# 1AC-Districts

# Contention One

## Current supply is absolutely unsustainable

## 1. The economics of shale are horrid

**Ahmed, Institute for Policy Research and Development executive director, 1-10-13**

(Nafeez, “The Great Oil Swindle”, http://www.fpif.org/articles/the\_great\_oil\_swindle, DOA: 1-17-13, ldg/atl)

But there are further reasons for concern. For how reliable is the IEA's data? In a series of investigations for the Guardian and Le Monde, Lionel Badal exposed in 2009 how key data was deliberately fudged at the IEA under U.S. pressure to artificially inflate official reserve figures. Not only that, but Badal later discovered that as early as 1998, extensive IEA data exploding assumptions of "sustained economic growth and low unemployment" had been systematically suppressed for political reasons according to several whistleblowers. With the IEA's research under such intense U.S. political scrutiny and interference for 12 years, its findings should perhaps not always be taken at face value. The same goes, even more so, for Maugeri's celebrated Harvard report. By any meaningful standard, this was hardly an independent analysis of oil industry data. Funded by two oil majors—Eni and British Petroleum (BP)—the report was not peer-reviewed, and contained a litany of elementary errors. So egregious are these errors that Dr. Roger Bentley, an expert at the UK Energy Research Centre, told ex-BBC financial journalist David Strahan that "Mr. Maugeri’s report misrepresents the decline rates established by major studies, [and] it contains glaring mathematical errors... I am astonished Harvard published it." What the scientists say In contrast to the blaring media attention generated by Maugeri's report, three peer-reviewed studies published in reputable science journals in the first half of 2012 offered a less than jubilant perspective. A paper published in Nature by Sir David King, the UK's former chief government scientist, found that despite reported increases in oil reserves and tar sands, natural gas, and shale gas production, depletion of the world’s existing fields is still running at 4.5 percent to 6.7 percent per year. They firmly dismissed notions that a shale gas boom would avert an energy crisis, noting that production at shale gas wells drops by as much as 60 to 90 percent in the first year of operation. The paper received little, if any, media fanfare. In March, Sir King's team at Oxford University's Smith School of Enterprise and the Environment published another peer-reviewed paper in Energy Policy, concluding that the industry had overstated world oil reserves by about a third. Estimates should be downgraded from 1150-1350 billion barrels to 850-900 billion barrels. "While there is certainly vast amounts of fossil fuel resources left in the ground,” the authors argued, “the volume of oil that can be commercially exploited at prices the global economy has become accustomed to is limited and will soon decline." The study was largely blacked out in the media (except for a solitary report in the Telegraph, to its credit). In June—the same month as Maugeri's deeply flawed analysis—Energy published an extensive analysis of oil industry data by U.S. financial risk analyst Gail Tverberg, who found that since 2005, "world [conventional] oil supply has not increased." He argued that this was "a primary cause of the 2008-2009 recession" and that the "expected impact of reduced oil supply" will mean the "financial crisis may eventually worsen." But all the media attention was on the oil man's oil-funded report. Tverberg's peer-reviewed study in a reputable science journal, with its somewhat darker message, was ignored. What happens when the shale boom... goes boom? These scientific studies are not the only indications that something is deeply wrong with the IEA's assessment of prospects for shale gas production and accompanying economic prosperity. Indeed, Business Insider reports that far from being profitable, the shale gas industry is facing huge financial hurdles. "The economics of fracking are horrid," observes U.S. financial journalist Wolf Richter. "Production falls off a cliff from day one and continues for a year or so until it levels out at about 10 percent of initial production." The result is that "drilling is destroying capital at an astonishing rate, and drillers are left with a mountain of debt just when decline rates are starting to wreak their havoc. To keep the decline rates from mucking up income statements, companies had to drill more and more, with new wells making up for the declining production of old wells. Alas, the scheme hit a wall, namely reality." Just a few months ago, Exxon CEO Rex Tillerson complained that the lower prices resulting from the U.S. natural gas glut were dramatically decreasing profits. This problem is compounded by the swiftly plummeting production rates at shale wells, which start high but fall fast. Although, Exxon had officially insisted in shareholder meetings that it was not losing money on gas, Tillerson candidly told a meeting at the Council on Foreign Relations: "We are all losing our shirts today. We're making no money. It's all in the red." The oil industry has actively and deliberately attempted to obscure the challenges facing shale gas production. A seminal New York Times investigation in 2011 found that despite a public stance of extreme optimism, the U.S. oil industry is "privately skeptical of shale gas." According to the Times, "the gas may not be as easy and cheap to extract from shale formations deep underground as the companies are saying, according to hundreds of industry e-mails and internal documents and an analysis of data from thousands of wells." The emails revealed industry executives, lawyers, state geologists and market analysts voicing "skepticism about lofty forecasts" and questioning "whether companies are intentionally, and even illegally, overstating the productivity of their wells and the size of their reserves." Though corroborated by independent studies, such revelations have been largely ignored by journalists and policymakers. But we ignore them at our peril. Arthur Berman, a 32-year veteran petroleum geologist who worked with Amoco (prior to its merger with BP), on the same day as the release of the IEA's 2012 annual report, told OilPrice that "the decline rates shale reservoirs experience... are incredibly high." Citing the Eagleford shale—the "mother of all shale oil plays"—he pointed out that the "annual decline rate is higher than 42 percent." Just to keep production flat, oil companies will have to drill "almost 1000 wells in the Eagleford shale, every year... Just for one play, we're talking about $10 or $12 billion a year just to replace supply. I add all these things up and it starts to approach the amount of money needed to bail out the banking industry. Where is that money going to come from?" Chesapeake Energy recently found itself in exactly this situation, forcing it to sell assets to meet its obligations. "Staggering under high debt," reported the Washington Post, Chesapeake said "it would sell $6.9 billion of gas fields and pipelines—another step in shrinking the company whose brash chief executive had made it a leader in the country’s shale gas revolution." The sale was forced by a "combination of low natural gas prices and excessive borrowing." The worst-case scenario is that several large oil companies find themselves facing financial distress simultaneously. If that happens, according to Berman, "you may have a couple of big bankruptcies or takeovers and everybody pulls back, all the money evaporates, all the capital goes away. That's the worst-case scenario." To make matters worse, Berman has shown conclusively that the industry exaggerated EURs (Estimated Ultimate Recovery) of shale wells using flawed industry models that, in turn, have fed into the IEA's future projections. Berman is not alone. Writing in Petroleum Review, U.S. energy consultants Ruud Weijermars and Crispian McCredie argued there remains strong "basis for reasonable doubts about the reliability and durability of U.S. shale gas reserves," which have been "inflated" under new Security & Exchange Commission rules. The eventual consequences of the current gas glut, in other words, are more than likely to be an unsustainable shale bubble that collapses under its own weight, precipitating a supply collapse and price spike. Rather than fuelling prosperity, the shale revolution will instead boost a temporary recovery masking deeper, structural instabilities. Inevitably, those instabilities will collide, leaving us with an even bigger financial mess, on a faster trajectory toward costly environmental destruction.

## 2. Overproduction ensures gas bubble—causes rapid collapse of the industry

**Callahan, PhD Chemist, 12**

(Jonathan, worked for almost 20 years as a data analysis/data visualization expert for various Federal science agencies, February 6, 2012, “Gas boom goes bust”, <http://www.energybulletin.net/stories/2012-02-06/gas-boom-goes-bust>, 2/5/13, atl)

The current boom in drilling for ‘unconventional’ gas has helped raise US production to levels not seen since the early 1970′s. This has been an incredible boon to consumers and has kept spot prices contained below $5 per million BTU for the past year, recently dropping below $3/mmbtu. Unfortunately, this price is below the cost of production for many of these new wells. When the flood of investment currently pouring into natural gas drilling operations dries up, the inevitable bust will be as scary as the boom was exciting. The Problem A well written and realistic overview of the situation appeared in a Dec. 6, 2011 article in Rigzone: [Musings: Imagining The Future for The Natural Gas Industry](http://www.rigzone.com/news/article.asp?a_id=113141). In this article, author G. Allen Brooks focuses on the damaging impact low natural gas prices have on the industry. The following excerpt captures the main message of the article: Gas shale wells are expensive to drill and complete as well are the cost of the leases on which they are drilled. Even though initial gas production from shale wells is huge, the low price has depressed the amount of cash companies are receiving. As a result, producers are spending well in excess of their cash flows. To supplement cash flow, producers have engaged in every known trick in the finance book to boost available funds. These tactics include hedging forward future production whenever high prices are available, tapping Wall Street to raise equity and debt, and seeking out relationships such as joint ventures with larger, and often foreign, oil and gas companies. In order to access Wall Street capital, producers have needed to demonstrate that they are being successful in exercising a strategy for aggressive wealth creation. That means aggressively buying acreage and drilling wells. Exercising a successful strategy often creates a vicious cycle – more acreage and wells equals increased production and depressed prices. This cycle will continue as long as the music (Wall Street’s money) continues to flow. Once that stops, we will see how many producers can find a chair in the room. In the meantime, the fun continues! Let’s review the pertinent facts and big trends to try to understand the situation and get a sense of the most likely outcomes. The Backstory In recent years, the news media have contained lot of hype and misinformation about energy issues. Energy reporting is plagued with incorrect/inconsistent use of units, misleading charts and a general lack of critical thinking. In order to put the current natural gas crisis in context we need to understand the role of natural gas in the United States economy. A review of publicly available data can help provide unbiased answers to several key questions. Question 1) How does natural gas figure into our overall energy consumption? Figure 1) from the [Energy Export data browser](http://mazamascience.com/OilExport) shows US energy consumption of the five primary sources of energy: nuclear, coal, oil, gas and hydro-electric. Data are in consistent units of “million tonnes of oil equivalent” (mtoe) as provided in the[British Petroleum Statistical Review](http://www.bp.com/sectionbodycopy.do?categoryId=7500&contentId=7068481). [[1](http://www.energybulletin.net/stories/2012-02-06/gas-boom-goes-bust#footnote_0_940)] The general trend toward increased energy consumption is obvious as are dips due to the 1973 and 1980 oil crises as well as the economic crash in 2008. Initial data for 2010 show a return to increased consumption following the massive injection of Federal stimulus money. We can also see that oil is the primary source of energy in the United States and that natural gas has recently outpaced coal in importance. In 2010, natural gas accounted for 30% of total energy use. Figure 1) US consumption of energy from primary sources. Question 2) What is the balance of production and consumption for natural gas? Figure 2) uses the difference between production and consumption data to estimate net imports/exports of natural gas. Production matched consumption throughout the 70′s and 80′s. Since 1990, the US has had a pretty steady import habit with almost all of the imports coming from Canada. [[2](http://www.energybulletin.net/stories/2012-02-06/gas-boom-goes-bust#footnote_1_940)] Production has been increasing quite steadily since 2006 but we have also seen increased consumption some years resulting in only a small decrease in imports. Nevertheless, it would only take a modest conservation effort for the US to become “energy independent” with respect to natural gas. Unless, that is, more consumption switches from using oil as a fuel to using natural gas. As we saw in Figure 1), replacing even a fraction of our oil use with natural gas would quickly overwhelm US natural gas supply. Figure 2) Production (gray), consumption (black line) and imports (red) of natural gas. Question 3) How is natural gas used in the United States? The US Energy Information Administration has data on [Natural Gas Consumption by End Use](http://www.eia.gov/dnav/ng/ng_cons_sum_dcu_nus_m.htm). Figure 3) shows the categories tracked by the EIA along with one more that appears to be planning for the future. Natural gas vehicles currently account for only 0.14% of total consumption. Figure 3) US Natural Gas consumption by sector. Question 4) How have natural gas prices evolved? Figure 4) brings together data from three different EIA datasets [[3](http://www.energybulletin.net/stories/2012-02-06/gas-boom-goes-bust#footnote_2_940)] It is clear that prices before the year 2000 were relatively stable compared with prices after 2000. The increase in drilling rig activity after 2000 is also evident along with a significant increase in marketed production of natural gas beginning in about 2006. Figure 4) US Natural Gas Production, Active Rigs and Wellhead Price It’s worth having a closer look at the period since 2000 as seen in Figure 5). Here we can see how the number of active rigs often closely follows the price with a 6-12 month delay. The connection between number of rigs and production is less obvious but it seems clear that the sustained rise in active rigs after about 2002 has been responsible for the steady increase in production since 2006. Surprisingly, the rapid drop-off in drilling activity since 2009 has yet to result in any decrease in production. A detailed explanation of the four price spikes seen in the chart is given in a March 6, 2009 Oil Drum post: [The Anatomy of a Natural Gas Price Spike – Past and Future](http://www.theoildrum.com/node/5169). Figure 5) Natural gas production, rigs and price since 2000. Question 5) How much natural gas is in storage? According to the EIA [Short Term Energy Outlook](http://www.eia.gov/forecasts/steo/report/natgas.cfm), a warm winter has left the use US with record amounts of natural gas in storage for this time of year. Figure 6) shows that the US is currently above the upper range of historical levels and are projected to stay there. Nothing is certain, of course. A disruptive hurricane, a bitterly cold and extended winter, or a punishing summer heat wave could bring storage back down. But without any of these extreme-weather events the EIA is projecting that the natural gas glut will continue for at least the next two years. Figure 6) Natural gas storage levels. The Finance Story As is evident in the graphs above, a recent increase in natural gas production, combined with decreased consumption due to a warm winter, is leading to a supply demand imbalance and very low prices in the United States. The question that now arises is: To what extent can current prices support additional drilling? To answer this question, we need to understand how energy companies use the markets to hedge — to sell product forward to lock in a price. Question 6) How does ‘hedging’ work? Drilling a natural gas well takes time, typically from 3-6 months from spudding until completion. When drilling begins, companies have an estimate of what it will cost to complete a well. If they hire talented geologists, they will have a reasonable guess as to the amount of natural gas they hope to find. What they don’t know is what price that natural gas will command 6 months – 2 years down the road. For this they have two options: 1) gamble that the price in a year will be high enough to generate a profit; or 2) ‘hedge’ by selling production forward on the futures market. There is always a market today for natural gas that is to be delivered in the future. ([Henry Hub natural gas futures](http://www.cmegroup.com/trading/energy/natural-gas/natural-gas.html)). The sellers of these futures contracts are the natural gas producers who want to guarantee a price minimum. The buyers of these futures contracts are typically large consumers of natural gas like power plants who want lock in a price maximum. It’s basically the same thing as buying a season’s worth of heating oil at a fixed price the summer before the winter heating season. We can do a little time traveling by looking at what the futures contracts for natural gas were two years ago when the now 1-year-old producing wells were first penciled out on corporate balance sheets. A futures chain simply connects the futures contracts for one month out, two months out, etc. to form a continuous chain when plotted. Figure 7) shows futures chains for natural gas leading up to January 23, 2010. On that date, the futures chain had a seasonal cycle which shows that natural gas prices are generally expected to go up for the winter heating season and then down in the spring. Figure 7) also shows what was expected at that time to be a generally increasing price trend. Figure 7) Natural Gas futures chain from Jan 23, 2010. On January 23, 2010, natural gas for delivery in February of 2012 could have been hedged (sold forward) at ~ $7/mmbtu and would have generated a tidy profit if well completion costs ended up in the $4/mmbtu range. (Please note that futures prices are given per million BTU while production is given in units of thousand cubic feet. The conversion factor depends upon the gas stream but is typically somewhere between 1020-1100 BTU/thousand cubic feet. A very rough conversion is 1 thousand cubic feet (kcf) ≈ 1 million BTU (mmbtu).) Things looked a little different in late January, 2012 as seen in figure 8). On January 22, 2012, if companies hedged 100% of their production 6-24 months out they would have gotten less than $4/mmbtu in February 2014. Figure 8) Natural gas futures chain from January 22, 2012 To make things clearer, lets take a look at the evolution of a single futures contract — the four-month futures contract. If you started drilling a well today you might hope to have significant production in four months and could lock in a price with the four-month futures contract. Figure 9) shows how the price of that contract has evolved over the last two years, briefly touching $4/mmbtu on a few occasions before moving decidedly lower on October 15, 2011. Figure 9) Evolution of natural gas four month futures contract. Question 7) Who can make money at these prices? From figure 4) we know that prices below $4/mmbtu were typical before 2000 but very rare since then. Given our lead off quote’s contention that “gas shale wells are expensive to drill and complete” we need an assessment of which shale gas plays can turn a profit when prices are below $4/mmbtu. Luckily, Goldman Sachs already did this analysis as reported in a [recent presentation by Range Resources](http://www.google.com/url?sa=t&rct=j&q=%22goldman%20sachs%22%20%22shale%20gas%22%20range%20resources%20ventura&source=web&cd=1&ved=0CDAQFjAA&url=http%3A%2F%2Fphx.corporate-ir.net%2FExternal.File%3Fitem%3DUGFyZW50SUQ9NDUxNzk4fENoaWxkSUQ9NDc2OTUwfFR5cGU9MQ%3D%3D%26t%3D1&ei=XOclT4iNGuapiALDxdzMBw&usg=AFQjCNHs4hIMvTioPan422oVmrRtg534lA&sig2=zjzB4LVt82pgZAcanUMaZQ). (I would encourage anyone interested in shale gas production and finance to look at this report. While I am often skeptical of corporate reports, this presentation answered a number of questions with detailed information and charts.) Slide 11 from this report contains information from the Goldman Sachs report on the NYMEX price required to produce a 12% Internal Rate of Return — the threshold for a project to receive financing. Transcribing the information from the Range Resource presentation and adding on $3/mmbtu and $4/mmbtu thresholds paints a rather ugly picture for the shale gas industry today as seen in figure 10). A detailed and even less optimistic study of well performance and potential profitability in various shale gas plays also appeared in an August 5, 2011 Oil Drum post: U.S. Shale Gas: Less Abundance, Higher Cost. Figure 10) Relative profitability of various shale gas plays The Bust The situation depicted in figure 10) is not just theoretical. With current spot and future prices below the cost of production, some companies are in trouble. Here are some newsworthy items to convince you that the jig is up — whatever the President said in the State of the Union speech. Jan 20: [Form 8-K for EQT CORP](http://biz.yahoo.com/e/120120/eqt8-k.html) In light of lower natural gas prices, the resultant reduction in projected cash flow, and consistent with its determination to live within its means financially, EQT Corporation has decided to suspend development in the Huron indefinitely. Jan 23: [Natural gas glut, low prices, prompt Chesapeake to cut exploration and production](http://www.washingtonpost.com/business/industries/natural-gas-glut-low-prices-prompt-chesapeake-to-cut-exploration-and-production/2012/01/23/gIQAJ8UoKQ_story.html) Faced with decade-low natural gas prices that have made some drilling operations unprofitable, Chesapeake Energy Corp. says it will drastically cut drilling and production of the fuel in the U.S. Jan 24: Prices continue to slide on gushers of natural gas “It would not surprise me to see gas prices below $2,” Schenker said. “If supply continues to outstrip demand in a massive way throughout the year, it’s going to be hard to find a bottom for the market.” Jan 26: Carbo Ceramics down almost 20% following disappointing earnings report Noting “challenges beyond typical seasonality,” the company said the severe decline in natural gas prices during the quarter led E&Ps to reduce capital spending, leading to a sequential reduction of about 70% in its Haynesville proppant sales volumes. Jan 30: [Comstock to focus drilling on oil plays](http://www.upstreamonline.com/live/article300752.ece) US producer Comstock Resources has become the latest gas-focused player to shift its investment away from natural gas amid low prices. Jan 30: [Natural gas price drops after Energy Dept. report shows supplies well above 5-year average](http://www.washingtonpost.com/business/markets/natural-gas-price-drops-after-energy-dept-report-shows-supplies-well-above-5-year-average/2012/01/26/gIQAzMcTTQ_story.html) Barring any unseasonable swings in the weather, natural gas companies likely will trim production by another 2 billion cubic feet per day this year, independent energy analyst Stephen Smith said. The Consequences Clearly, low prices are going to affect many in the industry. But that is not all. Low gas prices put pressure on other sources of energy used to produce electricity. Natural gas competes against coal and wind and solar photovoltaics and is now the lowest cost provider. We should expect 2012 to be a year in which we see a variety of knock-on effects: Natural gas producers and investors with poor hedge books and too much debt will end up in bankruptcy court. Drilling operations will focus on liquids-rich plays only. Jobs creation in the natural gas drilling industry will fall well short of expectations. Several older coal-fired plants will close. New wind power generation will fall — especially if the production tax credit is not extended. Natural gas fueled fleet vehicles should become more popular. Low gas prices will have positive and negative ripple effects throughout the economy. The final question one has to ask is: “How long will prices stay this low?” And that is one for which there is simply not enough public information available. It would take a serious accounting effort, using the production stats from all producing gas wells to make some decent estimates about decline rates. The bottom line is that natural gas is a cyclical industry which recently enjoyed a very large boom. As night follows day, a bust is sure to come. Based on the information presented above, I would humbly submit that it has just arrived.

## 3. New fracking regulations

**Plumer, Washington Post, 2012**

(Brad, “How states are regulating fracking (in maps)”, 7-16, <http://www.washingtonpost.com/blogs/ezra-klein/wp/2012/07/16/how-states-are-regulating-fracking-in-maps/>, DOA: 1-17-13, ldg)

Armed with new drilling techniques, companies are spreading out across the United States, cracking open shale rock in search of vast new stores of natural gas. It’s not an exaggeration to say that hydraulic fracturing, or “fracking,” has revolutionized the U.S. energy industry. Cheap natural gas has become America’s top source for electricity, displacing coal and bringing back jobs to once-decaying states like Ohio.But the fracking boom has also led to plenty of environmental concerns. Local communities are worried that the chemicals used to pry open the shale rock can contaminate nearby drinking water supplies. (So far, there’s scant evidence this is happening in places like Pennsylvania, but the science is still in its infancy.) Excess gas is often vented off, producing air pollution. And the disposal of fracking wastewater underground appears to be linked to earthquakes in places like Ohio. Confronted with these worries, states have responded with a patchwork of different regulations. But there’s a lot of variation between different states. And here’s a good way to track what’s going on: A helpful series of new maps, put together by Resources for the Future (RFF), gives an overview of how 31 states with significant shale gas reserves are treating different aspects of fracking. Here, for instance, is a look at which states require companies to disclose the chemicals they use in drilling. (Fracking is exempt from federal disclosure rules under the Safe Water Drinking Act.) Some states, like Pennsylvania — which sits above the gas-rich Marcellus shale formation — now require a full disclosure of chemicals. By contrast, Kansas, which is just beginning to see widespread fracking activity, is further behind: Meanwhile, the map below details how different states treat the “venting” or release of excess gas into the air. Just 22 of the 31 gas states have restrictions on this process, which can release both heat-trapping methane into the atmosphere as well as “volatile organic compounds” such as benzene that can produce smog and trigger health problems. Some states ban this practice entirely; others restrict it to emergencies or require that operators not harm public health: There are many more maps on RFF’s Web site, which is worth poking around on. In an introductory essay, RFF’s Nathan Richardson notes that these maps still provide just a partial picture — the details of laws matter, and more importantly, different states may enforce their rules with different levels of vigor. But it’s an invaluable resource all the same. The regulation of fracking has become a low-level campaign issue, as well. The Obama administration is gradually putting forward federal regulations. The Department of Interior is drafting rules for fracking on publicly-owned lands (where about 38 percent of the country’s gas reserves sit, according to the American Petroleum Institute). The Environmental Protection Agency, meanwhile, is slowly getting in on regulation and has proposed rules that will require all producers to phase out venting by 2015 and capture their waste methane instead. Mitt Romney, by contrast, has criticized the federal approach. In his “Believe in America” economic plan (pdf), he warns that the EPA should not “pursue overly aggressive interventions designed to discourage fracking altogether.” By contrast, Romney praises states for having “carefully and effectively regulated the process for decades.” Indeed, many Republicans believe that fracking regulations should be mainly left to the states, which can issue rules more speedily and can tailor regulations to the specific needs of their communities. Environmentalists, by contrast, worry that this will create a race to the bottom whereby states pare back their rules — or enforce them weakly — in order to compete for business. Both sides agree that addressing the public health and environmental aspects of fracking isn’t costless. The International Energy Agency recently estimated that addressing all of the various concerns could boost the price of natural gas by roughly 7 percent. Yet the IEA also warned that if these rules weren’t adopted, public outcry and protests could stop the shale gas boom altogether. Anti-fracking protests like those in New York state could become the norm. And that, the IEA notes, could prove even more costly to the gas industry

# Contention Two

## Russian economy is on a collision course- only energy diversification can spur structural reforms

**Mergenthaler and Bishop, Strategic Foresight deputy head and project manager for WEF, 13**

(Steven and Andrew, WEF = World Economic Forum, January 23, 2013, “Russia: a great run but an uncertain future”, http://blogs.ft.com/beyond-brics/2013/01/23/davos-2013-wef-report-urges-russia-to-tackle-corruption-and-accelerate-reform/#axzz2K8TSRAha, 2/6/13, atl)

The Russian economy has had a great run over the past decade, as evidenced by its seven-fold increase in GDP per capita between 2000 and 2011 and the ensuing consumption boom that has spurred investment in sectors ranging from information technology to retail. Yet despite this impressive growth story, the factors that underpinned Russia’s economic development over the past ten years are fraught with growing uncertainty. As the World Economic Forum’s [Scenarios for the Russian Federation](http://www3.weforum.org/docs/WEF_Scenarios_RussianFederation_Report_2013.pdf) published highlights, Russia’s economy has grown substantially over the past years, but it has also grown increasingly fragile. The country has missed an opportunity to use the large energy windfalls of the past decade to reform its institutional environment and make itself more resilient to future shocks by nurturing a dynamic and diversified economic base. Instead, energy revenues have mostly served Russia to balance its institutional shortcomings, indicating an increasingly unsustainable path to the future. Corruption has gone unabated in the country despite a significant increase in GDP, while growing spending on an ever-larger government apparatus has failed to improve the delivery of public services in sectors ranging from health to infrastructure (see charts). In part because of this, popular discontent has been on the rise regardless of the increasing material comfort enjoyed by the country’s growing middle class, and capital outflows have accelerated. While the near-continuous rise in oil prices over the past decade helped stabilize the Russian economy in spite of these shortcomings, high oil prices are never set in stone. There is growing evidence that energy abundance may become the new dominant paradigm and not merely in the United States, where the shale gas revolution is already transforming global energy markets. Europe’s and China’s shale gas reserves could provide them with a significantly enhanced negotiating position and make it increasingly difficult for Russia to sustain its high export revenues (see chart). Exploiting these and other new resources could lead to a substantial, if progressive, decline in global oil prices. A quick glance at the world’s leading energy demand and oil price projections supports this concern for Russia, pointing to a highly uncertain future for the fossil fuels upon which the country’s current economic model is so dependent (see chart). But even if oil prices remain high, Russia risks failing to capitalise on its energy potential. The country critically needs to upgrade investments in its production capacities in order to move beyond ailing legacy fields and exploit untapped potential in less accessible areas including the Arctic. It also needs to adapt its business relationships and supply infrastructure in order to capitalise on new demand centres in the Far East and compete ina tough global LNG market. Achieving these goals requires greater competition in domestic markets and a more reliable institutional environment that supports innovation and long-term investments. But if these adjustments appear difficult to proceed with in times of growth, they will be near-impossible to implement in times of crisis. Russia’s predominant focus on oil and gas also easily masks significant sources of opportunity. For instance, a strategic move would be for the country to exploit its abundant natural resources beyond oil and gas to benefit from its rich land, water and food supplies in a context of increasing global resource scarcity. One way this could be facilitated would be through increased support to be given to Russia’s diverse and promising regions. Recent elections have indeed shown that their initiatives, often independent of the central government, are more than ever catalysing hopes in business and politics alike. To fully exploit the potential of its economy, it is clear that Russia needs to address these reforms in a structural fashion. Given the tight interplay between energy revenues, institutional reforms and the country’s social cohesion, piecemeal approaches are bound to disappoint. The most promising way for Russia to thrive in a drastically changing world is for the country to develop institutions open and flexible enough to face the forces reshaping its future both within and beyond its borders.

