thinner than the oil market
 - Hence much easier to manipulate
- The sharp increase in corn prices coincides with OPEC declaration that biofuels are a crime against humanity
- Mandating Flex Fuel cars will ensure that every new car will be able to run on fuels of the future
 - Regardless on how they are made
 - Once every car becomes a flex fuel car the market forces will, most likely, force the corn growers out of the market

Plug-In Cars

- Most experts agree that the future of transportation is going electric
- Both GM and Toyota announced a plug-in electric hybrid car for year model 2010
 - Plug-in Prius
 - GM VOLT
- The Tesla Roadster will provide 200 miles per charge, an all electric solution

I would like to encourage each of you to call GM and Toyota and put your name in the interest list for the Plug-In Hybrid

Where are we going

- We used to have sport shoes. Now we have running shoes, tennis shoes, basketball shoes, etc.
- We now have a family car. We will have short-distance hoppers and long-distance haulers
 - Maybe park two small hoppers in one garage spot?
- The short-distance transportation will most likely be all electric or maybe use compressed air
- The same thing will happen in trucking
 - Long-distance haulers might have different locomotion than short-distance trucks

How do we get there?

- Government needs to enact an energy policy built around the premise of getting off oil
- We also need a campaign to support the market demand for change
 - Every time you fill your tank you are funding terrorism
 - Driving on gasoline is like smoking
 - Driving alternative fuel cars is 'being cool'
 - Driving small is sexy
 - Conserving gasoline is patriotic

What Can You Do?

- When buying a new car make reducing oil consumption one of your decision points
- Put your name on the interest list for the GM VOLT and/or Plug-In Toyota Prius
- Call your representative and urge them to support GEM Flex Fuel mandate for new cars
- Make **oil dependence** and dealing with the potential **oil bottleneck** a topic in the presidential election debate

If we do not deal with this issue now the war in Iraq will look like a stroll in the park!

Become involved:

www.SetAmericaFree.org/join.htm