## The impetus exists now—only a bridge towards energy diversification spurs sustainable political change

**Whitmore, Radio Free Europe Senior Correspondent Central News, 13**

(Brian, January 2, 2013, “Russia's Tumultous Year to Come”, http://www.theatlantic.com/international/archive/2013/01/russias-tumultous-year-to-come/266748/, 2/20/13, atl)

It began with a roar and it ended with a whimper. As 2012 wound down in Russia, the soaring expectations for change that accompanied the civic awakening and mass protests at the year's dawn had clearly faded. But the social, economic, and political forces that spawned them will continue to shape the landscape well into the new year. A fledgling middle class remains hungry for political change, splits still plague the ruling elite over the way forward, and a fractious opposition movement continues to struggle to find its voice. With the Kremlin unable to decisively squelch the mounting dissent and the opposition unable to topple President Vladimir Putin, Russia has entered an uneasy holding pattern that has the feel of an interlude between two epochs. "I don't think we are at the end of the Putin era, but we are at the beginning of the end," says longtime Russia-watcher [Edward Lucas](http://en.wikipedia.org/wiki/Edward_Lucas_%28journalist%29), international editor of the British weekly The Economist and author of the recently published book, Deception. With economic headwinds on the horizon, generational conflict brewing, and new political forces developing, Russian society is changing -- and changing rapidly. But the political system remains ossified. So what can we expect in 2013? Below are several trends and issues to keep an eye on in the coming year. The Oil Curse: Energy Prices And The Creaking Welfare State If 2012 was all about politics, 2013 will also be about economics. The Russian economy, the cliche goes, rests on two pillars -- oil and gas. And both will come under increasing pressure as the year unfolds. World oil prices, currently hovering between $90 and $100 per barrel, are expected to be volatile for the foreseeable future. And any sharp drop [could prove catastrophic](http://www.rferl.org/content/russias-next-crisis-putin-economy-oil/24599750.html%5D) for the Russian economy. Energy experts and economists say Russia's budget will only stay balanced if oil prices remain between $100 and $110 per barrel. Five years ago, the figure needed for a balanced budget was $50 to $55. Meanwhile, Moscow's dominance of the natural gas market is being challenged by the development of new energy sources like shale gas and liquefied natural gas. [Nikolas Gvosdev](http://www.acus.org/users/nikolas-gvosdev), a professor of national security studies at the U.S. Naval War College, suggests this could have far-reaching implications for Russia. "The Russians are going to have to face, just as the Saudis did in the 1980s, the possibility of dropping energy prices," he says. The flush days when petrodollars could power Russia's economy and lubricate Putin's political machine are coming to a close. How the political system responds to these challenges will be a key question in 2013. Leading Russian economists like Deputy Prime Minister Arkady Dvorkovich and former Finance Minister Aleksei Kudrin have stressed the need to diversify the economy away from its dangerous dependence on nonrenewable energy. Both Putin and Prime Minister Dmitry Medvedev have likewise made calls for diversification. But despite all the rhetoric, there has been little real action. Part of this is due to fierce resistance from powerful figures in the Russian elite with ties to the energy industry, like Rosneft CEO [Igor Sechin](http://en.wikipedia.org/wiki/Igor_Sechin), a longtime Putin crony. But the reasons for inaction are actually much more fundamental. Diversifying and modernizing Russia's economy would entail a degree of decentralization and the subsequent development of alternative centers of economic power. According to Edward Lucas this, in turn, would eventually lead to new centers of political power with more independence from the Kremlin than Putin appears willing to tolerate. "The decoupling of gas and oil prices, the large quantities of liquefied natural gas on world markets, the growth of shale gas have all [diminished the regime's] ability to collect natural resource rents," Lucas says. "And the collection and distribution of those rents is central to its model." With resources declining and no economic diversification program in sight, the authorities appear to have concluded that they need to reform the country's creaking social welfare system. But such a move is certain to be politically volatile, especially since Putin's main base of support is now the rural poor and the working classes. The Kremlin is still haunted by the protests that broke out in 2005 when the government attempted reforms to the social safety net. Fathers And Children: The Looming Generational Conflict When Putin took power in 2000, the 40-something former spy looked like an energetic young leader, especially compared to his geriatric predecessor, Boris Yeltsin. But more than a decade later, he and his team are aging together. And by most accounts, they intend to remain in office at least until 2018 -- and possibly until 2024. By that time, much of his ruling circle will be in their 70s. The comparisons to Leonid Brezhnev that accompanied Putin's return to the Kremlin were not superfluous. In addition to the fears of stagnation, the graying of Team Putin also sets the stage for a generational conflict within the elite. "The lack of institutional mechanisms for promotion and rotation is a problem because, when you don't have that, it leads the younger generations to get frustrated if they don't believe there is a way to advance within the system," says Gvosdev. "If everything is blocked off it creates tension. You can't just freeze the government establishment because the energy of people is going to be directed toward breaking into it or replacing it, and that becomes a danger." How this generational discord develops will be one of the key underlying trends to watch in 2013. This is especially true since a whole new cohort entered the elite over the past four years. During his presidency, Dmitry Medvedev made a concerted effort to bring younger cadres into the Kremlin, which analysts say [added a political element](http://www.rferl.org/content/the-cold-war-in-the-kremlin/24715805.html) to the generation gap. "Real fragmentation is taking place by age because Medvedev rejuvenated the system of administration," prominent Moscow-based sociologist Olga Kryshtanovskaya told the daily[Nezavisimaya gazeta](http://www.ng.ru/politics/2012-08-24/1_sopromat.html) this summer. "The more conservative older part of the elite was irritated by this and moved toward Putin. And those who were younger moved toward Medvedev in hopes of a quick career if Medvedev remained for a second term." The young guns who came in with Medvedev are also ideologically inclined toward greater pluralism. "Many observers are convinced that these leaders are giving financial support to the opposition," Kryshtanovskaya said. The generational gap in the elite is mirrored by a similar one in society as the cohort born after the fall of the Soviet Union -- and which has only faint memories of the chaos of the 1990s -- comes of age. "This group of citizens sees itself as not only post-Soviet, but non-Soviet," says [Masha Lipman](http://www.carnegieendowment.org/experts/?fa=expert_view&expert_id=189) of the Moscow Carnegie Center. "They don't consider themselves to be vassals of the state. They are more free thinking." Lipman adds that this younger generation is helping fuel Russia's civic awakening. "This process is irreversible," she says. "And as Russia continues to urbanize and cities become centers for younger people, this process will only accelerate." Strange Bedfellows: When Aleksei Meets Aleksei When speculation emerged that anticorruption blogger Aleksei Navalny and former Finance Minister Aleksei Kudrin [may be cooperating](http://www.rferl.org/content/when-aleksei-meets-aleksei/24790434.html) politically, it raised eyebrows among Kremlin-watchers. The reason for the interest goes much deeper than an abiding fascination with these two emerging players on the political scene. An alliance of the Alekseis would have pointed to one of the key developments analysts have been watching for since mass protests broke out a year ago: collaboration between the technocratic wing of the elite and moderate elements in the opposition. Such a marriage makes sense in many ways. Elite technocrats understand that Russia is dangerously dependent on energy exports, that current levels of corruption are unsustainable, and that in order for the economy to diversify and modernize, the political system will need to become more pluralistic. Moreover, as moderate opposition activists come to understand that a colored revolution in Russia is unlikely, they are more likely to place their hopes in evolutionary change. And in the event that the Putin regime begins to look dangerously shaky, overtures from inside the halls of power to the opposition will become more likely. "We are going to see more people toying with defection to the opposition, people opening up back channels," says [Mark Galeotti](http://inmoscowsshadows.wordpress.com/author/markgaleotti/), the author of the blog "In Moscow's Shadows" and a professor at New York University. "We're going to see the economic elite trying to reach out [to the opposition] and this is going to be very dangerous for the state." On the opposition's Coordinating Council, a bloc is already emerging that seeks to negotiate political change with willing elements in the Kremlin, rather than trying to topple the regime, according to press reports. The faction apparently includes 16 members of the 45-seat council. In addition to Navalny and his backers, it reportedly includes socialite-turned-activist Ksenia Sobchak and her supporters as well as longtime opposition figure Ilya Yashin, and entrepreneur Aleksandr Vinokurov, the co-owner of Dozhd-TV. For his part, Kudrin has been [trying to position himself](http://www.rferl.org/content/kudrins_game_the_man_in_the_middle/24536581.html) as a bridge between the opposition and the authorities to foster what he calls "evolutionary change" toward greater pluralism. So has billionaire oligarch and former presidential candidate Mikhail Prokhorov. If a bridge is ultimately built between the opposition and the technocratic wing of the elite, it could result in negotiated political reforms, in the coopting of a vital wing of the Kremlin's opponents -- or a measure of both. "I think it is more likely that as we see divisions within the regime that one faction tries to exploit public discontent," says Lucas. "It will still be kind of inside baseball rather than a 1917-style change." Beyond The Street: Will The Opposition Mature? Bouts of soul searching are an inevitable ritual after the past few opposition demonstrations.

**Key to preventing Russian neo-imperialism and war**

**Blank, SSI National security affairs professor, 7**

(Stephen, Ph.D. in history from the University of Chicago, Strategic Studies Institute, “Russian Democracy, Revisited,” Spring 2007, <http://www.securityaffairs.org/issues/2007/12/blank.php>, DOA: 12-18-11, ldg)

Gvosdev defends his brand of realism as a moral policy based on prudential calculations that seek to maximize benefits and minimize losses. In other words, while Russia is admittedly far from an ideal state, we can live with it as it is. But is this policy towards Russia realistic in Gvosdev’s own terms? In fact, Russia’s foreign policy is fundamentally adversarial to America and to Western interests and ideals. Moreover, thanks to **Russia’s domestic political structure**, not only will this foreign policy trend expand if unchecked, it **will almost certainly lead Russia into another war**. Russia’s conduct in 2006 serves as a microcosm of this problem. Last year, Russia gratuitously provoked international crises by threatening Ukraine, Moldova, Belarus and Georgia over energy. It showed neither the will nor the capacity to arrest or reverse proliferation in Iran or North Korea. It displayed its readiness to amputate Georgia by force and annex its former territories to Russia. It attempted to undermine the OSCE and block it from fulfilling its treaty-mandated functions of monitoring elections. It refused to negotiate seriously over energy and economics with the European Union. It recognized Hamas as a legitimate government, gave it aid, and sold it weapons. And it sold weapons to Iran, Venezuela, China and Syria, knowing full well that many of these arms will be transferred to terrorists. At home, meanwhile, Russian President Vladimir Putin is widening state control over ever more sectors of the economy, including defense, metals, and the automotive industry. Foreign equity investment in energy and many other fields is increasingly excluded from Russia in favor of Kremlin-dominated monopoly. Russia is even seeking to convert the Commonwealth of Independent States (CIS) into an oil and gas cartel that supports its own interests, rather than those of other producers. Possibly, the United States can abide such a Russia. But it is clear that America’s partners and allies, particularly those in Eastern Europe and the “post-Soviet space,” cannot long live with a government whose policies seem essentially driven by a unilateralist quest for unchecked power. Russia’s current objectives seem to be incompatible with any notion of world order based on the principles accepted by it and its partners in 1989-91. Russia evidently covets recognition as a great power or energy superpower free from all international constraints and obligations and answerable to nobody. As the political scientist Robert Legvold wrote back in 1997, Russia “craves status, not responsibility.”[1](http://www.securityaffairs.org/issues/2007/12/blank.php#footnotes) It should come as no surprise that this irresponsibility still characterizes Russian diplomacy. After all, it is the hallmark of the Russian autocracy which Putin has restored with a vengeance. Autocracy logically entails empire, an autarchic and patrimonial concept of the Russian state that is owned by the Tsar, controlled by his servitors, and which survives only by expansion. Just as autocracy means that the Tsar is not bound by or responsible to any domestic institution or principle, it also means that in foreign policy, Russia does not feel obligated to honor its own prior treaties and agreements. The struggle to get Moscow to adhere to the 1999 OSCE Summit accords it itself signed—as well as its conduct during the Russo-Ukrainian energy crisis of 2006—fully confirms that point; whatever else happened in both cases, Moscow broke its own contract with the OSCE and with Kyiv. These are far from anomalies. Foreign Minister Sergei Lavrov himself said not long ago that Russia refuses to be bound by foreign standards, or conform to them.[2](http://www.securityaffairs.org/issues/2007/12/blank.php#footnotes) He has also insisted that the West respect Russian interests in the CIS, but shows no reciprocal respect for the treaties Russia has signed and since violated. Nor does he say that Russia must respect the interests of CIS governments themselves.[3](http://www.securityaffairs.org/issues/2007/12/blank.php#footnotes) By doing so, Lavrov has confirmed the warnings of analysts like Dmitry Trenin of the Carnegie Endowment for International Peace, who caution that Russia does not want to belong to a larger institutional grouping.[4](http://www.securityaffairs.org/issues/2007/12/blank.php#footnotes) Under these conditions, as both Western and Russian firms are learning all too well, property rights are conditional—if not entirely absent. Property is the Tsar’s to control, and he or his agents grant rents to their subordinates in return for service, which tragically is generally inefficient, self- and rent-seeking, and utterly corrupt. Today, this formula is visible in Russia’s pervasive official corruption, widespread criminality, and the absence of any sense of national interests among the country’s new “boyar” class. Such a system also entails an autarchic economy hostile to foreign investment and influence. Democratic and civilian control of Russia’s multiple militaries likewise is absent, and critics of the regime or reformers are routinely killed or threatened by those forces. The most recent examples of this tragic phenomenon are the assassinations of former FSB agent Alexander Litvinenko and journalist Anna Politkovskaya, and the attempted poisoning of former Prime Minister Yegor Gaidar. Russian and Western observers both recognize that the Tsarist model is back, albeit with some Soviet accretions. And true to this model, the Kremlin today operates largely by fiat and fear. Much of Vladimir Putin’s popularity clearly derives from the state monopoly over a large swath of the national media, growing fear of the police among ordinary Russians, and the sense of prosperity provided by seven years of (largely energy-based) economic growth. Absent the official cult of personality and with a free media, undoubtedly things would be rather different. All of which is to say that it is clear that, while the United States must engage with Russia, America cannot simply accept these deformities as the necessary price for doing business with Moscow. It is not simply a matter of “lecturing” Russia, as its elites have accused Washington of doing for decades. Genuine realism requires an engagement with Russia that respects its interests but which tells the truth and responds to its numerous violations of international obligations. Such realism also requires understanding that the reversion to Russian autocracy is not merely a matter of Russia’s sovereign choice, as Putin’s ideologues pretend. It is a threat to all of Russia’s neighbors because it inherently involves a quest for empire, since Moscow understands its full sovereignty to be attainable only if that of its neighbors is diminished. It is deeply ironic that Russia can pursue such policies today largely because of the West. In order to maintain its empire, Russia must offer all kinds of hidden and overt subsidies in energy, weapons, or other forms of economic and political currency. It can only afford to do so by charging its European energy customers full market price, even as it refuses to do the same at home. Likewise, for all its benefits, U.S. funding for Cooperative Threat Reduction enables Russia to spend ever more on its armed forces, which it otherwise could not afford to do. By itself, Russia cannot pay for the rising outlays on its armed forces, its ambitious goals for re-equipping them and converting them into a power projection force beyond its borders, or their current, bloated size. Under the circumstances, a realistic Western policy cannot abandon the borderlands to Moscow. If it has reason to believe that it enjoys freedom of action there, Moscow will promptly extend its dysfunctional political system to those lands, either directly or indirectly. In either case, it will create security vacuums which are ripe for conflict and which threaten both its own and European security. Russia’s inability to quell the Chechen uprising despite twelve years of utterly brutal warfare illustrates this quite clearly. Indeed, both wars with Chechnya (in 1994 and again in 1999) were launched to secure the domestic base of first the Yeltsin and then the incoming Putin regimes.[5](http://www.securityaffairs.org/issues/2007/12/blank.php#footnotes) Since then, the fighting has engulfed the entire North Caucasus, putting Russia, thanks to its own misguided policies, at greater actual risk of terrorism. It is precisely to avoid Russian expansionism and support for rogue regimes and proliferation that it is necessary to press Russia to return to the spirit and letter of the treaties it has signed and which make up the constitutional basis of Europe’s and Eurasia’s legitimate order. We should not pressure Russia because it is insufficiently democratic, but rather because it has freely given its word to treaties and conventions that must be upheld if any kind of international order is to be preserved. Admittedly, this means that America must reorient its policies to stop seeking to extend or impose democracy. No matter how deeply held, the ideas of the current Administration enjoy no special legitimacy abroad, whereas international obligations do. Likewise, we must make clear that while the interests of the kleptocracy that passes for government in Russia are advanced by lawlessness and imperial predation, neither the interests of the Russian people nor the security of Eurasia is advanced by such policies. Quite the contrary; those policies entail long-term stagnation and war, not progress, peace, or security. Thus a realistic policy towards Russia necessarily means realigning the values which we promote. They should be those of international law and of enhanced security for both peoples and states, not untrammeled unilateralism or that might makes right. But such realism also means fearlessly proclaiming and acting upon the truth that Russian scholars themselves know and admit: Russia today remains a risk factor in world politics.[6](http://www.securityaffairs.org/issues/2007/12/blank.php#footnotes) This is largely because its domestic political arrangements oblige Moscow to pursue a unilateral and neo-imperial policy fundamentally antithetical to the security of Eurasian states, including its own. **Accountability** is an important virtue for all states, but **for Russia** it **is indispensable**. Without it, the Kremlin could very well succumb to imperial temptation, at the cost of **international catastrophe**.

## Plan solves- geopolitical knock on effects ensures Gazprom diversification

**Washington Post 2012**

(“U.S. gas exports could limit Putin’s influence”, 9-25, <http://articles.washingtonpost.com/2012-09-25/opinions/35495338_1_natural-gas-gas-exports-prices>, DOA: 1-17-13, ldg)

Gazprom finances Russian President Vladimir Putin’s corrupt political system. Under Mr. Putin’s direction, it has also been a notorious international villain, tying delivery of its precious fuel, a matter of life and death during European winters, to the Kremlin’s political agenda. But with the United States no longer demanding massive quantities of liquefied natural gas from Russia or anywhere else — thus freeing up fuel for others — and gas production ramping up elsewhere, the economics that enable Gazprom’s abuse are changing. The company, to be sure, is still a monster. It claimed $44 billion in profit last year — and that’s just what it reported. It provides most or all of the natural gas for many Eastern European nations, and it still has lucrative long-term supply contracts with European customers that link Gazprom’s prices to the price of oil. However, a recent Brookings Institution analysis reported that a looser natural gas market has already empowered German utilities to renegotiate those contracts; some European customers are even ignoring them altogether and buying cheaper liquefied natural gas on spot markets. If the United States begins exporting natural gas, it would only encourage positive long-term structural changes in this international trade — away from Kremlin domination and toward a larger and more nimble world market. European countries would not be the only ones to feel this effect. Gazprom intends to enter the gas-hungry Asian market, and it might find that it has less leverage over its potential customers than it had expected to wield. If the economic case for allowing U.S. natural-gas exports, which we have made in other editorials, doesn’t persuade those fighting to limit them, the possible geopolitical benefits should. With new supply from America and others sloshing around the world market later this decade, Mr. Putin might have to make a choice **—** between propping up a dysfunctionalanddecreasingly profitable monopolyor finally liberalizing the Russian energy sector, to the benefit of customers, shareholders, Russia’s neighbors and, ultimately, Russia, too.

## That’s the lynchpin for broader foreign policy objectives—decrease in power only spurs impetus for change

**Aslund, Peterson Institute senior fellow, 2012**

(Anders, “Gazprom crisis casts shadow over Putin”, 9-27,http://www.ft.com/intl/cms/s/0/55c1aeb0-07c6-11e2-9df2-00144feabdc0.html#axzz2IQfMYRWu, DOA: 1-24-13, ldg)

For years, many analysts have said that Russia will reform only when the oil price falls because Gazprom seems to be the Kremlin’s main slush fund, which is now being drastically reduced. The Kremlin will have little choice but to forsake its mega-projects. It has already abandoned the mastodon Arctic Shtokman field. The next steps should be to back out of South Stream, the superfluous and exceedingly expensive pipeline project, as well as the planned gigantic sky-rise headquarters in St Petersburg. But that will hardly suffice. This dysfunctional former Soviet gas ministry will have to be cut up into real companies, which need to be privatised. Gazprom’s demise looks likely. With its demise, Russia’s revenues would dwindle. Mr Putin‘s model of state capitalism would suffer a devastating blow from Gazprom’s fall. If not even Gazprom is viable, which Russian state company is? Such an insight could give market economic reforms new impetus. After all, Russia just privatised $5.2bn of shares in Sberbank, the state savings bank.

## Now is key- Gazprom is weakening now but gas exports are critical to weaken Russian foreign policy and the EU monopoly

**Alic, ISA Intel co-founder, 12**

(Jen, Geopolitical Analyst, former editor-in-chief of ISN Security Watch in Zurich, October 4, 2012, “The Shale Gas Boom: How Scared is the Kremlin?”, http://oilprice.com/Energy/Natural-Gas/The-Shale-Gas-Boom-How-Scared-is-the-Kremlin.html, 2/7/13, atl)

Gazprom should be scared. The US has overtaken Russia as the largest producer of natural gas courtesy of the fracking revolution, the EU suddenly feels bold enough to rebel, and Moscow could very soon lose its grip on its European gas markets. By some accounts, the Kremlin is quaking in its cupola, but other accounts—mostly Gazprom’s—it’s simply biding its time until the gas prices rise again. In mathematical terms, the EU has rather belatedly decided that things aren’t adding up and that Europeans are paying too high a price for Russian gas and not benefitting at all from the natural gas boom in the US, which has boosted supplies and caused prices to drop significantly. While [Russia](http://www.realclearenergy.org/2012/10/01/next_cold_war_us_gas_boom_rattles_russia_249252.html) is selling its gas for about $10 a unit, the US is selling the same for about $3. Another variable has also surfaced: The US has become self-sufficient in natural gas and this has led other countries to shift exports of LNG destined for the US market to the European market. The prices of this non-Russian LNG is about half of what Gazprom is charging. This has somewhat worked to force Gazprom to cut prices in Western Europe, but it retains its stranglehold on Eastern Europe. Here is some more math: While Gazprom is the world’s single largest producer of natural gas, recording $44 billion in profits in 2011 alone, the company is in trouble. In September, Gazprom announced it was scrapping plans to develop a new arctic gas field, being short on funds, and its latest financial report shows a 25% drop in profits. (Incidentally, Gazprom was also recently wrong-footed by [Pakistan](http://www.businessweek.com/news/2012-10-01/putin-cancels-pakistan-trip-on-gazprom-snub-kommersant-reports), which decided not to go with the Russian giant for the construction of a gas pipeline from Iran to India through Pakistan. Putin responded by cancelling a state visit to Pakistan). Gazprom is attempting to make up for these shortcomings by looking [eastward](http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=newssearch&cd=13&cad=rja&ved=0CDMQ-AsoAjACOAo&url=http%3A%2F%2Fwww.upi.com%2FBusiness_News%2FEnergy-Resources%2F2012%2F09%2F27%2FGazprom-sets-eyes-on-Asian-economies%2FUPI-53151348737940%2F&ei=FBJsULrnN8TDswby1IHgBQ&usg=AFQjCNGRqk_VP82v77CNJq2QK8aWzCgcDg&sig2=OLrTl9J-1jhH5INfsiqc6w), to markets in Indonesia, [India](http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=newssearch&cd=2&cad=rja&ved=0CDUQqQIoADAB&url=http%3A%2F%2Fwww.neurope.eu%2Farticle%2Fgazprom-signs-lng-sales-deal-indias-gail&ei=UxFsUJ2PK8vdsgbhpYDAAQ&usg=AFQjCNG5_WHBzFmdb-04teA0ido8CTX-yQ&sig2=9dDXZnVbxsAPsMvLQ6fhDg), Japan and China in particular. But even in these increasingly desperate times, Russia is attempting to play hard ball with China, immovable on pricing. The Kremlin is now trying to get Beijing to fund [40%](http://www.themoscowtimes.com/business_in_brief/article/gazprom-wants-advance-pay/469035.html#ixzz2883a1N48) of the planned [Altai gas pipeline](http://www.forbes.com/sites/matthewhulbert/2012/09/29/president-putins-growing-gas-insanity/) stretching some 3,000 kilometers across Russia into China for $14 billion. This would be the trade-off for more reasonable gas prices, but so far, China doesn’t look likely to play along. Then we have reports of Gazprom-Kremlin [corruption](http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=newssearch&cd=1&cad=rja&ved=0CCwQqQIoADAA&url=http%3A%2F%2Fwww.themoscowtimes.com%2Fbusiness%2Farticle%2Fputin-targets-corruption-at-gazprom%2F469178.html&ei=UxFsUJ2PK8vdsgbhpYDAAQ&usg=AFQjCNGv5qe4YGFbaLkPmKwFnGVC2ctxsw&sig2=Mr0BmdyGwcz3d3hi4ErpfA). Two years ago, opposition politicians in Russia published a very attention-grabbing little booklet on how cronies of Vladimir Putin have fleeced Gazprom through pipeline construction kickbacks and below market value sales of Gazprom financial and media assets. The publication was not lost on shareholders, nor was the drop in dividends. Since 2008, Gazprom shareholder dividends dropped from $365 billion to $120 billion. The EU clearly thinks low gas prices will hold, otherwise it would not have been bold enough to launch formal proceedings against Gazprom for anti-competitive practices in a handful of Eastern European countries. To wit, the European Commission is investigating whether Gazprom is purposefully dividing gas markets by hinder the free flow of gas across EU states and imposing unfair prices. Significantly, though downplayed by Moscow, Gazprom on 29 September announced plans to restructure its European trading and logistics assets in a sign that EU pressure is having the desired effect. The EU could win this battle as long as it holds firm, which in turn will depend on gas prices. At the first sign of trouble, the EU will back down. Indeed, commenting on the EU’s investigation on 9 September, Putin noted that Gazprom’s prices were written in long-term contracts and that these principles had never been questioned before. It is an interesting point. The shale gas revolution and the resultant dip in gas prices have offered the EU the first opportunity to question Gazprom’s pricing “principles” without fear. In other words, it is the first time that Europe thinks it might have enough muscle to take on Gazprom. If one could substantiate widespread [rumors](http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=newssearch&cd=1&cad=rja&ved=0CC0Q-AsoATAA&url=http%3A%2F%2Fwww.businessinsider.com%2Frussia-and-shale-gas-2012-10&ei=UxFsUJ2PK8vdsgbhpYDAAQ&usg=AFQjCNHjtO-pKKSakdGGNp4HJK1DxBg5qQ&sig2=aqKPbNmGS0Z1hcxriKKUCw) that Gazprom is bankrolling anti-fracking protests with any concrete evidence, this would serve as one solid measure for determining exactly how concerned the Kremlin is. Gazprom’s scramble to hit eastern markets is also another measure, as is its attempt to make up for investment shortcomings by trying to convince China to front the costs of a massive pipeline that will otherwise not be built. Gazprom’s first mistake was its bullying of 2009, when it cut off supplies to Ukraine over a pricing quarrel. This was a power play whose message reverberated across Eastern and Western Europe. While it did much to demonstrate Gazprom’s power, it also gave the EU its first real impetus to find a way out of the Russian stranglehold. Momentum to that end was slow and littered with a handful of unviable pipeline plans, but the shale gas revolution, which Gazprom hadn’t counted on, changed that. Politically, all eyes are on Gazprom’s dwindling power base, from Brussels to Washington. Gazprom has been an extremely useful political tool for the Kremlin and diminishing that usefulness would be a geopolitical game-changer. Gazprom, however, remains insistent that the shale gas revolution is no cause for concern. In fact, Gazprom seems to think that we will soon see a halt of shale gas capital in the US and a subsequent rise in gas prices. This is where exports come in. If Washington wishes to take advantage of Gazprom’s losses, exports will be key. A US commitment to natural gas exports will further irk Gazprom, but on this sensitive (campaign) issue we are not likely to see movement until after the elections. The Obama administration is stalling on the issue under pressure from the Sierra Club and others, who claim exports would lead to a price increase. Exports are likely to go ahead though because they will politically too tempting to resist and because natural gas producers are itching to see this happen. If the US starts exporting natural gas, this will give Europe that much more bargaining power against Russia.

## Only US exports solve- current liberalization efforts reestablish EU stronghold and ensures a resilient gas base

**Weinschenk, Oil & Energy Daily Senior Analyst, 2/20**

(Matthew, February 20, 2013, “How to Profit from Putin’s Latest Chess Move”, http://www.oilandenergydaily.com/2013/02/20/putin-gazprom-natural-gas/, 3/5/13, atl)

Russia is no stranger to the geopolitical chess match taking place across the world’s energy landscape. In fact, Russian President Vladimir Putin just might be a grandmaster. And his latest move has implications for some of the world’s biggest energy magnets, as well as investors. Last week, Putin announced his intention to end Gazprom’s ([OGZPY](https://www.google.com/finance?q=OGZPY&ei=Jc0jUeD0Isna0QGUkwE)) national monopoly on exporting liquefied natural gas (or LNG). Gazprom had been the only Russian natural gas producer allowed to export the fuel since 2006. In case you didn’t know, Russia is a big deal when it comes to natural gas. The country produced 667 billion cubic meters in 2012, which is about 20% of global production. And it alone accounts for one-quarter of Europe’s gas imports. In fact, Poland and Ukraine currently get 70% of their gas from their Eastern neighbor, while Bulgaria, Finland, Belarus, Slovakia, Moldova, Georgia, Estonia and Latvia get all of their natural gas from Russia. However, Russia has a long history of using its position as Europe’s largest supplier for political gain. For years, the country has been gouging Eastern Europe with high gas prices and one-sided contracts. And when the former Soviet satellite states fight back, all of Europe suffers with gas shortages in the dead of winter. As a result, Europe has been turning to other fuels (like coal and nuclear) and other suppliers (like North Africa). Additionally, many European countries are looking to the West for help developing domestic shale reserves to build their own natural gas supplies. That, along with a severe economic slump, has caused European demand for Russian gas to drop 7% over the past year. Russia now realizes it’s losing its stranglehold, which is troubling for a country whose government gets roughly half its income from gas exports. That’s the impetus for Putin’s latest chess move. Putin is betting that by opening up his country’s natural gas exports to competition, he will force Gazprom to abandon its above-market prices. But in return, European demand will rebound and more Russian energy giants – namely Rosneft ([RNFTF](https://www.google.com/finance?q=RNFTF&ei=Q9AjUdCdJcna0QGUkwE)) and Novatek ([NOVKY](https://www.google.com/finance?q=NOVKY&ei=qtAjUdKjI4n40gHNfw)) – will benefit. The end result: higher revenue overall. Aside from the Russian government, the most obvious beneficiary here is Novatek, which trades on the U.S. over-the-counter market. Novatek already exports LNG by using Gazprom as a financial intermediary – an arrangement that hampers Novatek’s flexibility in pricing and delivery. It’s also undertaken a $20-billion project to build the Yamal LNG facility, liquefy natural gas and ship it by tanker. That makes it the top prospect to crack Gazprom’s monopoly. Novatek expects to start booking contract sales for this facility this year. Those contracts will then be used to secure project financing, because Yamal won’t actually be built until 2017. Cost-wise, Novatek projects that exports from this facility will be able to compete in price in all parts of the world, except the United States. Of course, it’ll be some time before these reforms take place, and even longer before the full force of Russia’s exports will be felt. We still don’t know exactly how relaxed the monopoly will become. But Gazprom actually owns 10% of Novatek (this is Russia, after all) so Gazprom isn’t going to throw its full weight behind blocking the reforms. And “the chase” continues,

## Gazprom is the lynchpin of Russian energy aggression—spirals into inevitable SCO great power war, Senkaku conflict, terrorism, and kills US-Russian relations

**Lin, former DOD China Affairs policy planning director, 2009**

(Christina, “The Prince of Rosh: Russian Energy Imperialism and the Emerging Eurasian Military Alliance of the Shanghai Cooperation Organisation”, 2-11, <http://www.isn.ethz.ch/isn/Digital-Library/Publications/Detail/?lng=en&id=96417>, DOA: 2-2-13, ldg)

After the end of the Cold War and a period of Perestroika, the post 9/11 world ushered in once more a period of Realpolitik in the international security environment. However, Russia’s prime minister and former president Vladimir Putin appeared to have the foresight that Perestroika would not last: his 1997 Ph.D. dissertation at the St. Petersburg Mining Institute viewed the demise of the Soviet Union as the ‘greatest catastrophe of the 20 th century’ and argued for utilising the Russian resource sector to once again reassert Russia’s imperial status. 2 Indeed, under his leadership beginning in 1999 3 , he has systematically established Gazprom and energy as the bedrock of Russian foreign policy and power projection around the globe, and through the bloc of the Shanghai Cooperation Organisation (SCO), 4 is asserting its power in the Eurasia region spanning from the EU to Iran in the Middle East, to the Caspian Region/Central Asia and onto South Asia and the Far East. Its foreign policy of weaponisation of energy is demonstrated by invasion of Georgia in 2008 over the BTC pipeline that bypasses Russian control, cutting gas and oil supplies to former Soviet Republics, dividing New Europe and Old Europe via bilateral energy deals with Germany (e.g., Nord Stream), Italy (e.g., South Stream to undermine Nabucco 5 ), at the expense of Ukraine, Poland, Czech Republic, Belarus, etc. Moreover, Russia has emphasised SCO interests over UNSC interests, and have, along with its SCO partner China, consistently watered down UNSC sanctions against Iran (SCO observer member) and DPRK 6 nuclear issues. Given that China needs Iran’s energy, Russia needs Iran as a foothold into the Middle East, and Iran needs SCO membership to counter international isolation as well as Russia and China’s UNSC votes, these SCO actors seem to act more cohesively within the SCO framework vis-àvis other regional and international organisations. With Iran’s recent calling for a SCO currency and SCO bank 7 to undermine U.S. and western influence, and SCO’s increasingly ambitious military exercises and recent defence agreement with CSTO 8 , this emerging Eurasian economic and security alliance will challenge NATO and western interests and thus bears watching. Russian Energy Imperialism and the SCO Russia appears to have a three-prong approach in re-asserting itself as an imperial power: energy, financial/economic, and military. Energy Weapon As Marshall Goldman portrayed in Putin, power and the New Russia Petrostate 9 , he was privy to visit Gazprom’s dispatching centre headquarter in Moscow, and witnessed the map covering 100-foot wall of a room with a spiderweb-like maze of natural gas pipelines reaching from East Siberia west to the Atlantic Ocean and from the Arctic ocean south to the Caspian and Black Seas. With a flick of a switch these dispatchers could freeze entire countries and have indeed done so in the past with former Soviet Union republics and most recently with Ukraine in January 2009. Russia’s energy strategy is to create energy dependence via monopolistic control of pipelines and acquisition of transit countries’ internal distribution network. 10 For example, Gazprom offered to cancel debt and charge lower prices if Ukraine, Armenia, Moldova, Georgia would give Gazprom equity stake in their domestic pipeline networks. By owning the networks, Gazprom can maintain monopoly control and economic rent. 11 Due to the high sunk cost and entry barrier of building pipelines, there is rarely a second standing pipeline from another supplier reserved for emergencies. As such, consumers tend to be locked into long-term contracts and therefore dependency on a dominant supplier. Ronald Reagan understood the vulnerability of monopoly tendencies in natural gas pipelines and tried to prevent USSR from building them to W. Europe. In 1984 he asked Thatcher to stop the English firm, John Brown Engineering, from selling Soviets the compressors they needed to move the gas through the pipeline from the Urengoi natural gas field in West Siberia to Germany, but the efforts failed and the pipeline was completed in 1985. 12 Today, Germany imports 40% of its natural gas from Russia, the highest in any W. European country, and is projected to reach 60% in the next decade. 13 Despite EU’s efforts to foment a common energy policy to decrease dependency, Russia has been effective with its “divide and conquer” strategy in dividing Old and New Europe with lucrative bilateral deals with Germany, Italy, France that bypass many transit countries in New Europe. 14 Economic Weapon In tandem with this energy prong of Russian strategy is weaponisation of currency and mercantilist economic policies within the SCO framework. Iran has recently proposed to create an SCO currency and bank to strengthen intra-regional ties. 15 Given that China has $2 trillion in foreign exchange reserves 16 --the largest in the world—a move to a common currency (including reserves of 4 observer members) would significantly reduce the influence of U.S. dollar and western currencies in the global capital market. Additionally, Russian President Medvedev in a January 2009 visit to Uzbekistan also called for a stronger SCO and increase economic ties with CIS’ Eurasian Economic Community (EurAsEc) and CSTO. 17 This emerging China-Iran-Russia axis has been noted and dubbed “that other axis” by Asia Times Jephraim P. Gundzik, who wrote in 2005 that “Beijing’s increasingly close ties with Moscow and Tehran will thwart Washington’s foreign policy goal of expanding U.S. security footholds in the Middle East, Central Asia and Asia.” 18 Military Weapon Indeed the creeping militarisation of SCO and 2007 defence ties with CSTO merit further investigation. Although not yet a military alliance, SCO is moving towards that trajectory as measured by: (1) Increased security cooperation: (2) Increased CSTO-SCO ties; (3) Energy Security; and (4) Connection with the West. 19 Firstly, despite denials of the military nature of the SCO, in 2007 for the first time a political summit (Bishtek 2007) was amalgamated with war games (Peace Mission 2007). Hitherto defence ministers were the highest-ranking officials to participate in the military exercises; the heads of states presence at the war game was perhaps signalling SCO’s determination to be in command of regional security. This is further demonstrated by the increasingly ambitious nature of SCO military exercises from bilateral to multilateral to joint all-SCO level. Secondly, the concept of “military assistance” (e.g., attack against one is attack against all) may be included in the SCO policy documents. In October 2007 SCO (a political-economic organisation) signed defence agreements with CSTO (a political-military organisation). Because “military assistance” is a key element of a mature security alliance such as CSTO, and because SCO signed a defence agreement with a purely military organisation, there may be a pull of the SCO towards a more military trajectory. 20 This is tied into the increasing military aspects of energy security. Security organisations tend to be involved in energy security such as guarding security of oil & gas pipelines against terrorist attacks, protecting railway lines and deploying rapid reactions forces. In light of SCO’s new cooperation with CSTO, this may lead to eventual standing of reaction forces in the near future regarding energy security. Finally, SCO is increasing ties with NATO—which has arrangements for cooperation with all SCO states except China. Since the 1990s, NATO has had bilateral cooperation with five Central Asian states within the Partnership for Peace (PfP) framework, as well as a special relationship with Russia since 2002 called NATO-Russia Council. 21 In November 2005 SCO developed a contact group in Afghanistan and have had operational cooperation with NATO. It is looking to expand its military operations westwards from Central Asia and may joint NATO with contingents in ISAF (International Security Assistance Force) in Afghanistan. The SCO is a formidable organisation that brings together almost half the world’s population (including observers), with several nuclear weapons states (China, Russia, India, Pakistan and perhaps Iran), and includes key energy exporters in Central Asia as well as some of the world’s fastest growing economies. Because recent indicators point SCO towards a trajectory of mature security alliance, it behooves the U.S. and EU to closely monitor this trend and hedge against Russia and Iran from using it for anti-western policies. In Europe, Russia is pursuing an aggressive “divide and conquer” strategy to prevent the EU from fomenting a common energy policy and increase energy diversification. Germany is the top importer while Italy follows behind. As such, Russia has partnered with Germany to build Nord Stream and with Italy to build South Stream pipelines in order to control the flow of Russian and Central European energy supply to W. Europe. Despite some pundits arguing that these two projects are based on purely commercial reasons of supply and demand, in light of recent Russian invasion of Georgia and gas supply cut-off to Ukraine, these two projects must also be examined within the security dimension as they have important strategic implications for the U.S. and EU. Nord Stream: Russian Military Presence & Intelligence Surveillance in the Baltic Region The Nord Stream project in 2005 proposes two natural gas pipelines from Russia to Germany under the Baltic Sea. Legally it is a Swiss company, but economically it is a joint venture between Russia, Germany and Netherlands, driven by Russia geopolitical interests. 22 Although it has invested €8 billion to the project, due to its lack of transparency, some experts project the cost may reach €10-15 billion. 23 Additionally, there are negative implications for this proposed pipeline—increased EU energy dependency on Russia, reduction of ability of small members to act as security providers in region if energy security is undermined, and increased Russian military presence in the Baltic region. Sweden for one fears the risk of Nord Stream as a catalyst for increased Russian military presence and intelligence surveillance. Putin has proclaimed that during construction phase, Russia Baltic Sea Navy would protect Nord Stream pipelines. 24 Additionally, the risers and pipelines are excellent platforms for sensors of various kinds—radars, hydro-acoustic systems and sonars to act as eyes and ears for monitoring the system as well as intelligence surveillance. This would give Russia an intelligence edge in the Baltic Sea concerning all air, surface, and sub-surface activities—especially around Estonia, Finland, Sweden, and Denmark, and NATO members’ military exercises. This is a realistic risk, given Russia’s past history of installing fiber optic cable along the Yamal pipeline without informing the Polish government in advance. 25 As such Sweden has insisted Nord Stream need approval of all countries whose territories will be traversed by the pipeline. Should the Russians build pipelines without approval of countries in the region, the Swedish military has drawn up plans and are fully prepared to sabotage the pipeline if and when it is built. 26 South Stream: Undermine Nabucco and EU Energy Diversification South Stream is a project between Russian Gazprom and Italian Eni. If constructed, South Stream is projected to be the most expensive pipeline at €12.8 billion and impact EU security relations. 27 The project was announced on 23 June 2007, in reaction to EU’s 2004 decision to focus on Nabucco for energy diversification. When Russia cut off gas to Ukraine in January 2006, the project was elevated and included in European Commission’s Strategic Energy Review, released 10 January 2007, calling for priority of energy supply diversification. Nabucco is non-Russian controlled and a direct Caspian Sea-Middle East-EU southern gas corridor, and South Stream’s route is almost identical to Nabucco. The pipeline has a planned capacity of 31 billion cubic metres to begin in Beregovaya, Russia, and cross the Black Sea to Varna, Bulgaria. Both Nord Stream and Nabucco will bring gas to Austria’s Baumgarten gas storage and distribution hub, a clearinghouse for gas coming to Europe. In January, Austria’s OMV signed a deal giving Gazprom 50% ownership in Baumgarten and its trading floor, and is leading efforts to bring Gazprom into the Nabucco project in order to undermine EU energy diversification from Russia. 28 Russia is also consolidating its control over energy sources elsewhere in Middle East and North Africa (MENA countries). Russia and Iran had called for forming a gas cartel. While Russia, Qatar and Iran hold 56% of the world’s gas reserves, with addition of Venezuela, Algeria and Libya the cartel would have 2/3 of the world’s reserves. Indeed, Russia’s duplicitous stance in the UNSC is highlighted by the 13 July 2008 energy partnership between Gazprom and Iran’s NIOC, at a time when Russia was supposedly working with the U.S. and EU to ensure Iran has no room to manoeuvre in its nuclear weapons ambitions. 29 It also courted Turkey to be a participant in a Russian-Iranian partnership as the third investor to develop Iran’s South Par gas field, which culminated in the November 2008 Turkey-Iran $12 billion deal. 30 Finally, in the Africa region, in March 2008 Italian Eni agreed to share with Gazprom its development quotas for Libyan gas deposits. 31 Eni holds LNG processing facilities in Libya and this gives Gazprom control over another alternative European energy source. 32 In April 2008, Putin cancelled $4.5 billion Libyan debt and oversaw the signing of arms sales and joint ventures agreement between Gazprom and Libyan National Oil Corporation. Gazprom is looking to control Libyan gas and southern Mediterranean transit route that would further threaten Europe energy security, as well as engaging in talks to pipe Nigerian gas to Europe across the Sahara Desert. 33 Russia Energy Imperialism in Middle East Iran as Foothold in the Middle East Russia has longstanding interest in the Middle East, and a key Russia-Iran 1921 treaty stipulates that if a country attacks Russia via Iran, Russia can invade Iran to counter this threat. 34 In the 1980s Ariel Sharon warned Americans the danger of USSR using Iran-Iraq war to enter Iran and taking over its energy resources. 35 Russian military intervention remains a plausible threat should the U.S. and Israel conduct air-strikes against Iran’s nuclear installations, and even more so should Iran become a member of the SCO. Moreover, Russians had planned to meddle in Israel during the June 1967 Six Day War and flew Soviet photo-reconnaissance MiG-25 “Foxbat” aircrafts directly over the Dimona reactor in May 1967. 36 The Soviet Union engineered an operation to provoke Israel into war in order to provide cover for Soviet destruction of Israel’s nuclear programme. Soviet nuclear-missile submarines were poised off Israel’s shores, ready to strike back in case Israel already had a nuclear device. However, the war was over so quickly within six days that the Soviets did not have the chance to carry out its mission. 37 Despite Russia’s support of Iran, it is concurrently making overtures to moderate Arab states in the region to allay their fears of a resurgent and possible nuclear Iran. Saudi Arabia and Iran have been historical rivals for regional hegemony and throughout the Cold War Russo-Saudi relations were chilly, but recently there has been a shift of Saudi Arabia towards Russia as evidenced in the 2007 $4 billion arms deal and increased shuttle diplomacy. 38 In the 1980s, CIA director William Casey worked with the House of Saud to target Russian energy sector by flooding the market with cheap oil, thereby weakening the Russian petro state’s economic power that was over 50% dependent on energy foreign exchange earnings. 39 As such, Russia appears to hedge itself against this risk and is courting many traditional U.S. allies in the Middle East, especially Saudi Arabia and the GCC. 40 And, it is reinforcing this hedge with military power by establishing naval ports in the region. Russian Naval Ports in the Middle East In January 2009 Russia announced that it would establish navy bases in Syria, Libya and Yemen. 41 The Syrian port of Tartus could be revived as during the Cold War, the Soviet navy had a permanent presence in the Mediterranean and used Tartus as a supply point. The redeploying of the Russian Black Sea Fleet to the Mediterranean may provide a deterrent to NATO forces, U.S. Sixth Fleet, and may threaten the Suez Canal and Israel. 42 These new ports would allow Russian navy to challenge U.S. CENTCOM, U.S. EUCOM, and NATO. Tensions were high in August 2008 after Russian invasion of Georgia when a build up of NATO and Russian naval forces were underway in the Black Sea, and the expansion of Russian naval power via these new ports would escalate tensions in the future. With Russia’s 1921 defence treaty to Iran and Iran’s 2004 defence treaty with Syria, these three countries are bound to act collectively against aggression to any one of them. Should Iran join the SCO as a member, the U.S., EU and NATO members would need to consider not only countering aggression by either one of these three, but also other members in their collective security alliance. Given Iran’s persistent threat to annihilate Israel and Russian backing with nuclear technology and arm sales to Iran, some pundits have argued for Israel to join NATO as a deterrent against aggression. The case is more compelling given Israel’s recent discovery of massive natural gas reserves offshore near Haifa 43 and potential oil reserves onshore by Haifa 44 , which could entice Russian invasion due to Russia’s own energy depletion 45 and attempts to seek new reserves by staking territorial claims: August 2007 claim in the Arctic region 46 ; 2008 claim to Sergei’s Courtyard (former KGB base) in Jerusalem 47 ; August 2008 invasion of Georgia over BTC pipelines that bypass Russian control 48 ; ongoing territorial disputes with Japan over the Kurile Islands. Given Russia’s pattern of aggressive territorial claims the past years and Iran’s consistent belligerence and support of Hamas and Hezbollah against Israel, Israel has in fact entered into strategic partnership with NATO and held joint military exercises since February 2005. 49 However, there remain obstacles and reservations about Israel joining NATO as a full member, due to their doctrine of self-reliance and freedom of military action, which would be encroached upon in a collective security arrangement. 50 Nonetheless, the notion of free democracies such as Israel, Australia, Japan, South Korea joining NATO to form an arc of freedom to counter emerging threats from totalitarian and rogue regimes continues to be debated and while viewed with reservation by Israel, may be more receptive in Asia. Russian Energy Imperialism in Asia Russian Energy Diplomacy in East Asia Russia is interested in using energy security as an anchor to assert itself as a regional hegemon in the Asia Pacific via oil & gas resources 51 in the Russia Far East (RFE). RFE consists of 40% of Russia landmass but only 10% of its population. Over the years there has been a trend of RFE integration into Northeast Asia and disintegration from the rest of Russia that in 2006 Putin described the situation in RFE as “a threat to national security” and stressed the need “to invest money in the Far East”. 52 Regional unrest is most recently demonstrated by violent protests in Vladivostok on 31 January 2009 53 and officials admitting that RFE is “completely cut off from the rest of Russia” and must “orient itself” to Asian countries rather than to European Russia. RFE imports 90% of goods from Asian countries and there is a trend the area may become a raw material supplier for China and Japan. 54 As such, Russia is attempting to reverse this trend by using energy projects to anchor the RFE and supply energy goods to Asian consumers such as China, Japan, South Korea and Taiwan. It is hoping to tie East Asia, RFE and the rest of European Russia together via the Iron Silk Road, which would connect the Trans-Siberian Railway to the Trans-Korean Railway to supply European goods as well as energy exports. Moreover, it is also offering incentives such as interest-free loans for Russians to settle in the RFE. However, Russian energy diplomacy in East Asia is still fraught with many obstacles. Oil & gas exploration and production in the greenfield province of East Siberia is expensive due to harsh climatic condition, lack of infrastructure, investment, and western technologies. The East Siberian Pacific Ocean Pipeline (ESPO) that would ensure Russian oil supply to China has faced considerable delays. 55 Even if the pipeline is launched, Russia cannot easily supply Korea and China with gas due to lack of regional grid in East Asia. 56 Given Russia’s end goal of asserting itself in East Asia via energy resources, and the obstacles facing RFE’s near-term energy delivery to East Asian consumers, Russia appears to resort to other means to access and control energy resources for East Asia—e.g., “lock in” long-term bilateral deals with Central Asian energy exporters and asserting control over energy supply; aligning with Iran and courting other Middle East suppliers via ‘arms for energy’ policy; aggressive territorial claims in Arctic Region; forming SCO Energy Club in 2007 and proposing a gas cartel to control supply and coordinate prices. With the increasing militarisation of Russia’s energy policy and alignment of totalitarian regimes in the Eurasian SCO bloc, this has important security implications for U.S. and its allies in the region. U.S. Alliance Relations and NATO Global Partnership It is no coincidence that in August 2005 SCO kicked off their first joint military exercises in Vladivostok in RFE, underscoring Russia’ concern with RFE secession and China’s angst over Taiwan independence under the then pro-independence President Chen Shui-Bian. 57 In fact China had proposed Zhejiang province across from Taiwan as the site for the military exercise, but when the Russians rejected it as being provocative, they concurred to hold it in Shandong province. 58 The Taiwan contingency is a key flash point for military clashes in East Asia, especially in light of rapid Chinese military modernisation and a recent report by U.S. State Department’s International Security Advisory Board (ISAB), chaired by former Deputy Secretary of Defense Paul Wolfowitz, illuminating the strategic significance of Taiwan in both China and U.S. geopolitical calculus. 59 Given that SCO is a proxy to advance China and Russian interests and the 2000 Dushanbe Declaration has specific wording to establish formal support for China regarding “One China Principle,” there is a possibility in a Taiwan scenario for the U.S., under the Taiwan Relations Act, to be drawn into conflict with China and perhaps Russia, Kazakhstan and other SCO members. 60 Indeed Victor Corpus, a retired brigadier general and former chief of the U.S. intelligence service in the Philippines, provides an eerie prediction of war resulting from a Taiwan contingency and how SCO allies could become involved. Corpus writes: “On yet another major front in Central Asia, Russian troops lead the other member countries of the SCO into a major offensive against US military bases in Central Asia. The bases are first subjected to a simultaneous barrage of missiles with fuel-air explosives and electromagnetic pulse (EMP) warheads before they are overrun and occupied by SCO coalition forces.” 61 The increasing militarisation of the SCO bloc has strategic implications for U.S. alliance relations in East Asia—Japan’s territorial disputes with China over Senkaku Islands and with Russia over Kurile Islands, the nuclear crisis on the Korean Peninsula, territorial disputes in the South China Sea are flash points that will potentially draw China, Russia and their SCO allies against U.S. and her allies. In face of creeping SCO projection onto Asia Pacific region and an emerging bloc of totalitarian regimes, some scholars have proposed the U.S. and her allies counter this bloc by aligning various bilateral defence alliances into NATO Global Partnership. With the upcoming NATO summit in Strasbourg and Kehl in April 2009, this would be a good possibility to review criteria of new members. As Eckart von Klaeden, the Foreign Policy Spokesman for Chancellor Merkel’S CDU party posit, it is important to expand NATO relations with partners in Asia who have already contributed troops to the ISAF mission in Afghanistan and admit democratic like-minded countries such as Japan, India, Australia etc. to the fold. 62 And, India is a key country for NATO’s mission and reach onto the Indian Ocean. Both NATO and SCO are courting India due to its geo-strategic significance in the Indian Ocean. India is an observer member in the SCO and in the past has been represented by its energy minister to discuss energy deals. At the same time NATO is also cooperating with India with hopes for its entering into a Partnership arrangement. The Indian Ocean is an important region as it is home to U.S. naval base Diego Garcia and naval power projection to secure energy SLOCS from the Middle East to Asia. The U.S. has been encouraging India to forge partnership with NATO and in October 2008 NATO’s Standing Naval Maritime Group was deployed to the Indian Ocean to address the problems of piracy. 63 In 2007, after the Malabar Exercise encompassing, U.S. India, Japan, Singapore and Australia, India was invited for the first time to participate in the 2008 U.S.-NATO Red Flag war games. 64 Indeed, without India, NATO’s partnership in the Indian Ocean region would be limited. India has traditionally been a non-aligned nation, but should Russia use energy to bring India into full SCO membership at a time when SCO is on a trajectory of increased militarisation (e.g., CSTO-SCO ties, increasingly aggressive military exercises), it could become bound by an eventual SCO ‘mutual assistance’ clause to the detriment of U.S., EU and NATO interests. Two days after NATO deployed its naval forces to the Indian ocean in October 2008, Russia scrambled to project influence onto the region when Moscow stated that a missile frigate from Russia’s Baltic fleet was already heading to the Indian Ocean “to fight piracy off Somalia’s coast,” and shortly afterwards the Upper House of the Russia Parliament announced plans to resume its Soviet-era naval presence in Yemen. 65 It also announced intentions to return to its naval base in Socotra Archipelago, located off the Horn of Africa. 66 The Socotra base was established by the Soviet Union in 1971, and the location is expected to play a role in fighting piracy due to the ability to use small vessels, trawlers and other boats of minor rank as well as providing a reliable logistics system for major ships to allow operations in the Indian Ocean. Given the recent Kyrgyzstan decision, under Russian pressure, to close the Manas airbase 67 , Russian military projection via the Horn of Africa into the Indian Ocean may likewise jeopardise U.S. Counterterrorism efforts. The Horn of Africa is watched through U.S. AFRICOM headquartered in Germany, and Djibouti hosts the Combined Joint Task Force-Horn of Africa. With Russian inroads into the Horn of Africa via the Socotra base and new defence cooperation with Somalia 68 , its former Cold War ally, this pattern of recruiting allies whose interests diverge from those of the U.S. risk bringing Russo-U.S. relations onto a collision course in the region. Over the past years the world has witnessed a disquieting trend of Russia’s weaponisation of its energy policy to reassert itself as a global superpower. Admittedly the recent global financial crisis has knocked that off course for the moment, but this is likely to be temporary. After Russian invasion of Georgia, Moscow’s stock market plummeted by more than 50% since its highs in May 2008, and Russia’s strong dependence on energy export revenues and speculative investments render its economy very volatile. 69 Given Putin’s goal of increasing military budget by 28% within the next year and modernising its military 70 , its current economic and budget woes may hinder that ambition. Nonetheless, despite the financial crisis, defence orders remain strong. According to data revealed by deputy prime minister Sergei Ivanov, Russia earned more than $8 billion in arms sales in 2008, with $33 billion more in the pipeline. 71 It is to resume arms sales to Lebanon, intensify defence cooperation with Saudi Arabia, and compete with British, U.S. and French defence contractors for orders from Lebanon, Algeria and elsewhere. It is also looking to increase intra-regional trade of SCO and CSTO members and create a new economic architecture to maintain its economic and military power. 72 Sino-Russian bilateral trade reached $50 billion in 2008 73 , and given that China provides a large energy and trade export market for Russia, in the medium and long-term Russia may be able to ride out the current financial crisis and continue on its military modernisation and strategic ambition. Although SCO is not yet a mature security alliance, under Russian lead it is moving towards that trajectory—aggressive military exercises, agreement with CSTO (a purely military alliance), and possible “military assistance” clause in SCO policy. The U.S and her allies therefore need to monitor the close nexus between energy security and military alliances as manifested through SCO-CSTO ties, and put in place countermeasures to safeguard against Russia-China-Iran axis from using SCO for anti-western policies. To that end, the U.S. and EU need to work together to reduce Russian energy dependency and seek diversification via non-Russian controlled pipelines, renewables, conservation/efficiency measure as well as alternative geographic suppliers from West Africa, Canada, and elsewhere.

## Russian war causes extinction

**Bostrom, Oxford University PhD Philosophy, 02**

(Nick, “Existential Risks: Analyzing Human Extinction Scenarios”, Journal of Evolution and Technology, Vol. 9, March, http://www.nickbostrom.com/existential/risks.html, 2/21/13, atl)

The unique challenge of existential risks Risks in this sixth category are a recent phenomenon. This is part of the reason why **it is useful to distinguish them from other risks**. We have not evolved mechanisms, either biologically or culturally, for managing such risks. Our intuitions and coping strategies have been shaped by our long experience with risks such as dangerous animals, hostile individuals or tribes, poisonous foods, automobile accidents, Chernobyl, Bhopal, volcano eruptions, earthquakes, draughts, World War I, World War II, epidemics of influenza, smallpox, black plague, and AIDS. These types of disasters have occurred many times and our cultural attitudes towards risk have been shaped by trial-and-error in managing such hazards. But tragic as such events are to the people immediately affected, in the big picture of things – from the perspective of humankind as a **whole – even the worst of these catastrophes are** mere ripples **on the surface of the great sea of life**. They haven’t significantly affected the total amount of human suffering or happiness or determined the long-term fate of our species. With the exception of a species-destroying comet or asteroid impact (an extremely rare occurrence), there were probably no significant existential risks in human history until the mid-twentieth century, and certainly none that it was within our power to do something about. The first manmade existential risk was the inaugural detonation of an atomic bomb. At the time, there was some concern that the explosion might start a runaway chain-reaction by “igniting” the atmosphere. Although we now know that such an outcome was physically impossible, it qualifies as an existential risk that was present at the time. For there to be a risk, given the knowledge and understanding available, it suffices that there is some subjective probability of an adverse outcome, even if it later turns out that objectively there was no chance of something bad happening. If we don’t know whether something is objectively risky or not, then it is risky in the subjective sense. The subjective sense is of course what we must base our decisions on.[[2]](http://www.nickbostrom.com/existential/risks.html#_ftn2) At any given time we must use our best current subjective estimate of what the objective risk factors are.[[3]](http://www.nickbostrom.com/existential/risks.html#_ftn3) A much greater existential risk **emerged with the build-up of nuclear arsenals in the US and** the **USSR**. **An all-out nuclear war was a possibility with both a substantial probability and with consequences that might** have been persistent enough to qualify as global and terminal. There was a real worry among those best acquainted with the information available at the time that a nuclear Armageddon would occur and that it might annihilate our species or permanently destroy human civilization.[[4]](http://www.nickbostrom.com/existential/risks.html#_ftn4)  Russia and the US retain large nuclear arsenals that could be used in a future confrontation, either accidentally or deliberately. There is also a risk that other states may one day build up large nuclear arsenals. Note however that a smaller nuclear exchange, between India and Pakistan for instance, **is not an existential risk, since it would not destroy** or thwart **humankind’s potential permanently**. Such a war might however be a local terminal risk for the cities most likely to be targeted. Unfortunately, we shall see that nuclear Armageddon and comet or asteroid strikes are mere preludes to the existential risks that we will encounter in the 21st century.

## Senkaku disputes go nuclear

**Emmot, Economist editor, 08**

 (Bill, 6/4/2008, “Power rises in the east”, p. http://www.theaustralian.com.au/news/arts/power-rises-in-the-east/story-e6frg8px-1111116460128, 2/20/13, atl)

As well as knitting them, however, this drama is also grinding together Asian powers that had previously kept a strict economic and political separation from one another. China, India and Japan are **bumping against each other** because their national interests are overlapping and in part competing. **Each is suspicious of the others' motives and intentions** and all three hope to get their own way in Asia and further afield. To have three great powers at the same time may be unprecedented for Asia but it is not for the world. There was a similar situation in Europe during the 19th century, when Britain, France, Russia, Austria and, until German unification, Prussia, existed in an uneasy balance in which none was dominant and none was entirely comfortable, but which nevertheless coincided with a period during which Europe prospered and became firmly established as the world's dominant region. Whether you consider Europe's 19th-century experience with balance-of-power politics as a good or bad omen for Asia depends on how long a sweep of history you consider and on what you think are the most crucial differences between modern times and the world of 150 years ago. If you take a long sweep, then the precedent is bad, since Europe's power balance ended in two devastating world wars. On the other hand, it kept the peace on the continent for about half a century, which would count as an optimistic prospect today. Today the barriers against the use of war as a tool of national policy are far higher: nuclear weapons, public opinion, international law, instant communication and transparency all militate against conflict, though they do not rule it out altogether. The barriers against colonial or quasi-colonial ambitions are higher still. China and India may battle for influence over Burma, but neither is likely to invade it and turn it into a colony. Nevertheless, Asia is piled high with **historical bitterness, unresolved territorial disputes, potential flashpoints**and strategic competition that could **readily ignite**. There are at least five known flashpoints where it is already clear that any could **involve the major powers**: the Sino-Indian border and Tibet, North and South Korea, the East China Sea and the Senkaku-Diaoyutai islands, Taiwan and Pakistan.

## Lack of Russian cooperation makes every impact inevitable- spurs global instability and makes all US action ineffective

**Karaganov et al, Council for Foreign and Defense Policy director, 11**

(Sergei, served on the International Advisory Board of the Council on Foreign Relations from 1995 until 2005, "The U.S.—Russia Relations after the «Reset»:Building a New Agenda. A View from Russia," March 2011, vid-1.rian.ru/ig/valdai/US-Russia%20relations\_eng.pdf, accessed 3-24-12, mss)

1.11. If the parties resume bitter rivalry or even confrontation, **the weakening of** Moscow’s and **Washington’s international positions will grow faster.** There can be no return of history, as some conservative American authors would like to see, if the larger part of the U.S.- Russian agenda is again given to rivalry in regional issues and disputes over global ones. Russia will not «mobilize,» if its confrontation with the United States grows, as many Russian strategists hope. Engrossed in mutual confrontation, **Moscow and Washington would have to pay less and less attention to real** common threats and **challenges**. In addition, they would not be able to build a multilateral partnership to counter new challenges collectively, which is so vital for themselves and the whole world. 1.12. For Russia, a return to and — all the more so — an aggravation of confrontation with the U.S. is fraught with conservation of the stagnation and of the authoritarian path of development. It will also challenge the very possibility of its social, economic and political modernization. The conflict will significantly weaken Russia’s positions with regard to Europe, China and former Soviet countries. Russia could succeed as an anti-American center of power only if the United States resumes the aggressive, messianic and unilateral policy that was characteristic of the George W. Bush administration in the first years of his stay in office. In this case, the U.S. policy will trigger resentment of the majority of countries. However, this scenario is unlikely in the short term (if only due to financial/economic and social limitations in the U.S.); and, in the long term, it is disadvantageous for Russia because of the general destabilization of the international system that will unavoidably follow any new surge of U.S. aggressive behavior. 1.13. **For the U**nited **S**tates, a **new confrontation with Russia is fraught with a failure to implement m**any of **its top-priority** — both short- and long-term — national **foreign-policy interests**. It will result in a deterioration of the situation in Afghanistan, reduction of the opportunities for settling the nuclear problems of Iran and South Korea, and an aggravation of the nuclear non-proliferation regime crisis. It may threaten the strategic stability and global military-political security, and make the international system more conflict-prone and less governable. Also, it may facilitate the consolidation of anti-American regimes in Asia and Latin America, as well as **worsen Washington’s relations with** those European and Asian **allies** that find confrontation with Russia undesirable. Lastly, it will increase the probability of a global confrontation between the U.S. and China — and the balance of power might be not necessarily to the U.S.’s advantage.

# Contention Three

## Naval power makes war unthinkable—decline in leadership collapses trade, ensures piracy spread, and sparks multiple scenarios for nuclear war—shipbuilding and a strong industrial base ensures resiliency

**Eaglen, Heritage Foundation Research Fellow for National Security Studies, 11**

(Mackenzie, Allison Center for Foreign Policy Studies, May, 16, 2011, “Thinking about a Day without Sea Power: Implications for U.S. Defense Policy”, http://www.heritage.org/research/reports/2011/05/thinking-about-a-day-without-sea-power-implications-for-us-defense-policy, 2/16/13, atl)

America is a maritime power, and a strong U.S. Navy is both in America’s long-term interest and essential to the nation’s prosperity. Yet U.S. sea power is in decline. If not reversed, this decline could pass the tipping point, leaving the country economically and strategically unable to reverse course, which would have profound economic and geopolitical consequences. Members of Congress and the Navy need to work together to develop long-range technology road maps, foster innovation, and properly fund and manage shipbuilding to ensure that the future Navy has the size and capabilities needed to protect and advance U.S. interests around the world. Not since the end of World War II has America more urgently needed honest and clear thinking about its enduring national interests and a bipartisan commitment to build up the civilian and military capabilities necessary to protect them. Yet Washington is increasingly looking inward. Policymakers spend enormous energy arguing about tactics without thinking about strategy. They react to today’s events rather than planning for the future. Without a common purpose and driven by the desire to save money, they take steps that will reduce military spending in the short term but vastly increase the danger and cost to America in the long term. The margins of U.S. military superiority are narrowing for every military service and in every domain. After the Cold War, military overmatch had seemingly become an American birthright and helped to uphold the implicit contract that most Americans have had with the all-volunteer military: that U.S.forces would never be put in a “fair fight.” This is simply no longer the case, as indicated by America’s recent experience in Iraq and Afghanistan and potential challenges from Iran and China. Before some of America’s core defense capabilities disappear without discussion or debate, Congress and the services would be wise to step back and examine the costs and benefits of these long-held capabilities, many of which are fundamental to U.S. military primacy. Understanding a world without these U.S. advantages will highlight their essential role both in creating and maintaining the economic and geopolitical position that America enjoys today and in fostering U.S. prosperity in the future. Congress should use this thought exercise to inform its oversight of the services and to restore the legislative branch’s legitimate role in policymaking. Providing Security That Protects and Bolsters the U.S. Economy Modern American sea power—represented for the purposes of this paper by the U.S. Navy and its expeditionary land force, the U.S. Marine Corps—is the most flexible, adaptable, useful, and powerful naval force the world has ever known. The ascendance of American sea power since the fall of the Soviet Union has been so benign and complete that many nations have forgone traditional investments in their own naval forces,[[1]](http://www.heritage.org/research/reports/2011/05/thinking-about-a-day-without-sea-power-implications-for-us-defense-policy%22%20%5Cl%20%22_ftn1) confident in the peace and stability provided by the United States or convinced of the futility of trying to challenge so powerful a force head-on: [T]he strong tendency toward counterhegemonic balancing in the European system during the last five centuries has not been replicated in the global maritime system. High concentrations of naval power (and in the economic correlates of naval power) tend to generate alliances with the leading power rather than against it. The decision of many of the strongest powers in the contemporary system to ally with the United States rather than against it in the Cold War and post–Cold War periods is fully consistent with behavior in the global system for the last five centuries.[[2]](http://www.heritage.org/research/reports/2011/05/thinking-about-a-day-without-sea-power-implications-for-us-defense-policy%22%20%5Cl%20%22_ftn2) The overwhelming majority of world commerce moves virtually unmolested across the great expanse of the maritime commons. This is as near a “given” on the international scene as can be conjured. So engrained is this sense of security in the free flow of goods across the world’s oceans that the activities of a relatively insignificant group of brigands off the East African coast have caught the world’s attention, forcing many to consider for the first time the impact of sea power on their lives. American sea power is taken for granted. Policymakers in the United States, friendly and allied governments, executive officers of international conglomerates, and would-be competitors are all affected by the daily operations of the world’s most pervasive and successful naval power, but few ever consider what the world would be like without it. Exploring this question is the central aim of this paper. The U.S. Air Force recently considered the operational implications of a “Day Without Space.” The exercise vividly demonstrated the U.S. military’s dependence on the communications and surveillance infrastructure provided by the nation’s satellites. Out of operational necessity, forces turned to backup networks, some of which current operators had long since forgotten how to operate nimbly. This eye-opening exercise has caused military planners to think more profoundly about air operations in a space-denied environment. However, as difficult as such operations may have been, backups were available. These backups may have become technologically outmoded and may be less secure from enemy intrusion, and their operators may need to call upon skills long since atrophied, but in the end, the backups existed. Implications of the Loss of Preponderant Sea Power How the United States might replace its preponderant sea power—if that day ever comes—seems less straightforward. Indeed, the question seems almost ludicrous. The United States is a maritime nation, bordered by two oceans and for much of its history protected by them. Over the past 60 years, the oceans have been highways for worldwide trade that has helped to lift more than a billion people out of poverty,[[3]](http://www.heritage.org/research/reports/2011/05/thinking-about-a-day-without-sea-power-implications-for-us-defense-policy%22%20%5Cl%20%22_ftn3) and those sea lanes have been patrolled by the U.S. Navy, the world’s preeminent naval power. The U.S. Navy’s global presence has added immeasurably to U.S. economic vitality and to the economies of America’s friends and allies, not to mention those of its enemies. World wars, which destroyed Europe and much of East Asia, have become almost incomprehensible thanks to the “nuclear taboo” and preponderant American sea power. If these conditions are removed, all bets are off. For more than five centuries, the global system of trade and economic development has grown and prospered in the presence of some dominant naval power. Portugal, Spain, the Netherlands, the United Kingdom, and now the U.S. have each taken a turn as the major provider of naval power to maintain the global system. Each benefited handsomely from the investment: [These navies], in times of peace, secured the global commons and ensured freedom of movement of goods and people across the globe. They supported global trading systems from the age of mercantilism to the industrial revolution and into the modern era of capitalism. They were a gold standard for international exchange. These forces supported national governments that had specific global agendas for liberal trade, the rule of law at sea, and the protection of maritime commerce from illicit activities such as piracy and smuggling.[[4]](http://www.heritage.org/research/reports/2011/05/thinking-about-a-day-without-sea-power-implications-for-us-defense-policy%22%20%5Cl%20%22_ftn4) A preponderant naval power occupies a unique position in the global order, a special seat at the table, which when unoccupied creates conditions for instability. Both world wars, several European-wide conflicts, and innumerable regional fights have been fueled by naval arms races, inflamed by the combination of passionate rising powers and feckless declining powers. This thought experiment cannot go so far as to conjure “a day without the U.S. Navy,” because it strains credulity to believe the nation would ever do without one. Yet for much of its history, the country had little more than a coastal defense force. In other periods, America has maintained small, far-flung cruising squadrons that in no way compare to the combat power arrayed continuously in the Middle East and the Western Pacific for the past two decades. The relevant question is: “What would a day without preponderant American sea power be like?” Building the current level of American sea power has taken enormous resources and many decades,[[5]](http://www.heritage.org/research/reports/2011/05/thinking-about-a-day-without-sea-power-implications-for-us-defense-policy%22%20%5Cl%20%22_ftn5)and the size of the fleet is not likely to be dramatically reduced in the near term. More likely, incremental cuts based on faulty premises and a lack of strategic direction will, over time, diminish American sea power as the country’s vision of itself becomes more modest and its sense of destiny and centrality is reduced. While ill-considered procurement reductions will slowly reduce the number of ships and aircraft in the Navy, financial decisions could also erode the Navy’s ability to deploy credible and relevant forces persistently, regardless of how many ships the Navy may have. Today’s Navy is experiencing extreme levels of stress. [[6]](http://www.heritage.org/research/reports/2011/05/thinking-about-a-day-without-sea-power-implications-for-us-defense-policy%22%20%5Cl%20%22_ftn6) While the fleet has shrunk by about 15 percent since 1998,[[7]](http://www.heritage.org/research/reports/2011/05/thinking-about-a-day-without-sea-power-implications-for-us-defense-policy%22%20%5Cl%20%22_ftn7) the number of ships deployed overseas has remained constant at about 100. Each ship goes to sea longer and more often, resulting in problems such as the well-publicized shortfalls in surface ship condition.[[8]](http://www.heritage.org/research/reports/2011/05/thinking-about-a-day-without-sea-power-implications-for-us-defense-policy%22%20%5Cl%20%22_ftn8) With no surge capacity left in the fleet, each new casualty ripples through the schedules of dozens of ships. With the end of supplemental funding, Navy maintenance funding will be cut by almost 20 percent this year. In this context, a relatively small additional reduction in maintenance funding could render a Navy with 250–280 ships capable of keeping only 50 to 60 ships at sea. Even if the Navy can sustain today’s number of ships or even grow slightly over the next decade as predicted by current Navy shipbuilding plans, the fleet will increasingly be composed of smaller and less capable littoral combat ships and logistics ships, such as Joint High Speed Vessels. This trend toward a fleet for engagement and maritime security could be enabled by the country’s increasingly modest vision of itself and the erosion of its sense of destiny and centrality. With ship design times of 20 years or longer and service lives of up to 50 years, the fleet could degrade to a point at which the country will be economically and strategically unable to reverse course. The nation and the most versatile element of its military power would then continue to decline to second-rate status. An absolute decline in American sea power would probably span decades, but the examples of the Soviet Union and previous naval powers unable to deploy and maintain a robust fleet demonstrate how rapidly a navy can become hollow and unable to influence events abroad. As the U.S. fleet evolves toward a less capable mix and the costs of maintaining aging submarines, destroyers, and carriers mount, the U.S. Navy could easily find itself with an effectively smaller fleet in the future. Newer, smaller ships would ply waters abroad, while the combat power that helped to win two world wars and deter the Soviet Union would remain at home in a reduced operating status for financial reasons. This would leave the Navy and the nation ill-prepared for a future economic and security crisis. A Thought Experiment “Advancing the clock,” a construct used in wargaming, is a useful method for evaluating the effects of a decline in sea power. This paper posits a scenario in which events are accelerated, not as a prediction of how the future will play out so much as to bring about a set of events that are useful for thinking about the challenge at hand. For the purpose of this paper, these circumstances play out over five years and result in a dramatically reduced Navy and Marine Corps that would field one-quarter of the forces currently in the inventory. Obviously, if these events did transpire, the United States might have much larger problems than its reduced Navy. However, the scenario demonstrates the extent to which sea power is a mirror of America’s greatness and the extent to which America’s future is tied to the great oceans that break on its shores. It is difficult to consider a chain of events that would lead to a Navy that is a fraction of its present size (approximately 70 ships), and it is inconceivable that such a decline would happen over a relatively short period of time. However, the dramatic decline of the Soviet (and subsequently Russian) Navy after the Cold War demonstrates how quickly a great naval power can contract. The events that led to the decline of the Soviet Union and its navy were (from some points of view) catastrophic, and the events of this scenario would be similarly damaging. Scenario: Severe Degradation of U.S. Naval Capabilities. The primary reason to consider a near-term scenario is that, if the U.S. gradually declined over the course of decades, another nation could slowly rise in its place and assume much of the world leadership that the United States currently exercises. The changes produced by such a decline would occur slowly and incrementally, with each successive step deviating only slightly from the status quo. Currently, although China may have the resources to assume world leadership, it appears disinclined to assume that role quickly, and no other nation possesses the means or the will to do so. Therefore, in considering the present value of sea power, it is more useful to create a scenario in which U.S. sea power declines quickly and radically rather than one in which it is slowly superseded. In essence, this scenario divines the worth of an asset by evaluating the impact of its absence. The scenario described here is inspired by work done by Decision Strategies International (DSI) for the U.S. Navy’s Strategic Planning Process, with which one of the authors was loosely associated in 2006–2007.[[9]](http://www.heritage.org/research/reports/2011/05/thinking-about-a-day-without-sea-power-implications-for-us-defense-policy%22%20%5Cl%20%22_ftn9) In this scenario, events unfold in a world that is very unstable and unsafe. International cooperation declines dramatically as countries hoard natural resources and the U.S. struggles against the strength of other resource-rich and economically robust regions of the world. Like the recession of 2008, the main trigger for this catastrophe is the international finance system. In 2020, several major European nations default on their debt, causing a flight of private money from the formal financial systems of the European Union (EU), the U.S., and Japan. Contagion in the financial markets plunges the world economy into global depression. Virtually every major Western nation finds itself in horrific economic straits, and only nations without expansive social safety nets are able to meet current obligations. Those with robust social welfare programs face aging populations, smaller workforces, and drastic cuts in services that spill over into all sectors of their economies. The U.S. economy contracts from $20 trillion in 2020 to $12 trillion in 2025. During this time, two separate U.S. presidential Administrations seek and obtain significant cuts in the size of the U.S. armed forces. Homeland security becomes the sole focus of the Department of Defense, with policymakers concentrating primarily on port and border security, land-based strategic nuclear forces, anti-terrorism, and managing civil unrest. Islamic terrorism accelerates the turn inward, which had abated in the second decade of the 21st century, as terrorists take advantage of the weakened condition of the West, especially the United States. Two “dirty bomb” explosions in 2021 accelerate the worldwide redeployment of U.S. military forces to home bases as the nation demands protection from terrorism. By 2025, U.S. international influence has all but disappeared, and U.S. efforts to counter Islamic terrorism garner little worldwide support due to economic and political interests. While the worldwide depression is devastating, it is less so in China, which in 2015 began to rebalance its economy aggressively toward domestic consumption. A China–Russia entente dominates the international distribution of resources and is ascendant economically. A global “basket currency” replaces the dollar as the reserve currency of choice, and Southeast Asia leads in technology development. Global maritime trade declines dramatically due to rising oil prices, terrorism, and piracy, and international cooperation to provide enhanced security does not materialize. With the decrease in long-haul international trade, regional trade blocs become the dominant mode of commerce. Even as the depression reduces demand, supply is reduced further. The United Nations is ineffective and ignored, a relic of an age of international cooperation long since past. Worldwide competition for declining energy resources increases, exacerbated by a global decline in energy innovation as commercial investment slows dramatically. Industrial nations with domestic access to energy engage in power politics, creating even more conflict in an already unstable world. In this environment, Americans are not embraced internationally, and the U.S. military loses many of its basing rights as it redeploys to the United States. Implications for Naval Force Structure. In 2025, the Navy consists of 70 deployable ships. The rest of the fleet is either mothballed or kept pierside as a result of the worldwide depression. All aircraft carriers and all but six attack submarines are sidelined as the Navy cuts back dramatically on expensive nuclear engineers and pilots. Additionally, the Navy completely deemphasizes projecting power and sea control beyond territorial waters. It maintains a fleet of four ballistic missile submarines, with one in maximum readiness and capable of launching its missiles, including the possibility of pierside launch. While deemphasizing power projection decimates the carrier force, the amphibious force is cut less severely, both because of the flexibility of these platforms and because they are highly valued for their usefulness in defense support to civil authority missions, such as disaster relief and internal security. All forward-deployed forces redeploy to the naval bases in Norfolk, Virginia, and San Diego, California. A third naval base in Bangor, Washington, remains open to support the four remaining ballistic missile submarines. A greatly diminished U.S. Coast Guard maintains a presence in Hawaii. All other naval bases are closed. The fleet of 70 ships consists of six attack submarines, four ballistic missile submarines, eight aviation-capable amphibious ships, eight other amphibious ships, 15 destroyers, and 29 small combatants. In addition to these 70 ships, the Navy operates two hospital ships, which are in heavy domestic demand. The Navy does not operate a logistics force because all fueling, provisioning, and arming is done in port. The Navy’s operational mandate is homeland defense, and its activities have become largely indistinguishable from those of the Coast Guard. Some Members of Congress call for combining the two services. Lacking its traditional mobility provider and the mandate for expeditionary operations, the U.S. Marine Corps is disestablished. There is one remaining private shipyard suitable for building both conventional and nuclear combatants. Fear of an irreversible loss of specialized shipbuilding trades is at an all-time high. The ship repair business has disappeared, and all depot-level maintenance is conducted in two heavily subsidized public shipyards. The U.S.-flagged merchant marine consists solely of vessels engaged in Jones Act[[10]](http://www.heritage.org/research/reports/2011/05/thinking-about-a-day-without-sea-power-implications-for-us-defense-policy%22%20%5Cl%20%22_ftn10) trade, and there is no commercial shipbuilding in the United States. The U.S. Navy ceases to conduct exercises with allies and partners, although it does cooperate in maritime security operations with Canadian maritime forces. Global Implications. Under a scenario of dramatically reduced naval power, the United States would cease to be active in any international alliances. While it is reasonable to assume that land and air forces would be similarly reduced in this scenario, the lack of credible maritime capability to move their bulk and establish forward bases would render these forces irrelevant, even if the Army and Air Force were retained at today’s levels. In Iraq and Afghanistan today, 90 percent of material arrives by sea, although material bound for Afghanistan must then make a laborious journey by land into theater. China’s claims on the South China Sea, previously disputed by virtually all nations in the region and routinely contested by U.S. and partner naval forces, are accepted as a fait accompli, effectively turning the region into a “Chinese lake.” China establishes expansive oil and gas exploration with new deepwater drilling technology and secures its local sea lanes from intervention. Korea, unified in 2017 after the implosion of the North, signs a mutual defense treaty with China and solidifies their relationship. Japan is increasingly isolated and in 2020–2025 executes long-rumored plans to create an indigenous nuclear weapons capability.[[11]](http://www.heritage.org/research/reports/2011/05/thinking-about-a-day-without-sea-power-implications-for-us-defense-policy%22%20%5Cl%20%22_ftn11) By 2025, Japan has 25 mobile nuclear-armed missiles ostensibly targeting China, toward which Japan’s historical animus remains strong. China’s entente with Russia leaves the Eurasian landmass dominated by Russia looking west and China looking east and south. Each cedes a sphere of dominance to the other and remains largely unconcerned with the events in the other’s sphere. Worldwide, trade in foodstuffs collapses. Expanding populations in the Middle East increase pressure on their governments, which are already stressed as the breakdown in world trade disproportionately affects food importers. Piracy increases worldwide, driving food transportation costs even higher. In the Arctic, Russia aggressively asserts its dominance and effectively shoulders out other nations with legitimate claims to seabed resources. No naval power exists to counter Russia’s claims. India, recognizing that its previous role as a balancer to China has lost relevance with the retrenchment of the Americans, agrees to supplement Chinese naval power in the Indian Ocean and Persian Gulf to protect the flow of oil to Southeast Asia. In exchange, China agrees to exercise increased influence on its client state Pakistan. The great typhoon of 2023 strikes Bangladesh, killing 23,000 people initially, and 200,000 more die in the subsequent weeks and months as the international community provides little humanitarian relief. Cholera and malaria are epidemic. Iran dominates the Persian Gulf and is a nuclear power. Its navy aggressively patrols the Gulf while the Revolutionary Guard Navy harasses shipping and oil infrastructure to force Gulf Cooperation Council (GCC) countries into Tehran’s orbit. Russia supplies Iran with a steady flow of military technology and nuclear industry expertise. Lacking a regional threat, the Iranians happily control the flow of oil from the Gulf and benefit economically from the “protection” provided to other GCC nations. In Egypt, the decade-long experiment in participatory democracy ends with the ascendance of the Muslim Brotherhood in a violent seizure of power. The United States is identified closely with the previous coalition government, and riots break out at the U.S. embassy. Americans in Egypt are left to their own devices because the U.S. has no forces in the Mediterranean capable of performing a noncombatant evacuation when the government closes major airports. Led by Iran, a coalition of Egypt, Syria, Jordan, and Iraq attacks Israel. Over 300,000 die in six months of fighting that includes a limited nuclear exchange between Iran and Israel. Israel is defeated, and the State of Palestine is declared in its place. Massive “refugee” camps are created to house the internally displaced Israelis, but a humanitarian nightmare ensues from the inability of conquering forces to support them. The NATO alliance is shattered. The security of European nations depends increasingly on the lack of external threats and the nuclear capability of France, Britain, and Germany, which overcame its reticence to military capability in light of America’s retrenchment. Europe depends for its energy security on Russia and Iran, which control the main supply lines and sources of oil and gas to Europe. Major European nations stand down their militaries and instead make limited contributions to a new EU military constabulary force. No European nation maintains the ability to conduct significant out-of-area operations, and Europe as a whole maintains little airlift capacity. Implications for America’s Economy. If the United States slashed its Navy and ended its mission as a guarantor of the free flow of transoceanic goods and trade, globalized world trade would decrease substantially. As early as 1890, noted U.S. naval officer and historian Alfred Thayer Mahan described the world’s oceans as a “great highway…a wide common,” underscoring the long-running importance of the seas to trade.[[12]](http://www.heritage.org/research/reports/2011/05/thinking-about-a-day-without-sea-power-implications-for-us-defense-policy%22%20%5Cl%20%22_ftn12) Geographically organized trading blocs develop as the maritime highways suffer from insecurity and rising fuel prices. Asia prospers thanks to internal trade and Middle Eastern oil, Europe muddles along on the largesse of Russia and Iran, and the Western Hemisphere declines to a “new normal” with the exception of energy-independent Brazil. For America, Venezuelan oil grows in importance as other supplies decline. Mexico runs out of oil—as predicted—when it fails to take advantage of Western oil technology and investment. Nigerian output, which for five years had been secured through a partnership of the U.S. Navy and Nigerian maritime forces, is decimated by the bloody civil war of 2021. Canadian exports, which a decade earlier had been strong as a result of the oil shale industry, decline as a result of environmental concerns in Canada and elsewhere about the “fracking” (hydraulic fracturing) process used to free oil from shale. State and non-state actors increase the hazards to seaborne shipping, which are compounded by the necessity of traversing key chokepoints that are easily targeted by those who wish to restrict trade. These chokepoints include the Strait of Hormuz, which Iran could quickly close to trade if it wishes. More than half of the world’s oil is transported by sea. “From 1970 to 2006, the amount of goods transported via the oceans of the world…increased from 2.6 billion tons to 7.4 billion tons, an increase of over 284%.”[[13]](http://www.heritage.org/research/reports/2011/05/thinking-about-a-day-without-sea-power-implications-for-us-defense-policy%22%20%5Cl%20%22_ftn13) In 2010, “$40 billion dollars [sic] worth of oil passes through the world’s geographic ‘chokepoints’ on a daily basis…not to mention $3.2 trillion…annually in commerce that moves underwater on transoceanic cables.”[[14]](http://www.heritage.org/research/reports/2011/05/thinking-about-a-day-without-sea-power-implications-for-us-defense-policy%22%20%5Cl%20%22_ftn14) These quantities of goods simply cannot be moved by any other means. Thus, a reduction of sea trade reduces overall international trade. U.S. consumers face a greatly diminished selection of goods because domestic production largely disappeared in the decades before the global depression. As countries increasingly focus on regional rather than global trade, costs rise and Americans are forced to accept a much lower standard of living. Some domestic manufacturing improves, but at significant cost. In addition, shippers avoid U.S. ports due to the onerous container inspection regime implemented after investigators discover that the second dirty bomb was smuggled into the U.S. in a shipping container on an innocuous Panamanian-flagged freighter. As a result, American consumers bear higher shipping costs. The market also constrains the variety of goods available to the U.S. consumer and increases their cost. A Congressional Budget Office (CBO) report makes this abundantly clear. A one-week shutdown of the Los Angeles and Long Beach ports would lead to production losses of $65 million to $150 million (in 2006 dollars) per day. A three-year closure would cost $45 billion to $70 billion per year ($125 million to $200 million per day). Perhaps even more shocking, the simulation estimated that employment would shrink by approximately 1 million jobs.[[15]](http://www.heritage.org/research/reports/2011/05/thinking-about-a-day-without-sea-power-implications-for-us-defense-policy%22%20%5Cl%20%22_ftn15) These estimates demonstrate the effects of closing only the Los Angeles and Long Beach ports. On a national scale, such a shutdown would be catastrophic. The Government Accountability Office notes that: [O]ver 95 percent of U.S. international trade is transported by water[;] thus, the safety and economic security of the United States depends in large part on the secure use of the world’s seaports and waterways. A successful attack on a major seaport could potentially result in a dramatic slowdown in the international supply chain with impacts in the billions of dollars.[[16]](http://www.heritage.org/research/reports/2011/05/thinking-about-a-day-without-sea-power-implications-for-us-defense-policy%22%20%5Cl%20%22_ftn16) As of 2008, “U.S. ports move 99 percent of the nation’s overseas cargo, handle more than 2.5 billion tons of trade annually, and move $5.5 billion worth of goods in and out every day.” Further, “approximately 95 percent of U.S. military forces and supplies that are sent overseas, including those for Operations Iraqi Freedom and Enduring Freedom, pass through U.S. ports.”[[17]](http://www.heritage.org/research/reports/2011/05/thinking-about-a-day-without-sea-power-implications-for-us-defense-policy%22%20%5Cl%20%22_ftn17) General Conclusions. This simple thought experiment is designed to highlight the impact of the loss of preponderant American sea power. Because this is a scenario-based excursion, it is important to retain perspective. In order to create this absence of sea power, a Hobbesian nightmare had to be imposed, although a slow erosion of naval power in the next decade could leave the country dramatically unprepared for something less than Hobbes might conjure. Certainly, America would have many important needs if such a scenario became reality. Yet the scenario’s description shows the extent to which America’s power as a maritime nation depends on its ability to field and operate a global fleet that aggressively protects its interests even as it provides a benign security environment for other nations to enjoy. Put another way, the cost of maintaining a fleet that can project power and presence around the globe—even if it encourages others to underinvest in their naval forces—produces substantial national security and economic benefits for the American people, and these benefits far outweigh the costs of maintaining it.

## Trade collapse independently causes war-it’s linear

**Hillebrand, Kentucky diplomacy professor, 2010**

(Evan, “Deglobalization Scenarios: Who Wins? Who Loses?”, Global Economy Journal, Volume 10, Issue 2, ebsco, ldg)

A long line of writers from Cruce (1623) to Kant (1797) to Angell (1907) to Gartzke (2003) have theorized that economic interdependence can lower the likelihood of war. Cruce thought that free trade enriched a society in general and so made people more peaceable; Kant thought that trade shifted political power away from the more warlike aristocracy, and Angell thought that economic interdependence shifted cost/benefit calculations in a peace-promoting direction. Gartzke contends that trade relations enhance transparency among nations and thus help avoid bargaining miscalculations. There has also been a tremendous amount of empirical research that mostly supports the idea of an inverse relationship between trade and war. Jack Levy said that, “While there are extensive debates over the proper research designs for investigating this question, and while some empirical studies find that trade is associated with international conflict, most studies conclude that trade is associated with peace, both at the dyadic and systemic levels” (Levy, 2003, p. 127). There is another important line of theoretical and empirical work called Power Transition Theory that focuses on the relative power of states and warns that when rising powers approach the power level of their regional or global leader the chances of war increase (Tammen, Lemke, et al, 2000). Jacek Kugler (2006) warns that the rising power of China relative to the United States greatly increases the chances of great power war some time in the next few decades. The IFs model combines the theoretical and empirical work of the peac ethrough trade tradition with the work of the power transition scholars in an attempt to forecast the probability of interstate war. Hughes (2004) explains how he, after consulting with scholars in both camps, particularly Edward Mansfield and Douglas Lemke, estimated the starting probabilities for each dyad based on the historical record, and then forecast future probabilities for dyadic militarized interstate disputes (MIDs) and wars based on the calibrated relationships he derived from the empirical literature. The probability of a MID, much less a war, between any random dyad in any given year is very low, if not zero. Paraguay and Tanzania, for example, have never fought and are very unlikely to do so. But there have been thousands of MIDs in the past and hundreds of wars and many of the 16,653 dyads have nonzero probabilities. In 2005 the mean probability of a country being involved in at least one war was estimated to be 0.8%, with 104 countries having a probability of at least 1 war approaching zero. A dozen countries12, however, have initial probabilities over 3%. The globalization scenario projects that the probability for war will gradually decrease through 2035 for every country—but not every dyad--that had a significant (greater than 0.5% chance of war) in 2005 (Table 6). The decline in prospects for war stems from the scenario’s projections of rising levels of democracy, rising incomes, and rising trade interdependence—all of these factors figure in the algorithm that calculates the probabilities. Not all dyadic war probabilities decrease, however, because of the power transition mechanism that is also included in the IFs model. The probability for war between China and the US, for example rises as China’s power13 rises gradually toward the US level but in these calculations the probability of a China/US war never gets very high.14 Deglobalization raises the risks of war substantially. In a world with much lower average incomes, less democracy, and less trade interdependence, the average probability of a country having at least one war in 2035 rises from 0.6% in the globalization scenario to 3.7% in the deglobalization scenario. Among the top-20 war-prone countries, the average probability rises from 3.9% in the globalization scenario to 7.1% in the deglobalization scenario. The model estimates that in the deglobalization scenario there will be about 10 wars in 2035, vs. only 2 in the globalization scenario15. Over the whole period, 2005-2035, the model predicts four great power wars in the deglobalization scenario vs. 2 in the globalization scenario.16 Deglobalization in the form of reduced trade interdependence, reduced capital flows, and reduced migration has few positive effects, based on this analysis with the International Futures Model. Economic growth is cut in all but a handful of countries, and is cut more in the non-OECD countries than in the OECD countries. Deglobalization has a mixed impact on equality. In many non-OECD countries, the cut in imports from the rest of the world increases the share of manufacturing and in 61 countries raises the share of income going to the poor. But since average productivity goes down in almost all countries, this gain in equality comes at the expense of reduced incomes and increased poverty in almost all countries. The only winners are a small number of countries that were small and poor and not well integrated in the global economy to begin with—and the gains from deglobalization even for them are very small. Politically, deglobalization makes for less stable domestic politics and a greater likelihood of war. The likelihood of state failure through internal war, projected to diminish through 2035 with increasing globalization, rises in the deglobalization scenario particularly among the non-OECD democracies. Similarly, deglobalization makes for more fractious relations among states and the probability for interstate war rises.

## Two internal links

## First is steel—

## It’s try or die for the industry—plan saves it from collapse

**Elmquist, Bloomberg reporter, 12/31**

(December 31, 2012, “Shale-Gas Revolution Spurs Wave of New U.S. Steel Plants: Energy”, http://www.bloomberg.com/news/2012-12-31/shale-gas-revolution-spurs-wave-of-new-u-s-steel-plants-energy.html, 2/16/13, atl)

The U.S. shale-gas revolution, which has revitalized chemicals companies and prompted talk of domestic energy self-sufficiency, is attracting a wave of investment that may revive profits in the steel industry. Austrian steelmaker [Voestalpine AG (VOE)](http://www.bloomberg.com/quote/VOE%3AAV) said Dec. 19 it may construct a 500 million-euro ($661 million) factory in the U.S. to benefit from cheap gas. [Nucor Corp. (NUE)](http://www.bloomberg.com/quote/NUE%3AUS), the most valuable U.S. steelmaker, plans to start up a $750 million [Louisiana](http://topics.bloomberg.com/louisiana/) project in mid-2013. They’re among at least five U.S. plants under consideration or being built that would use gas instead of coal to purify iron ore, the main ingredient in steel. “That technology has been around 30 years, but for 29 years gas prices in the U.S. were so high that the technology was not economical,” said [Michelle Applebaum](http://topics.bloomberg.com/michelle-applebaum/), managing partner at consulting firm Steel Market Intelligence in [Chicago](http://topics.bloomberg.com/chicago/). “This is how steel will be built moving forward.” The new capacity may signal a turnaround for an industry that has suffered from overcapacity since the financial crisis and collapse in commodity prices four years ago. U.S. steelmakers have struggled to stay profitable amid sluggish domestic demand, depressed prices and competition from Chinese imports. While [global steel output](http://www.bloomberg.com/quote/IISTTOTL%3AIND) has grown by 14 percent since 2008, U.S. production has shrunk 3.4 percent. Gas Plunge The newest group of steel projects are so-called direct- reduced iron plants, which account for the first stage of steelmaking. DRI technology produces iron for about $324 a ton, Nucor said in a November presentation. That’s $82 a ton, or 20 percent, cheaper than using a conventional blast furnace, the [Charlotte](http://topics.bloomberg.com/charlotte/), North Carolina-based steelmaker said. Foreign competitors are now following Nucor’s lead. A joint venture between [Australia](http://topics.bloomberg.com/australia/)’s Bluescope Steel Ltd. (BSL) and commodity trader Cargill Inc. plans to build a DRI plant in [Ohio](http://topics.bloomberg.com/ohio/), Biliana Pehlivanova and Shiyang Wang, analysts at Barclays Plc in [New York](http://topics.bloomberg.com/new-york/), said in a Dec. 18 report. [India](http://topics.bloomberg.com/india/)’s Essar Global Ltd. plans one for [Minnesota](http://topics.bloomberg.com/minnesota/), Barclays said. Nucor may announce a second DRI plant as soon as 2013, bringing the company’s domestic iron-making capacity to 5 million tons per year, according to Aldo Mazzaferro, a steel analyst at Macquarie Capital USA Inc. in New York. Nucor agreed last month to pay Canadian energy company Encana Corp. $3 billion over two decades for a joint venture that will develop gas wells to supply its DRI capacity. No one at BlueScope and Essar responded to messages seeking comment on the DRI projects. [Lisa Clemens](http://topics.bloomberg.com/lisa-clemens/), a Cargill spokeswoman, declined to comment about any iron-making expansion at the company’s North Star BlueScope joint venture. Katherine Miller, a Nucor spokeswoman, declined to comment about a possible second DRI plant. Chemical Boom Hydraulic fracturing of shale rock formations from [Texas](http://topics.bloomberg.com/texas/) to [West Virginia](http://topics.bloomberg.com/west-virginia/) has boosted supplies of gas and sent prices plunging by as much as half in the past two years. Gas futures reached a decade low of $1.91 per million British thermal units in April in New York trading. “The shale revolution is triggering an avalanche of industrial expansion plans,” Barclays’ Pehlivanova and Wang said. There’s been a reversal of fortune for U.S. chemical producers after years of decline. Shares of LyondellBasell Industries NV have more than doubled since it emerged from bankruptcy in 2010. The company is now among chemical producers planning billions of dollars of plants around the [Gulf of Mexico](http://topics.bloomberg.com/gulf-of-mexico/) to capitalize on cheaper gas. Fertilizer companies including CF Industries Holdings Inc. also are planning to construct gas- fueled plants. Gas Exports? “Other companies from around the world that consume gas may be attracted to move their facilities to the U.S. market, which would then provide even more steel consumption and manufacturing capacity,” said Macquarie’s Mazzaferro. “It could result in a re-industrialization of the U.S.” Still, gas may not get much cheaper from here. Prices are up 75 percent from their April low and will average $3.70 per million British thermal units next year, or about 31 percent more than in 2012, according to the median of 21 estimates compiled by Bloomberg. Gas for February delivery fell 3.4 percent to settle at $3.351 per million British thermal units in New York. That price trend may continue if the U.S. starts exports. A Dec. 5 study by NERA Economic Consulting found that the country would benefit more from shipping liquefied natural gas than using it all domestically. Sempra Energy and Exxon Mobil Corp. are among energy companies seeking export permits. Vanishing Profits At the same time, there’s no guarantee that steel demand in the U.S. will improve. Domestic [steel-industry](http://topics.bloomberg.com/steel-industry/) capacity utilization is at 74 percent, according to data from the [American Iron and Steel Institute](http://topics.bloomberg.com/american-iron-and-steel-institute/). Utilization was 91 percent in August 2008, the month before the bankruptcy of Lehman Brothers Holdings Inc. Steelmakers’ earnings haven’t recovered. Nucor will post a $504 million net income for this year, according to the average of seven analysts’ estimates compiled by Bloomberg. That’s less than a third of what the company earned in 2008. U.S. Steel Corp., the country’s biggest producer by volume, is expected to post a fourth consecutive [annual loss](http://www.bloomberg.com/quote/X%3AUS).

## Every bit counts—sustained gas prices ensure competitiveness

**James, Reuters, 12**

(Steve James, March 16, 2012, “Analysis: Steelmakers eye gas to cut costs, drive exports,” Reuters, http://www.reuters.com/article/2012/03/16/us-steel-gas-idUSBRE82F12Y20120316, 2/16/13, atl)

America's steel industry, for decades a **symbol of industrial decline,** **is betting on natural gas** to make it more competitive against foreign producers.¶ U.S. Steel Corp (X.N) and Nucor Inc (NUE.N), the two largest U.S. steel producers, are changing their traditional manufacturing processes as relatively cheap domestic natural gas supplies become more plentiful.¶ Some experts believe the new techniques will not only allow steelmakers to cut costs and lower selling prices at home, but also give U.S. companies a chance to compete with Japanese, South Korean and European rivals for a slice of the export pie.¶ "Gas is very positive for steel; it really lowers the cost of the product," said Michael Locker of Locker Associates, a consultant for steel companies.¶ U.S. Steel Chief Executive John Surma said in an interview that using natural gas in some stages of production can cut the use of more expensive coking coal by some 10 percent.¶ He estimated that factoring in costs such as labor, energy and transportation, the overall savings would be **$6 to $7 per ton** *of steel*. U.S. Steel produces 23 million tons per year.¶ Christopher Plummer, managing director of Metal Strategies, an industry consultant in West Chester, Pennsylvania, said the global average cost of producing a ton of steel is about $600 to $700. Russian steelmakers produce at the bottom of the cost curve, averaging about $500 per ton. Americans are in the middle at about $625 to $675 per ton. The most expensive are the Japanese and Koreans, at $650 to $750 per ton.¶ While a savings of about 1 percent may not sound like much, every little bit counts for companies in an industry that has been struggling with steep rises in raw material costs, such as coking coal, iron ore and scrap metal.¶ "You do an analysis of our costs and they are much higher than five years ago," said Surma, whose company posted a net loss of $226 million for the fourth quarter -- its fifth in the last eight quarters. "The capital cost to increase our ability to inject greater quantities of natural gas into our blast furnaces is minimal, but the potential savings certainly start to add up when you are producing 20 million tons or more of steel every year."¶ A GAME CHANGER¶ With natural gas prices at 10-year lows because new fracking technology has opened up huge deposits in the Northeast United States, most domestic steelmakers are looking to use more of it.¶ "There is a new focus on natgas," said Larry Kavanagh, president of the American Iron and Steel Institute's Steel Market Development Institute. "Until the recent discovery, we believed coal-based technologies would dominate the future. Now **the game has changed** in the near term."¶ Nucor, for instance, has dropped plans to build a traditional blast furnace in Louisiana and instead is constructing a gas-fired plant to produce direct reduced iron, or DRI, a key ingredient in its steel-making process.¶ The $750 million facility will convert natural gas and iron ore pellets into high-quality DRI used by Nucor's steel mills, along with recycled scrap, to produce 2.5 million tons of steel a year. Like U.S. Steel, Nucor produces about 23 million tons of steel a year. According to Nucor officials, the DRI offers a carbon footprint that is one-third of that for the coke oven/blast furnace, and at less than half the capital cost.¶ Nucor may be better placed than U.S. Steel to reap the benefits of lower-cost gas because it is a so-called mini-mill operator, which melts recycled steel or pig iron in electric arc furnaces. Electricity is expensive, but costs can be cut by substituting natural gas to fire the furnace. U.S. Steel is an integrated manufacturer that largely makes steel the old-fashioned way, by cooking iron ore and coking coal in a blast furnace. Thus, there is a limit on the amount of natural gas it can substitute for coal.¶ Nucor has not said how much it expects to save on the cost of a ton of steel by using more natural gas.¶ Of course, there is no guarantee that natural gas prices will stay low forever; but increases are likely to be more limited than in the past because of the increased production. In the past, prices were volatile and in 2005 were as high as $14 per million British thermal units (BTU), compared with slightly above $2 per million BTU today.¶ But John Anton, director of steel services for the global forecasting company IHS, said he believes there is little risk that steel companies will get burned should gas prices rise again.¶ "DRI **cannot stand high gas prices;** but with fracking technology, we see low prices around $4 lasting for 30 years and under $8 for the next 80 years."

## Steel is an indispensable to overall military function—failure to sustain consistent supply ensures incapacitating dependence

**Lasoff, Kelley & Drye Law partner, 07**

(Laurence J., has nearly three decades of experience helping a broad spectrum of clients navigate the complex regulatory hurdles of [international trade](http://www.kelleydrye.com/attorneys/laurence_lasoff) and customs, in addition to managing the government relations and public policy challenges faced by U.S. companies and industry trade associations, Industry Trade Advisory Committee on Consumer Goods: Advisor on Trade Negotiations, Department of Commerce and Office of U.S. Trade Representative, “Steel and the National Defense”, http://www.ssina.com/news/releases/pdf\_releases/steel\_and\_national\_defense\_0107.pdf, 2/21/13, atl)

This analysis presented by the U.S. steel industry addresses the importance of domestically produced steel to our nation’s overall national defense objectives and the increased need for steel to bolster our economic and military security. The President and other U.S. government leaders have recognized repeatedly the critical interdependence of steel and national security. The American steel industry and the thousands of skilled men and women who comprise its workforce produce high quality, cost-competitive steel products for military use in applications ranging from aircraft carriers and nuclear submarines to Patriot and Stinger missiles, armor plate for tanks and field artillery pieces, as well as every major military aircraft in production today. These critical applications require consistent, high quality on-shore supply sources. While leading-edge defense applications represent only a small portion of overall domestic sales of steel products, defense-related materials are produced on the same equipment, using some of the same technology, and are developed by the same engineers who support the larger commercial businesses of steel companies in the U.S. Thus, the companies are not typical defense contractors who derive the majority of their sales and profits from their defense business. It is the overall financial health of U.S. steel producers, and not simply the profitability of their defense business, that is essential to their ability to be reliable defense suppliers. The domestic steel industry also believes that, over an extended period of time, the United States could lose much of its steel-related manufacturing base if U.S. steel consumers continue to move production offshore due to market-distorting foreign government incentives and due to unsound economic policies at home. If we continue to lose our manufacturing base due to market distorting foreign competition or U.S. economic policies that are hostile to domestic investment and U.S.-based manufacturing, it could become impossible to produce here; **the U.S. military would lose its principal source of strategic metals**; **and we as a nation would become dangerously dependent upon unreliable foreign sources of supply**. The U.S. steel industry, consisting of all carbon and alloy steel producers and specialty metal producers, employs more than 160,000 highly skilled workers who produce over $60 billion of high quality steel and high-technology specialty alloy products annually. The industry includes state-of-the-art, large and small electric arc furnace producers (or “mini mills”) that make steel from recycled scrap, and highly efficient large “integrated” steel producers who make steel from virgin materials and recycled steel. 3 Steel is produced in many forms, including flat-rolled and long products, carbon pipe and tube products, wire and other fabricated products. Carbon and alloy steel is used in all major end-use markets, including construction, automotive, machinery, appliance and containers. Specialty steels are high technology, high value materials, produced by small and medium-sized companies. These specialty metals are used in extreme environments that demand exceptional hardness, toughness, strength and resistance to heat, corrosion and abrasion, such as in the aerospace and chemical processing industries. **All segments of the domestic steel industry contribute directly or indirectly to the defense industrial base**. Criticality of the Steel Industry to the National Defense and the Defense Infrastructure The U.S. carbon/alloy and specialty steel industries are vital partners to American defense contractors and to the DOD. **Domestic and specialty metals are found in virtually every military platform**. **Whether it is missiles, jet aircraft, submarines, helicopters, Humvees® or munitions, American-made steels and specialty metals are crucial components of U.S. military strength**. A few examples follow: 1. The Joint Strike fighter F135 engine, the gears, bearings, and the body itself, will use high performance specialty steels and superalloys produced by U.S. specialty steel companies. 2. Land based vehicles such as the Bradley Fighting Vehicle, Abrams Tank, and the family of Light Armored Vehicles use significant tonnage of steel plate per vehicle. **3. Steel plate is used in the bodies and propulsion systems of the naval fleet.** 4. The control cables on virtually all military aircraft, including fighter jets and military transport planes, are produced from steel wire rope. Numerous additional examples illustrating how steel and specialty metals directly support the U.S. defense industrial base are provided in Appendices 1 and 2. **These materials are an integral part of many diversified military applications and**, as such, **are in a continuing state of technological development.** Steel’s importance to the military must also be looked at in a broader context to include both direct and indirect steel shipments to the military infrastructure that are **needed to support our defense efforts, both at home and overseas** -- e.g., all of the steel that goes into the rails, rail cars, ground vehicles, tanks, ships, military barracks, fences and bases, which are not classified as shipments to ordinance, aircraft, shipbuilding or other military uses. The September 11 attacks on the United States made it clear that (1) steel will be needed to “harden” existing U.S. infrastructure and installations and (2) a strong and viable domestic steel industry will be needed to provide immediate steel deliveries when and where required. Consider the potential difficulties the U.S. would face in defending, maintaining and rebuilding infrastructure in an environment where our nation is largely dependent upon foreign steel. By 4 becoming even more dangerously dependent upon offshore sources of steel, the United States would experience sharply reduced security preparedness in the face of: • Highly variable, and certainly higher, costs; • Uncertain supply, impacted by unsettled foreign economies and politics; • Quality, design and performance problems; • Inventory problems, long lead times and extended construction schedules. In Appendix 3 of this paper, we illustrate how the U.S. depends upon a healthy American steel industry to meet the growing U.S. demands for steel-intensive infrastructure. **Engineers and contractors on sophisticated infrastructure projects require an uninterrupted** supply of quality steel that they can depend upon to meet the performance characteristics of a project’s design, delivered on time, and at a competitive cost. U.S. national economic security requires a strong and viable domestic steel industry to meet all of these criteria on a consistent basis.

## Second is Shipbuilding, the benefits are massive—OCS development provides sustained stimulus

**Mason, LSU chair of banking, 2011**

(Joseph, House Natural Resources Subcommittee on Energy and Mineral Resources Hearing; Fisheries, Wildlife, Oceans and Insular Affairs Legislative Hearing on H.R. 306, H.R. 588, S. 266 and H.R. 285”, 4-6, lexis, ldg)

Apart from national energy concerns, however, economic considerations also favor increased development of OCS energy resources. Specifically, the boost provided to local onshore economies by offshore production would be particularly welcome in the present economic climate. Similar to fiscal alternatives presently under consideration, OCS development would provide a long-run economic stimulus to the U.S. economy because the incremental output, employment, and wages provided by OCS development would be spread over many years. Unlike those policies, however, this stimulus would not require government expenditures to support that long-term growth. A. The Present State of Offshore U.S. Oil and Gas Production Despite its importance, U.S. oil and natural gas production in offshore areas is currently limited to only a few regions. At the present time, oil and gas is only actively produced off the coast of six U.S. states: Alabama, Louisiana, Mississippi, Texas, California, and Alaska. The Energy Information Administration (EIA) reports that Alabama, Louisiana, Mississippi, and Texas are the only coastal states that provide access to all or almost all of their offshore energy resources. Only two additional states--Alaska and California--are producing any offshore energy supplies. All California OCS Planning Areas and most Alaska OCS Planning Areas, however, were not open to any new facilities until the recent end of the Congressional and Presidential moratoria. The remaining 16 coastal states are not open to new production and are not presently extracting any offshore energy resources. Even without those remaining sixteen states, plus California and Alaska, the OCS is already the most important source of U.S. energy supplies. According to the MMS, "the Federal OCS is a major supplier of oil and natural gas for the domestic market, contributing more energy (oil and natural gas) for U.S. consumption than any single U.S. state or country in the world." That is, OCS production presently meets more U.S. energy demand than any other single source, including Saudi Arabia. B. Offshore Oil Production Stimulates Onshore Economies Offshore oil and gas production has a significant effect on local onshore economies as well as the national economy. There are broadly three "phases" of development that contribute to state economic growth: (1) the initial exploration and development of offshore facilities; (2) the extraction of oil and gas reserves; and (3) refining crude oil into finished petroleum products. Industries supporting those phases are most evident in the sections of the Gulf of Mexico that are currently open to offshore drilling. For example, the U.S. shipbuilding industry - based largely in the Gulf region - benefits significantly from initial offshore oil exploration efforts. Exploration and development also requires specialized exploration and drilling vessels, floating drilling rigs, and miles and miles of steel pipe, as well as highly educated and specialized labor to staff the efforts. The onshore support does not end with production. A recent report prepared for the U.S. Department of Energy indicates that the Louisiana economy is "highly dependent on a wide variety of industries that depend on offshore oil and gas production" and that offshore production supports onshore production in the chemicals, platform fabrication, drilling services, transportation, and gas processing. Fleets of helicopters and U.S.-built vessels also supply offshore facilities with a wide range of industrial and consumer goods, from industrial spare parts to groceries. As explained in Section IV.G, however, the distance between offshore facilities and onshore communities can affect the relative intensity of the local economic effects. The economic effects in the refining phase are even more diffuse than the effects for the two preceding phases. Although significant capacity is located in California, Illinois, New Jersey, Louisiana, Pennsylvania, Texas, and Washington, additional U.S. refining capacity is spread widely around the country. As a result, refinery jobs, wages, and tax revenues are even more likely to "spill over" into other areas of the country, including non-coastal states like Illinois, as those are home to many refining and chemical industries that ride the economic coattails of oil exploration and extraction. II. OFFSHORE OIL AND GAS RESERVE ESTIMATES AND THE SOURCES OF THEIR ECONOMIC BENEFITS As described in my 2009 white paper, "The Economic Contribution of Increased Offshore Oil Exploration and Production to Regional and National Economies," available at www.americanenergyalliance.org/images/aea\_offshore\_updated\_final.pdf, significant oil and gas reserves lie under the U.S. Outer Continental Shelf (OCS). According to the Energy Information Administration (EIA), the OCS (including Alaskan OCS Planning Areas) contains approximately 86 billion barrels of recoverable oil and approximately 420 trillion cubic feet of recoverable natural gas. As noted by the White House, however, the OCS estimates are conservative. Of the total OCS reserves, a significant portion was unavailable to exploration until recently. Specifically, Presidential and Congressional mandates banned production from OCS Planning Areas covering approximately 18 billion barrels of recoverable oil and 77.61 trillion cubic feet of recoverable natural gas. These bans covered approximately 31 percent of the total recoverable OCS oil reserves and 25 percent of the total recoverable OCS natural gas reserves. Economic benefits of utilizing OCS reserves accrue from three primary sources: (1) exploration/platform investments; (2) production; and (3) refining. Sources (1) and (3) produce initial effects--that is, new industry expenditures--today; in contrast, source (2) produce economic effects only once production begins. The analysis therefore considers "initial" economic effects as those that flow from exploration or investments in new refining capacity and long-term economic effects as those that flow from production and ongoing refining. A. Exploration and Offshore Facility Development In contrast to other industries, the high fixed investment costs associated with offshore oil and gas production produce large initial investments that reverberate throughout the economy. Once oil or gas reserves are located, billions of additional dollars must be spent before the well produces even $1 of revenue. For example, oil exploration costs can amount to between $200,000 and $759,000 per day per site. Additional production in the U.S. will also require a costly expansion refining capacity as well. Taken together, the fixed expenditures that precede actual offshore oil and gas production can amount to billions of dollars. For example, Chevron's "Tahiti" project in the Gulf of Mexico is representative of the large investments that firms must make before production is achieved. In 2002, Chevron explored the Tahiti lease--which lies 100 miles off the U.S. coast at a depth of 4,000 feet--and found "an estimated 400 million to 500 million barrels of recoverable resources." Chevron estimates that it will take seven years to build the necessary infrastructure required to begin production at Tahiti. The firm estimates that its total development costs will amount to "$4.7 billion--before realizing $1 of return on our investment." As a typical U.S. offshore project, the Tahiti project provides a wealth of information regarding the up-front investment costs, length of investment, and lifespan of future OCS fields. As noted above, the Tahiti field is estimated to hold between 400 million and 500 million barrels of oil and oil equivalents (primarily natural gas) and is expected to require an initial fixed investment of $4.7 billion. Using the mid-point reserve estimate of 450 million barrels of oil equivalent, up-front development costs amount to approximately $10.44 per barrel of oil reserves or $1.86 per 1,000 cubic feet of natural gas reserves. These costs will be spread over 7 years, resulting in average up-front development expenditures equal to $1.49 per barrel of oil and $0.27 per 1,000 cubic feet of natural gas. Chevron also estimates that the Tahiti project will produce for "up to 30 years". Although investment and production times vary widely, the analysis that follows uses the Tahiti project numbers - an average initial investment period of seven years followed by an average production period of 30 years - as indicative of the "typical" offshore project. I will thus assume an average initial investment period of seven years followed by an average production period of 30 years. The speed of OCS development also factors into the analysis. Because most areas of the U.S. OCS have been closed to new exploration and production for almost forty years, it is unclear how quickly firms would move to develop new offshore fields. Given its large potential reserves, however, the OCS is sure to attract significant investment. Without the benefit of government data, a rough estimate suggests that annual total investment in OCS fields would be $9.09 billion per year. Those annual expenditures are expected to last, on average, the full seven years of the development phase. Additional investment in states that already support significant production - Alabama, Louisiana, Mississippi, and Texas - are limited. Some of the greatest benefits accrue to areas that are home to enormous - but unavailable - total reserves: California and Florida. B. Production The likely value of state recoverable oil and gas reserves are estimated using the likely lifetime revenue that could be generated by the project. In that case, average wholesale energy prices provide the information necessary to translate reserves into revenues. Taking the simple average of the EIA's latest inflation-adjusted energy price forecasts through 2030 as provided by its Annual Energy Outlook 2009, the average inflation-adjusted price of oil will be $110.64 per barrel and the average inflation-adjusted price of natural gas will be $6.83 per thousand cubic feet. At these prices, the estimated OCS reserves are worth about $13 trillion. The value of each state's available reserves are calculated as the sum of (1) its share of available OCS Planning Area oil reserves times $110.64 per barrel and (2) its share of available OCS Planning Area natural gas reserves times $6.83 per thousand cubic feet. The same method applies to the valuation of total state OCS reserves. By those estimation methods, states such as California, facing a budget crisis in the current recession, have an estimated $1.65 trillion in resources available in nearby OCS planning areas. Florida, while not facing as dire a fiscal crisis, has about $0.55 trillion in resources available in nearby OCS planning areas. Hence, a permanent relaxation of all federal OCS production moratoria would unlock more than $3.4 trillion in new production among all the coastal states. C. Investments in Incremental Refining Capacity Since U.S. refineries are presently operating near maximum capacity increased offshore oil and gas production would also spur investment in new refineries. The U.S. refining industry is presently operating at 97.9 percent of capacity and can no longer depend on excess foreign refining to meet production shortfalls arising from seasonality or repairs. In response, many large refiners are already considering refinery expansions: ConocoPhillips announced that it planned to spend $6.5 billion to $7 billion on capacity expansion at its U.S. facilities; Chevron has also considered a major refinery expansion; and while Shell is completing a $7 billion expansion and its Port Arthur, Texas refinery they are considering further expansion elsewhere. Additional refinery investments are likely to occur in the few U.S. states that already host significant U.S. refineries. This result is largely due to environmental restrictions that severely limit the placement of new refining capacity. Current capacity is primarily concentrated in California, Louisiana, and Texas. The U.S. presently has an operating refining capacity of approximately 6.287 billion barrels of crude oil per year. Conservative estimates of OCS production would add approximately 3.773 billion barrels per year, or about sixty percent of current U.S. operating refinery capacity. Because some OCS refining production would most likely substitute for foreign production, however, the analysis conservatively assumes that only one-quarter of this new OCS production necessitates additional U.S. refinery capacity. That is, I estimate that U.S. refinery demand would increase by 943.25 million barrels per year, or 15 percent of current installed capacity. Even this modest capacity increase would require substantial new investments. In response to existing capacity constraints, Shell is already increasing the capacity of its Port Arthur, Texas refinery. This expansion will take approximately two and one-half years to complete and cost $7 billion. The facility will add 325,000 barrels per day (or 118.6 million barrels per year) in new capacity, at a cost of approximately $59.02 per barrel of new annual capacity. As noted above, since tough environmental regulations effectively limit new refinery capacity to a few states, refinery investments are likely to be limited to only a few states with large existing capacity. These states can be reasonably assumed to be the same states the already have large installed refinery capacity. Hence, incremental refinery capacity will be added predominantly in states already home to large refining capacity--those with a present capacity of more than 200 million barrels per year. There are seven such states: California, Illinois, Louisiana, New Jersey, Pennsylvania, Texas, and Washington. Expected increases in offshore oil production will induce approximately $22 billion in refining capacity investments each year for two and one half years. California, Texas, and Louisiana will receive the bulk of this investment, but investments of more than $1 billion annually can be expected in Illinois, New Jersey, Pennsylvania, and Washington. III. INCREASED INVESTMENTS IN OFFSHORE OIL AND GAS PRODUCTION WILL CAUSE SUBSTANTIAL INCREASES IN WAGES, EMPLOYMENT, AND TAXES, AND PROFOUND EFFECTS ON COMMUNITIES THROUGHOUT THE NATION Onshore state and local economies benefit from the development of OCS reserves by providing goods and services to offshore oil and gas extraction sites. Onshore communities provide all manner of goods and services required by offshore oil and gas extraction. A variety of industries are involved in this effort: shipbuilders provide exploration vessels, permanent and movable platforms, and resupply vessels; steelworkers fashion the drilling machinery and specialized pipes required for offshore resource extraction; accountants and bankers provide financial services; and other onshore employees provide groceries, transportation, refining, and other duties. These onshore jobs, in turn, support other jobs and other industries (such as retail and hospitality establishments). The statistical approach known as an "input-output" analysis measures the economic effects associated with a particular project or economic development plan. This approach, which was pioneered by Nobel Prize winner Wassily Leontif, has been refined by the U.S. Department of Commerce. The most recent version of the Commerce Department's analysis is known as the Regional Input-Output Modelling System, or "RIMS II." The RIMS II model provides a variety of multipliers that measure how an economic development project--such as offshore drilling--would "trickle down" through the economy providing new jobs, wages, and government revenues. This analysis can be broken down into two parts: (1) a "direct" analysis measuring the benefits that arise from industries that directly supply offshore oil and gas exploration and (2) the "final" analysis that measures the direct and indirect benefits associated with offshore exploration. The RIMS II model is the standard method governmental authorities use to evaluate the benefits associated with an economic development project. According to the Commerce Department, the RIMS II model has been used to evaluate the economic effects of many projects, including: opening or closing military bases, tourist expenditures, new energy facilities, opening or closing manufacturing plants, shopping malls, sports stadiums, and new airport or port facilities. A. Opening OCS Planning Areas would Unleash More than $11 trillion in Economic Activity The broadest measure of the incremental effect of increased OCS oil and natural gas extraction is the effect on total economic output. Until OCS production begins, onshore communities will realize only the benefits associated with offshore investment. These benefits take two forms: (1) the development of the offshore facilities themselves and (2) the expansion of onshore refining capacity. These two effects, taken together, provide a rough approximation of the additional output that would be created by allowing greater access to offshore reserves. Of course, the investment expenditures and resulting output estimated above is only made to facilitate oil and gas extraction. Once extraction begins, additional economic activity continues for the lifetime of the oil and natural gas reserves. Using the total U.S. multipliers (2.2860 for refining and 2.3938 for extraction), the total increase in U.S. output from initial investment is estimated to be a total of about $0.5 trillion, or approximately $73 billion per year for the first seven years the OCS is open. For comparative purposes, a $73 billion stimulus amounts to approximately 0.5 percent of total U.S. output (GDP) per year. Increased OCS oil and gas extraction would yield approximately $5.75 trillion in new coastal state output over the lifetime of the fields. Approximating the total increase in output associated with increasing offshore resource production throughout the U.S. (including states in the interior), yields approximately $2.45 trillion in additional output. The total increase in output in the United States is estimated to total approximately $8.2 trillion or about $273 billion per year, which amounts to just over two percent of GDP. Because the OCS areas are currently unavailable, the entire amount--$8.2 trillion--is completely new output created by a simple change in policy allowing resource extraction in additional OCS Planning Areas. B. Opening OCS Planning Areas could Create Millions of New Jobs An economic expansion tied to increased OCS resource production would also create millions of new jobs both in the extraction industry and in other sectors that serve as suppliers or their employees. The annual increase in coastal state employment from initial investments in previously unavailable OCS planning areas and additional refining capacity is estimated to be 185,320 full-time jobs per year. Again, this number does not consider the spill-over effects of investment in productive capacity and refining to other U.S. states. The total increase in U.S. employment from the investment phase is approximately 271,570 full-time jobs per year. Applying the BEA multipliers to the estimated production value results in approximately 870,000 coastal state jobs in addition to the jobs created during the initial investment phase. Again, the total increase in U.S. employment in all states (including those in the interior) resulting from increased OCS production is 340,000 greater, for a total of approximately 1,190,000 jobs be sustained for the entire OCS production period. Increased investment and production in previously unavailable OCS oil and gas extraction and the ancillary industries that support the offshore industry would produce thousands of new jobs in stable and valuable industries. Among the 271,572 jobs created in the investment phase and sustained during the first seven years of the investment cycle. The majority of new positions (162,541 jobs, or 60 percent) would be created in high-skills fields, such as health care, real estate, professional services, manufacturing, administration, finance, education, the arts, information, and management. Although the largest total increase in employment in the production phase would occur (quite naturally) in the mining industry, significant numbers of jobs would be created in other industries. Again, many of these new jobs would be created in high-skills fields, representing approximately 49 percent of all new jobs and approximately 61 percent of all new non-mining jobs. C. Opening OCS Planning Areas can Release Trillions of Dollars of Wages to Workers Hit by Recession Those jobs pay wages. OCS development is estimated to yield approximately $10.7 billion in new wages in coastal states each year. OCS production would yield approximately $1.406 trillion in additional wage income to workers in coastal states over the lifetime of the fields (or $46 billion per year over 30 years). Across the U.S., the investment phase would generate approximately $15.7 billion in additional annual wages per year for the first seven years and $70 billion per year for the next thirty years, or approximately $2.1 trillion in additional wage income. BLS data suggest that all four broad industry classifications related to oil and gas extraction pay higher wages and similar jobs in other industries. Jobs in: (1) Oil and Gas Extraction, (2) Pipeline Transportation of Crude Oil, (3) Petroleum and Coal Products Manufacturing, and (4) Support Activities for Mining, typically pay higher wages than the average American job. Taking this broader measure, the average job created by increased offshore oil and gas production pays approximately 28 percent more than the average U.S. job. D. Opening OCS Planning Areas can Contribute Trillions of Dollars in Taxes and other Public Revenues to Local, State, and Federal Governments Greater output, more jobs, and higher wages translate into higher tax collections and increases in other sources of public revenues. The MMS Report to Congress suggests that public revenues derived from OCS extraction are significant--the U.S. federal government has collected more than $156 billion in lease and levy payments for OCS oil and natural gas production. Note that this amount counts only lease and royalty payments and thus does not include any sales and income taxes paid by firms or workers supported by OCS production. Conservative estimates suggest that seven years of initial annual exploration and refining investments would produce approximately $4.8 billion annually in coastal state and local tax revenue and $11.1 billion in U.S. federal tax income. Over thirty years of production, I estimate that the extraction phase of OCS development would yield approximately $561 billion ($18.7 billion per year) in coastal state and local tax revenue and approximately $1.64 trillion ($54.7 billion per year) in new U.S. federal tax income.

## Key to seabasing capabilities—ensures naval flexibility that sustains global deterrence-- solves war

**Etter, was United States Deputy Under Secretary of Defense for S&T from 1998 to 2001, 06**

(Dr. Delores M., Assistant Secretary of the Navy from 2005 to 2007, “Statement Of The Honorable Dr. Delores M. Etter. Assistant Secretary Of The Navy (Research, Development And Acquisition)”, Before The Seapower Subcommittee Of The Senate Armed Services Committee On The Navy’s Shipbuilding Program April 6, 2006, ), 2/22/13, Atl)

Seabasing represents a complex capability, a system-of-systems able to move at will. Seabasing, enabled by joint integrated and operational concepts, is the employment of ships and vessels with organic strike fires and defensive shields of sensors and weapons, strike and transport aircraft, communications and logistics. We will use the sea as maneuver space to create uncertainty for adversaries and protect the Joint force while receiving, staging and integrating scalable forces, at sea, that are capable of a broad range of missions. Its inherent freedom of movement, appropriate scalability, and sustainable persistent power provides full spectrum capabilities, from support of theater engagement strategies, to rapid response to natural or man made disasters, to MCOs from raids, to swift defeat of enemies, to scale of major combat and decisive operations. In order to achieve this capability, the Navy and Marine Corps must be forward based, forward deployed (on naval shipping), and forward engaged to maintain global presence as addressed in the 2006 Quadrennial Defense Review (QDR) to meet these challenges. The Seabased Navy will be distributed, netted, immediately employable and rapidly deployable, greatly increasing its operational availability through innovative concepts such as, for example, Sea Swap (where deemed appropriate) and the Fleet Response Plan. At the same time, innovative transformational platforms under development such as MPF(F), LHA(R) and High-Speed Connectors, will be instrumental to the Sea Base. The Fleet Response Plan is the maintenance, training, and operational framework through which the Navy meets global Combatant Commander demand signals for traditional (e.g., GWOT, major combat operations, humanitarian assistance/disaster relief, shaping and stability operations, counter piracy, etc.) and emerging mission sets (e.g., riverine warfare, NECC, medical outreach). The Fleet Response Plan is mission-driven, capabilities-based, and provides the right readiness at the right time (within fiscal constraints). It enables responsive and dependable forward presence. With the Fleet Response Plan we can deploy a more agile, flexible and scalable naval force capable of surging quickly to deal with unexpected threats, humanitarian disasters, and contingency operations. Sea Swap is an initiative designed to keep a single hull continuously deployed in a given theater, replacing the entire crew at six-months intervals. The primary objective is to effectively and efficiently increase forward Naval presence without increasing operating cost. SEAPOWER 21 We developed the Sea Power 21 vision in support of our National Military Strategy. The objective of Sea Power 21 is to ensure this nation possesses credible combat capability on scene to promote regional stability, to deter aggression throughout the world, to assure the access of Joint forces and to fight and win should deterrence fail. Sea Power 21 guides the Navy’s transformation from a threat–based platform centric structure to a capabilities-based, fully integrated force. The pillars of Sea Power 21 -- Sea Strike, Sea Shield, and Sea Basing -- are integrated by FORCEnet which will be the means by which the power of sensors, networks, weapons, warriors and platforms are harnessed in a networked combat force. This networked force will provide the strategic agility and persistence necessary to prevail in the continuing GWOT, as well as the speed and overwhelming power to seize the initiative and swiftly defeat any regional peer competitor in MCOs. Extending FORCEnet to our allies and partners in the form of Multinational Information Sharing Networks will represent an unprecedented level of interoperability for both GWOT and MCO. The immeasurable advantage of this effort is the effective association of a “1000-ship Navy” built from our own core capabilities combined with the coordinated efforts of our allies and partners in today’s challenging global environment. During the last year, the Chief of Naval Operations (CNO) established a focused effort to clearly define Naval force structure requirements. The Navy recently submitted to Congress its 2007 Annual Long Range Plan for Construction of Naval Vessels. This plan begins our movement toward a more balanced force that meets the future national security requirements outlined in the FY 2006 Quadrennial Defense Review with acceptable risk and is designed to replenish the fleet, while stabilizing workload and funding requirements. As this 30 year shipbuilding plan evolves over the next year, it will produce an investment plan that is both executable and affordable based on balancing several factors: Naval force operational capability; risk; and, the ability of the shipbuilding industrial base to execute the plan. FY 2006 QUADRENNIAL DEFENSE REVIEW (QDR 06) The fiscal and temporal realities associated with the design and development of modern, sophisticated weapons systems requires a significantly different approach to procurement and operation of or forces and resources. It is this dynamic that is propelling the Navy forward in the transformational arena. As recognized in QDR 06, the size and capabilities of our force are driven by the challenges we will face. The capacity of the force is determined by its global posture in peacetime and the requirement to respond from this posture, as well as to surge, in crisis. In the case of our Navy, it is based upon the need for a ubiquitous but carefully tailored maritime presence that can provide our President and our allies with strategic options in support of dynamic security requirements. QDR 06 developed guidance to achieve the national defense and national military strategies and shaping the future force to improve capabilities and expand capacity to address four priorities: Defeat Terrorist Extremists; Defending the Homeland in Depth; Shaping the Choices of Countries at Strategic Crossroads and; Preventing Hostile State and Non-state Actors from Acquiring or Using Weapons of Mass Destruction. QDR 06 sets a 20-year course for the Department of Defense and provides an opportunity to continue to reshape the U.S. armed forces to meet current and emerging security responsibilities. The QDR 06 construct places new emphasis on the unique operational demands associated with homeland defense and the GWOT, shifts focus from optimizing for conflicts in two particular regions to building a portfolio of capabilities with global reach and serves as a bridge from today’s threat-based force to a future capabilities-based transformational force. FORCE STRUCTURE Force structure requirements were developed and validated through detailed joint campaign and mission level analysis, optimized through innovative sourcing initiatives (Fleet Response Plan (FRP), Sea Swap, forward posturing) that increase platform operational availability, and balanced with shipbuilding industrial base requirements. This force structure was developed using a capabilities-based approach measured against the anticipated threats for the Fiscal Year 2020 timeframe. The future Navy will remain sea based, with global speed and persistence provided by forward deployed forces, supplemented by rapidly deployable forces through the FRP. To maximize return on investment, the Navy that fights the GWOT and executes Maritime Security Operations will be complementary to the Navy required to fight and win in any MCO. This capabilities-based, threat-oriented Navy can be disaggregated and distributed world wide to support Combatant Commander GWOT demands. The resulting distributed and netted force, working in conjunction with our joint and maritime partners, will provide both actionable intelligence through persistent, Maritime Domain Awareness, and the ability to take action where and when a threat is identified. The same force can be rapidly aggregated to provide the strength needed to defeat any potential adversary in an MCO. The warships represented by this shipbuilding plan will sustain operations in forward areas longer, be able to respond more quickly to emerging contingencies, and generate more sorties and simultaneous attacks against greater numbers of multiple targets and with greater effect than our current fleet. Employing a capabilities-based approach to calculate the size and composition of the future force required to meet expected Joint Force demands in peace and in the most stressing construct of the Defense Planning Guidance, along with detailed assessments of risk associated with affordability and instabilities in the industrial base, the analysis concluded that a Fleet of about 313 ships is the minimum force necessary to meet all the demands, and to pace the most advanced technological challengers well into the future, with an acceptable level of risk. THIRTY -YEAR NAVAL FORCE SIZE The 30-year shipbuilding plan and the resulting ship inventory, as outlined in the Fiscal Year 2007 Annual Long-Range Plan for Construction of Naval Vessels, represent the baseline as reflected in the 2007 President’s Budget submission. There will be subsequent studies and analysis that will continue to balance affordability with capability and industrial base capacity. As part of the Fiscal Year 2008 budget development process, the Navy will be exploring alternative approaches to attaining the future force structure and ship mix while retaining the necessary capabilities for Joint Force operations. Overall, this plan reflects the Navy’s commitment to stabilize the demand signal to the industrial base while still achieving the appropriate balance of affordability and capability in all ship Classes. Also, although there is risk with this plan, and not a lot of excess capacity to accommodate the unforeseen, we believe the risk is moderate and manageable. Areas of special interest include: Carriers Eleven aircraft carriers and their associated air wings are needed to ensure our ability to provide coverage in any foreseeable contingency and do so with meaningful, persistent combat power. While the Navy requirement for Carriers remains a minimum of 11 operational vessels, past delays in beginning the CVN-21 program will result in the Navy’s having only 10 operational Carriers in Fiscal Year 2013 and Fiscal Year 2014. This shortfall will require some combination of shorter turn-around times between deployments, higher OPTEMPO and PERSTEMPO, and restructured Carrier maintenance cycles. Nuclear Attack Submarines (SSN) An SSN force of 48 boats is needed to meet submarine tasking in support of Homeland Defense, GWOT/Irregular Warfare, and conventional campaigns. However, total SSN numbers will drop below 48 between 2020 and 2034. Our remaining fast attack submarine force will require a combination of shorter turn-around times between deployments, higher OPTEMPO and PERSTEMPO, and restructured maintenance cycles to mitigate the impact of this force structure shortfall. Navy is also pursuing a number of cost reduction initiatives intended to lower SSN 774 acquisition costs to $2.0B (Fiscal Year 2005 dollars) at a stable build rate of two-per-year commencing with Fiscal Year 2012 as cited in QDR 06. Amphibious Ships Our amphibious capability provides the Joint Forcible Entry capacity necessary to support the sea base as a lodgment point for Joint operations. The current Defense Department force-sizing construct requires the capability to respond to two major "swiftly defeat the efforts" events– each of which could require a minimum of 15 capable amphibious ships. One of these crises may further necessitate the use of a Marine Expeditionary Force, thus requiring a total of 30 operationally available amphibious ships. The Marine Corps aviation combat element requires ten large-deck amphibious ships to support a Marine Expeditionary Force. Today’s 35 amphibious warships can surge the required 30 operationally available warships and provide the peacetime rotation base for Marine Expeditionary Units in up to three regions. As a Navy and Marine Corps Team, we are striving to maintain the capability to project two Marine Expeditionary Brigades assault echelons in support of the Combatant Commander. SHIPBUILDING PROGRAMS There has been considerable activity within shipbuilding over the last year. Currently, there are 37 Naval ships under construction in the United States: 1 CVN, 13 DDGs, 1 LHD, 4 LPDs, 9 T-AKEs, 2 Littoral Combat Ships (LCS) and 7 VIRGINIA Class submarines. Four additional LPDs have ongoing contract negotiations. In 2005 the Department delivered the lead ship for our newest Class of Amphibious Transport Dock Ships USS SAN ANTONIO, LPD 17, initiating a new era of amphibious assault capabilities that are aligned to the littoral regions. In January 2006, the Navy commissioned the LPD 17. The Navy also commissioned three DDGs in 2005. We also laid the keel for the 8th ship of the LHD Class, the second and third LEWIS & CLARK Auxiliary Dry Cargo & Ammunition ship (T-AKE), and the third VIRGINIA Class submarine. In 2005, the Navy completed the Engineered Refueling Overhaul (ERO) and conversion of the USS OHIO (SSGN 726) the first SSGN and redelivered the submarine to the fleet in February 2006. In March 2005, the Navy also completed the Refueling Complex Overhaul (RCOH) of CVN 69. Fiscal year 2007 will see the Navy’s previous R&D efforts begin to bear fruit. The first increment of procurement of the lead two DD(X) destroyers is programmed. Follow on Littoral Combat Ships are programmed, which will accelerate the Navy’s capabilities to defeat anti-access threats close to shore. Transformation is most apparent in Fiscal Year 2007 where new construction increases to seven ships from the four in President’s FY 2006 Budget request. The total number of new ships procured over the Future Years Defense Program is 51, averaging 10 ships per year including DD(X), CG(X), LCS, T-AKE, VIRGINIA Class SSN, CVN 21, MPF(F) family of ships, LPD 17, JHSV, and LHA(R). Our Fiscal Year 2007 Budget request calls for construction of seven ships: two ZUMWALT Class (DD(X)) destroyers, one VIRGINIA Class submarine; one LEWIS & CLARK (T-AKE) Class Auxiliary Dry Cargo & Ammunition ship; the LHA 6 Amphibious Assault Ship; and two LCS. In addition, we have requested funding for advance procurement of the tenth and eleventh VIRGINIA Class submarines, the ninth SAN ANTONIO Class Amphibious Transport Dock ship, and the CVN 21. Modernization efforts to be funded in Fiscal Year 2007 include the second increment of the split funded CVN 70 RCOH, the second year of advance procurement for CVN 71 RCOH, ERO of an SSBN, modernization of TICONDEROGA Class cruisers and ARLEIGH BURKE Class destroyers, and the service life extension for six Landing Craft Air Cushion (LCAC). A stable shipbuilding industry is essential to sustain minimum employment levels and retain critical skills to meet our requirements for an affordable and capable force structure. We must align the industrial base for long-term force development through split funding, advanced procurement, and cost savings incentives. We must build ships more efficiently, cost effectively, and quickly. To do this, we are committed to help provide stability in the shipbuilding plan and rigorously control requirements. Costs and production schedules must be kept within contractual limits. Industry must be viewed as a trusted partner while we provide a stable baseline upon which to plan. The Navy continues to analyze operational requirements, ship designs and costs, acquisition plans and tools and industrial base capacity to further improve its shipbuilding plan. Full funding and support for execution of this plan is crucial to transforming the U.S. Navy to a force tuned to the 21st Century and its evolving requirements.

# Plan

## The United States Federal Government should substantially reduce restrictions on offshore natural gas production in the United States.

# Solvency

## Functional moratorium now—means we can’t access 98% of OCS reserves. Plan removes those restrictions

**Pyle, President of the Institute for Energy Research, 12**

(Thomas, “Energy Department sneaks offshore moratorium past public; Jobs and oil-supply potential are shut down,” 7-10-12, 2/13/13, atl)

While the [Obama administration](http://www.washingtontimes.com/topics/barack-obama/) was taking a victory lap last week after the 5-4 [Supreme Court](http://www.washingtontimes.com/topics/supreme-court/) decision to uphold the president’s signature legislative accomplishment, Obamacare, the [Interior Department](http://www.washingtontimes.com/topics/department-of-the-interior/) was using the media black hole to release a much-awaited five-year plan for offshore drilling. That plan reinstitutes a 30-year moratorium on offshore energy exploration that will keep our most promising resources locked away until long after President Obama begins plans for his presidential library. Given the timing, it is clear that the self-described “all of the above” energy president didn’t want the American people to discover that he was denying access to nearly 98 percent of America’s vast energy potential on the Outer Continental Shelf (OCS). The Outer Continental Shelf Lands Act (OCSLA) of 1953 provided the interior secretary with the authority to administer mineral exploration and development off our nation’s coastlines. At its most basic level, the act empowers the interior secretary - in this case, former U.S. [Sen. Kenneth L. Salazar](http://www.washingtontimes.com/topics/kenneth-l-salazar/) of Colorado - to provide oil and gas leases to the highest-qualified bidder while establishing guidelines for implementing an oil and gas exploration-and-development program for the Outer Continental Shelf. In 1978, in the wake of the oil crisis and spiking gasoline prices, [Congress](http://www.washingtontimes.com/topics/congress/) amended the act to require a series of five-year plans that provide a schedule for the sale of oil and gas leases to meet America’s national energy needs. But since taking office, Mr. Obama and [Mr. Salazar](http://www.washingtontimes.com/topics/kenneth-l-salazar/) have worked to restrict access to our offshore oil and gas resources by canceling lease sales, delaying others and creating an atmosphere of uncertainty about America’s future offshore development that has left job creators looking for other countries’ waters to host their offshore rigs. More than 3 1/2 years into the Obama regime, nearly 86 billion barrels of undiscovered oil on the Outer Continental Shelf remain off-limits to Americans. Alaska alone has about 24 billion barrels of oil in unleased federal waters. The Commonwealth of Virginia - where Mr. Obama has reversed policies that would have allowed offshore development - is home to 130 million barrels of offshore oil and 1.14 trillion cubic feet of natural gas. But thanks to the president, Virginians will have to wait at least another five years before they can begin creating the jobs that will unlock their offshore resources. Once you add those restrictions to the vast amount of shale oil that is being blocked, the [administration](http://www.washingtontimes.com/topics/barack-obama/) has embargoed nearly 200 years of domestic oil supply. No wonder the [administration](http://www.washingtontimes.com/topics/barack-obama/) wanted to slip its plan for the OCS under the radar when the whole country was focused on the health care decision. But facts are stubborn things, and the [Obama administration](http://www.washingtontimes.com/topics/barack-obama/) cannot run forever from its abysmal energy record. In the past three years, the government has collected more than 250 times less revenue from offshore lease sales than it did during the last year of the George W. Bush administration - down from $9.48 billion in 2008 to a paltry $36 million last year. Meanwhile, oil production on federal lands dropped 13 percent last year, and the number of annual leases is down more than 50 percent from the Clinton era. Under the new Obama plan, those numbers will only get worse. The 2012-17 plan leaves out the entire Atlantic and Pacific coasts and the vast majority of OCS areas off Alaska. It cuts in half the average number of lease sales per year, requires higher minimum bids and shorter lease periods and dramatically reduces lease terms. Yet, somehow, we’re supposed to believe that our “all of the above” president is responsible for increased production and reduced oil import.

## Plan is key to development- empirical studies prove high demand and sustainable supply

**Green, George Mason Adjunct Professor of Communication, 3/1**

(Mark, API Energy Tomorrow, been a reporter and editor for more than 30 years, including six years as sports editor at The Washington Times, 16 years as national editorial writer in the Washington Bureau of The Oklahoman newspaper March 1, 2013, “Limiting Access Limits Opportunity”, http://energytomorrow.org/blog/limiting-access-limits-opportunity1/#/type/all, 3/7/13, atl)

We say opportunities for oil and natural gas development in federally controlled areas – onshore and offshore – have been limited. Some are saying that’s false. Let’s look at the facts. Claim: 70 percent of undiscovered oil and natural gas on federal lands is available for leasing and development. Fact: 83 percent of areas controlled by the federal government are closed to oil and natural gas development. What we have here is some sleight of hand with terminology. We’ll use the offshore situation to illustrate. During last year’s State of the Union address the president said he was directing the administration to open up more than 75 percent of America’s offshore resources for development. The percentage figure referred to undiscovered, technically recoverable oil and natural gas resources – resources that haven’t been found but are believed to exist because of past exploration upon which data extrapolations are made. So, in the offshore areas the federal government has made available for development, the administration could assert that more than 70 percent of undiscovered resources are available. But, [as we discussed then](http://energytomorrow.org/blog/why-75-is-an-f/#/type/all), the real number to pay attention to is the percentage of all our offshore acreage that’s open to development – only about 13 percent – and it looks like this: The significance is that industry critics are talking about resources in just the blue areas above. But industry is talking about resources in off-limits areas, indicated in red. There’s oil and natural gas there as well – undiscovered, unexplored, un-extrapolated. We know this because of what happens when oil and natural gas companies are allowed to look for oil and natural gas: They find it, and the statistics become more than just guesses or estimates. That’s why the more important number is that in the president’s proposed five-year plan for offshore oil and natural gas development only 13 percent of the outer continental shelf (OCS) is open to actual drilling operations. And if you can’t drill for oil and natural gas, you can’t know how much you have. To illustrate let’s look at this chart showing government assessments in[1996](http://www.boemre.gov/itd/pubs/1996/96-0034.pdf), [2006](http://www.boem.gov/uploadedFiles/2006_National_Assessment_Factsheet.pdf), and [2011](http://www.boem.gov/uploadedFiles/2011_National_Assessment_Factsheet.pdf) of undiscovered technically recoverable oil resources in the OCS: Graphs for Alaska, the Atlantic and Pacific are flat, but the one for the Gulf of Mexico shows dramatic increases from 1996 to 2006. Why? Because that’s where production has been. To produce oil you need to find it, to find it you need to explore and when you explore you create data upon which solid estimates are based. Let’s move on. Claim: The oil and natural gas industry has expressed declining interest in leasing federal onshore lands that already are eligible for drilling. Fact: Administration leasing and permitting policies have saddled development on federal lands with uncertainty and delay, diminishing opportunities there. In addition, the better onshore opportunities are found on state and private lands because the process to gain access there is more stable and predictable. According to the [House Natural Resources Committee](http://naturalresources.house.gov/news/documentsingle.aspx?DocumentID=319980) (using Bureau of Land Management[data](http://www.blm.gov/wo/st/en/prog/energy/oil_and_gas/statistics/apd_chart.-WidePar-75121-Image.WideParimage.0.1.gif)), on average it has taken 30 percent longer for the federal government to approve new drilling permits under the current administration than in four years previous. One study found that the average wait for a federal permit in 2011 was measured in months, compared to a matter of days for a state permit in three energy-producing states. A 2012 study by [EIS Solutions](http://www.api.org/Newsroom/upload/API_Booklet_Jan_2012_v2-1.pdf) found permitting and drilling on federal lands in western states in decline between 2009 and 2011. BLM data supports this. Choose a category to see the downward trends wrought by current policies: total number of well bores started1988-2012 on federal lands, number of producing acres on federal lands, number of [new leases](http://www.blm.gov/wo/st/en/prog/energy/oil_and_gas/statistics/Table04.html), total number of acres leased, total number of drilling permits approved. Here’s the graph for the last one: That’s a pretty stark picture. Meanwhile, with everybody in Washington focused on revenue for the government, here’s what the proceeds from oil and natural gas sales (royalties, rents, bonuses and other revenues), onshore and offshore, have looked like: Bottom line: With the [right policies](http://www.api.org/policy-and-issues/policy-items/american-energy/~/media/Files/Policy/American-Energy/American-Made-Energy_HiRes.ashx) in place, with the [right leadership and management](http://energytomorrow.org/blog/needed-political-wisdom-to-manage-americas-energy-wealth/#/type/all), these trends could change. With increased access to the oil and natural gas abundance in public areas, onshore and off, America’s oil and natural gas companies could develop more energy, [create jobs, spur broader economic growth](http://energytomorrow.org/blog/oil-and-natural-gas-impact-96-million-jobs-11-added-to-gdp/) and [generate additional revenues for government](http://energytomorrow.org/blog/the-1-trillion-choice-continued/). The chart below illustrates the choice – between polices that help increase access to resources and those that hinder development. As choices go, it’s pretty clear.

## And it comes online quickly

**IER, 09**

(Institute for Energy Research, February 11, 2009, “Offshore Energy Exploration: Myth vs. Fact”, http://www.instituteforenergyresearch.org/2009/02/11/offshore-energy-exploration-myth-vs-fact-2/, 3/8/13, atl)

Further, while there may be areas along the Atlantic coast without the significant build-out of infrastructure needed to facilitate quick energy production, other currently unexplored areas do have that infrastructure in place, such as the eastern Gulf of Mexico. No serious observer has ever suggested that it would take anywhere close to ten years to access those energy resources and deliver them to American consumers.  Furthermore, in places like California, where an infrastructure is already in place and [the local community supports](http://www.instituteforenergyresearch.org/2008/08/27/iconic-california-county-backs-offshore-drilling/) offshore exploration, those resources could be available in a significantly shorter period of time.

## Currently, perception of inadequate supply blocks LNG exports- new, sustainable supply is key

**Ebinger, Senior fellow and Director of the Energy Security Initiative at Brookings, 12**

(Charles, “Liquid Markets: Assessing the Case for US Exports of Liquefied Natural Gas,” 5-2-12, http://www.brookings.edu/~/media/events/2012/5/02%20lng%20exports/20120502\_lng\_exports, 2/13/13, atl)

For an increase in U.S. exports of LNG to be considered feasible, there has to be an adequate and sustainable domestic resource base to support it. Natural gas currently accounts for approximately 25 percent of the U.S. primary energy mix. 3 While it currently provides only a minority of U.S. gas supply, shale gas production is increasing at a rapid rate: from 2000 to 2006, shale gas production increased by an average annual rate of 17 percent; from 2006 to 2010, production increased by an annual average rate of 48 percent (see Figure 2). 4 According to the Energy Information Administration (EIA), shale gas production in the United States reached 4.87 trillion cubic feet (tcf) in 2010, or 23 percent of U.S. dry gas production. By 2035, it is estimated that shale gas production will account for 46 percent of total domestic natural gas production. 5 Given the centrality of shale gas to the future of the U.S. gas sector, much of the discussion over potential exports hinges on the prospects for its sustained availability and development. For exports to be feasible, gas from shale and other unconventional sources needs to both offset declines in conventional production and compete with new and incumbent domestic end uses. There have been a number of reports and studies that attempt to identify the total amount of technically recoverable shale gas resources—the volumes of gas retrievable using current technology irrespective of cost—available in the United States. These estimates vary from just under 700 trillion cubic feet (tcf) of shale gas to over 1,800 tcf (see table 1). To put these numbers in context, the United States consumed just over 24 tcf of gas in 2010, suggesting that the estimates for the shale gas resource alone would be enough to satisfy between 25 and 80 years of U.S. domestic demand. 6 The estimates for recoverable shale gas resources also compare with an estimate for total U.S. gas resources (onshore and offshore, including Alaska) of 2,543 tcf. 7 Based on the range of estimates below, shale gas could therefore account for between 29 percent and 52 percent of the total technically recoverable natural gas resource in the United States. In addition to the size of the economically recoverable resources, two other major factors will have an impact on the sustainability of shale gas production: the productivity of shale gas wells; and the demand for the equipment used for shale gas production. The productivity of shale gas wells has been a subject of much recent debate, with some industry observers suggesting that undeveloped wells may prove to be less productive than those developed to date. However, a prominent view among independent experts is that sustainability of shale gas production is not a cause for serious concern, owing to the continued rapid improvement in technologies and production processes.

## US exports are feasible and will be competitive

**Zeits, Energy industry consultant and investment analyst, 2/19**

(Richard, background includes fourteen years as investment banker, portfolio manager and senior investment analyst with bulge bracket firms in New York. Zeits Energy Analytics provide custom industry research, market intelligence, investment analyses and transaction advisory services to investment professionals and industry practitioners, February 19, 2013, “U.S. LNG Exports: Increasingly A Reality”, http://seekingalpha.com/article/1202741-u-s-lng-exports-increasingly-a-reality?source=google\_news, 2/19/13, atl)

The past two months have been marked by a whole series of significant announcements in the U.S. LNG sector indicating that large-scale natural gas [exports from](http://seekingalpha.com/article/1202741-u-s-lng-exports-increasingly-a-reality?source=google_news) the U.S. and Canada are firmly on track to become a reality. The headlines included three major long-term LNG supply agreements and the decisions by Chevron and Royal Dutch Shell to take equity stakes in LNG export projects. The announcements have several important implications and suggest that the LNG exports will not only have material consequences for the North American natural gas market but are already impacting pricing mechanisms of the entire international LNG trade. The recent news adds up to a critical mass of evidence suggesting that several large proposed facilities now have strong chances of moving forward. Moreover, the very competitive Henry Hub linked pricing formula - that seems to have emerged as almost a standard for U.S. based projects - should continue to attract strong demand from LNG buyers, particularly in Asia, and additional off-take contract announcements are likely to follow. As two large projects - Sabine Pass Liquefaction and Freeport LNG Expansion - are getting close to being fully subscribed, other projects will likely gain leverage in securing long-term agreements that are pivotal to obtaining project [financing](http://seekingalpha.com/article/1202741-u-s-lng-exports-increasingly-a-reality?source=google_news). In terms of timing, it appears now that several significant North American projects may almost simultaneously pass or closely approach the finish line, with combined in-service capacity likely exceeding (possibly, significantly) 6 Bcf/d by the end of 2018. The ramp up in demand for feed gas from LNG export facilities will coincide with the expansion of gas-fired[power generation](http://seekingalpha.com/article/1202741-u-s-lng-exports-increasingly-a-reality?source=google_news) (material capacity additions are expected already in 2014-2015) and growth in demand from the petrochemical industry. These three demand factors, which will be coming together in a relatively tight timeframe, should provide the much needed relief to the oversupplied natural gas markets in the U.S. and Canada and may result in the switch in the natural gas pricing regime from growth containment to expansion. However, such demand-driven inflection point in the North American natural gas fundamentals is probably still few years away. The aggressive marketing of LNG liquefaction capacity by the U.S. projects spells bad news (and shrinking operating margins) for global LNG trade in general. With the availability of Henry Hub linked LNG imports on the horizon, oil-based LNG pricing in Asia - the major pivot of profitability for merchant cargoes and proposed LNG developments around the world - may no longer be feasible within a few years. Henry Hub may in fact become a new price-setting reference point for the global natural gas trade, impacting exporters from Australia to Russia. The North American LNG has several distinct advantages relative to competing with potential supply from many locations around the world: Massive, reasonably priced natural gas resource in the ground and highly sophisticated and efficient E&P industry capable of quickly ramping up supply; A wide selection of severely underutilized regasification facilities, with existing pipeline access, that can be used for brownfield liquefaction expansions (reduces the cost of construction as much as two-fold relative to greenfield projects); Stable and secure political and legal environment; Importantly, a unique high-capacity pipeline network that allows the sourcing of feed gas from almost any location across the continent and eliminates the need for a captive upstream component of the project. As a result, the U.S. LNG exports have cost advantage in three of the four major components of the LNG value chain: the upstream (shale/tight gas and highly productive extraction industry), midstream (pipeline grid and liquids processing in place), and downstream (low-cost brownfield expansions already connected to the pipeline network). The disadvantage is the expensive transportation to key consumer markets in Asia (even with the Panama Canal expansion, which should cut voyages to the Asian markets by as much as 7,500 nautical miles).

## Offshore terminals are key

**Kilisek, Foreign Policy, 12**

(Roman, “The Bright Future of Floating LNG Liquefaction, Regasification and Storage Units”, 7/19, http://foreignpolicyblogs.com/2012/07/19/the-bright-future-of-floating-lng-liquefaction-regasification-and-storage-units/, 2/20/13, atl)

This is a newsworthy event in the LNG (Liquefied Natural Gas) industry because it is the first time that a floating liquefaction unit is moving **from concept****to commercial reality**. What are the advantages of those floating LNG facilities over conventional liquefaction plants? First off, there **is an obvious advantage in tapping offshore resources**. In addition to the ability to station the floating vessel directly over distant offshore fields **and thereby saving on a costly subsea pipeline to shore,** it allows the operator of the facility to move the production facility to a new location once a field is depleted. This would also allow energy companies to exploit smaller fields and now **earn a realistic return on investment**. **Other cost savings are to be expected during the construction phase** for the required marine and loading facilities which often end up costing billions of dollars. Finally**, in a world full of risk it can significantly reduce the security and political risk** (inter alia, environmental regulation and permits) involved in choosing a land-based site for LNG export facilities in African countries (Nigeria, Angola and Mozambique) and countries in the Middle East as well as South America. The US should contemplate something like this along the East Coast for export to Europe, and along the West Coast for export to South America (Chile) and Asia.

## No skills shortage—companies adapt and even if they don’t there’s no impact

**Leon, OE Digital, 12**

(Audrey, December 1, 2012, “Solving the skills shortage”, http://oedigital.com/technology/item/801-solving-the-skills-shortage, 3/7/13, atl)

Charlie Williams, executive director of the Center for Offshore Safety (COS), acknowledges that the skills gap is an industry-wide problem; however, he doesn't believe the situation is dire. 'We've been talking about an age gap for 10 years,' Williams says. 'The fact is, a lot of people have stayed a long time in the industry and people are staying longer and longer.' Williams spent 40 years at Shell, most recently as chief scientist for the company's well engineering and production technology division, before moving into his new role with COS in March. The organization, created in the aftermath of the Macondo disaster and supported by API, has focused on a number of safety-based initiatives regarding well control and completions as well as third party auditing. Williams sees COS as an industry resource that can help bridge the skills gap through programs such as its contractor competency assurance plan, which measures and monitors contractors' training and mentoring systems. Learnings from this program will serve as a template that can be applied to other parts of the industry, not just contractors, Williams says. He sees the transition from an older to younger workforce as a gradual shift with older workers opting to stay on as consultants. The industry is 'not going to fall off a cliff like people thought,' he says. 'We've been good at recruiting people.' However, Williams notes that some workers right out of college lack the necessary math and science skills and technical degrees to do the work. Companies are finding they must go to high school age and even younger to draw young people into those fields. ExxonMobil, for instance, sponsors a series of programs aimed at middle-school aged children, such as 'Introduce a Girl to Engineering Day' where company employees can serve as on-site mentors. A renewed focus on mentoring and training will help solve this problem, Williams says. Some companies are hiring professional mentors or competency coaches who can observe workers and decide whether a trainee would benefit from running the module again, Williams notes. More could do this internally, he says, but there is a difficulty in finding coaches and mentors. Williams believes the competency assurance program that COS is running can have a positive impact.

## High offshore demand means tech will adapt to make drilling easy

**Pickerell, Fuel Fix Energy Reporter, 2/4**

(Emily, February 4, 2013, “Offshore boom will boost equipment suppliers”, http://fuelfix.com/blog/2013/02/04/offshore-boom-will-spread-to-equipment-suppliers-analyst-said/, 2/22/13, atl)

Recent deep-water discoveries combined with a shortage of drilling vessels should make for a booming year for offshore equipment supplies, a Barclay’s report said Monday. Platform and rig builders are struggling to keep up with the demand for offshore drilling rigs, as exploration throughout the Gulf of Mexico, Brazil and Africa continues to grow. Many offshore projects are moving from exploration to production, further increasing the demand for offshore equipment. “We anticipate roughly 80 jackups and 50 floaters (drillships) will be delivered into the offshore market over the next two years and expect that relatively few of these units will displace rigs currently working,” Barclays wrote. About 40 percent of the 50 drillships have been contracted out through 2014, a further indication of a growing demand for the equipment that will be needed for drilling. The increase in activity should shake loose additional [financing](http://fuelfix.com/blog/2013/02/04/offshore-boom-will-spread-to-equipment-suppliers-analyst-said/), Barclay’s said, enabling service companies to make needed investments in additional drilling rigs.

# 2AC-1

# Case

# Solvency

## Group sustainability

## 1) Fracking regs make the industry unsustainable—conceded that’s Plumer

## 2) Low prices mean no profits—ensures bankruptcy and bubble burst as companies scramble to justify investments—Callahan

## 3) Best wells have been tapped—makes fracking uneconomical, and tech isn’t able to adapt—Ahmed

## 4) Defer to independent studies, government and industry data has financial incentives to exaggerate

# Russia

## Plan moves Russia away from unsustainable dutch disease and spurs small businesses and innovation—no threshold means defer to positive solvency—Washington Post and Aslund

## No impact to economic decline

Blackwill, RAND Corporation, 2009

(Robert, “The Geopolitical Consequences of the World Economic Recession—A Caution,” <http://www.rand.org/content/dam/rand/pubs/occasional_papers/2009/RAND_OP275.pdf>, accessed 2-21-13, ads)

Now on to Russia. Again, ﬁve years from today. Did the global recession and Russia’s present serious economic problems substantially modify Russian foreign policy? No. (President Obama is beginning his early July visit to Moscow as this paper goes to press; nothing fundamental will result from that visit). Did it produce a serious weakening of Vladimir Putin’s power and authority in Russia? No, as recent polls in Russia make clear. Did it reduce Russian worries and capacities to oppose NATO enlargement and defense measures eastward? No. Did it aﬀect Russia’s willingness to accept much tougher sanctions against Iran? No. Russian Foreign Minister Lavrov has said there is no evidence that Iran intends to make a nuclear weapon. 25 In sum, Russian foreign policy is today on a steady, consistent path that can be characterized as follows: to resurrect Russia’s standing as a great power; to reestablish Russian primary inﬂuence over the space of the former Soviet Union; to resist Western eﬀorts to encroach on the space of the former Soviet Union; to revive Russia’s military might and power projection; to extend the reach of Russian diplomacy in Europe, Asia, and beyond; and to oppose American global primacy. For Moscow, these foreign policy ﬁrst principles are here to stay, as they have existed in Russia for centuries. 26 None of these enduring objectives of Russian foreign policy are likely to be changed in any serious way by the economic crisis.

## Plan resolves exports- certainty of future supplies is critical to move it forward- shale is not able to adapt

# Navy

## Lease stipulations empirically solve the link- electromagnetic restrictions and prior notification

BOEM, 11

(Bureau of Ocean Energy Management, " Gulf of Mexico OCS Oil and Gas Lease Sales: 2012-2017," Western and Central Planning Areas Multisale EIS, 2011, p. 2-38, https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=3&cad=rja&ved=0CD0QFjAC&url=http%3A%2F%2Fwww.boem.gov%2FEnvironmental-Stewardship%2FEnvironmental-Assessment%2FNEPA%2FBOEM2011-057-v1-pdf.aspx&ei=V48pUY-iEqTL2QW5g4DQCQ&usg=AFQjCNErQf\_LBW9JUjqd5o-Imn77qGk2pA, accessed 2-23-13, mtf)

Effectiveness of the Lease Stipulation

The hold harmless section of the military stipulation serves to protect the U.S. Government from liability in the event of an accident involving the lessee and military activities. The actual operations of the military and the lessee and its agents will not be affected. The electromagnetic emissions section of the stipulation requires the lessee and its agents to reduce and curtail the use of radio, CB, or other equipment emitting electromagnetic energy within some areas. This serves to reduce the impact of oil and gas activity on the communications of military missions and reduces the possible effects of electromagnetic energy transmissions on missile testing, tracking, and detonation. The operational section requires notification to the military of oil and gas activity to take place within a military use area. This allows the base commander to plan military missions and maneuvers that will avoid the areas where oil and gas activities are taking place or to schedule around these activities. Prior notification helps reduce the potential impacts associated with vessels and helicopters traveling unannounced through areas where military activities are underway. This stipulation reduces potential impacts, particularly in regards to safety, but does not reduce or eliminate the actual physical presence of oil and gas operations in areas where military operations are conducted. The reduction in potential impacts resulting from this stipulation makes multiple-use conflicts most unlikely. Without the stipulation, some potential conflict is likely. The best indicator of the overall effectiveness of the stipulation may be that there has never been an accident involving a conflict between military operations and oil and gas activities.

# Add On-Crop

## Conventional gas is key- ensures low prices and shale hurts crop production

**Philpott, Mother Jones Energy, Food, and Ag writer, 13**

(Tom, January 30, 2013, “The Surprising Connection Between Food and Fracking”, http://www.motherjones.com/tom-philpott/2013/01/foodfracking-connection-youve-never-thought-about, 3/16/13, atl)

In a recent Nation [piece](http://www.thenation.com/article/171504/fracking-our-food-supply), the wonderful [Elizabeth Royte](http://www.motherjones.com/authors/elizabeth-royte) teased out the direct links between hydraulic fracturing, or fracking, and the food supply. In short, extracting natural gas from rock formations by bombarding them with chemical-spiked fluid leaves behind fouled water—and that fouled water can make it into the crops and animals we eat. But there's another, emerging food/fracking connection that few are aware of. US agriculture is highly reliant on synthetic nitrogen fertilizer, and nitrogen fertilizer is synthesized in a process fueled by natural gas. As[more and more of the US natural gas supply comes from fracking,](http://www.api.org/policy-and-issues/policy-items/exploration/facts_about_shale_gas.aspx) more and more of the nitrogen fertilizer farmers use will come from fracked natural gas. If Big Ag becomes hooked on cheap fracked gas to meet its fertilizer needs, then the fossil fuel industry will have gained a powerful ally in its effort to [steamroll regulation and fight back opposition to fracking projects.](http://www.midwestenergynews.com/2012/11/20/fracking-regulations-back-on-the-agenda-in-illinois/) The potential for the growth of fracked nitrogen (known as "N") fertilizer is immense. During the 2000s, when conventional US natural gas sources were drying up and prices were spiking, the US fertilizer industry largely went offshore, moving operations to places like Trinidad and Tobago, where conventional natural gas was still relatively plentiful. (I told that story in a [2010 Grist piece](http://grist.org/article/2010-02-11-tracking-u-s-farmers-supply-nitrogen-fertilizer/).) This chart from a [2009 USDA doc](http://grist.files.wordpress.com/2010/02/ar33-feb2009.pdf) illustrates how rapidly the US shifted away from domestically produced nitrogen in the 2000s. Today, Trinidad and Tobago, an island nation off the coast of Venezuela and our leading source of imported N, is in the same position the US found itself in the early 2000s: Its supply of conventional, easy-to-harvest natural gas is wearing thin. In 2012, the International Monetary Fund [estimated](http://www.imf.org/external/pubs/ft/scr/2012/cr12128.pdf) (PDF) that at current rates of extraction, the nation had sufficient natural gas reserves to last until just 2019. Meanwhile, the fracking boom has made US natural gas suddenly abundant—and driven prices into the ground. A Btu of US natural gas now now costs 75 percent less than it did in 2008, the New York Times recently [reported](http://green.blogs.nytimes.com/2013/01/11/would-exporting-the-natural-gas-surplus-help-the-economy-or-hurt/). Meanwhile, nitrogen fertilizer prices remain stubbornly high, propped up by strong demand driven by high crop prices. Those conditions—low input prices plus elevated prices for the final product—mean a potential profit bonanza for companies that use cheap US natural gas to make pricy N fertilizer for the booming US market. Not surprisingly, as Kay McDonald of the excellent blog [Big Picture Agriculture](http://www.bigpictureagriculture.com/2013/01/u-s-will-again-produce-more-nitrogen-fertilizer-for-agriculture-311.html) shows, the industry is starting to move back to the United States to take advantage of the fracking boom. McDonald points to a $1.4 billion project announced in September by the Egyptian company Orascom Construction Industries to build a large new nitrogen fertilizer plant in Iowa close to a natural gas pipeline. According to the [Wall Street Journal](http://online.wsj.com/article/SB10000872396390443589304577633932086598096.html), "cheap U.S. natural-gas supplies and the nation's role as the world's most important food exporter" drew the Egyptian giant into the US market.

## Crop yields solve extinction- environmental crisis and resource wars

**Luger, Chairman of the Senate Foreign Relations Committee, 00**

(Richard, US Senator from Indiana, and a member and former chairman of the Senate Agriculture Committee, 2000, “Plant power”, http://www.ourplanet.com/imgversn/143/lugar.html, 3/15/13, atl)

In a world confronted by global terrorism, turmoil in the Middle East, burgeoning nuclear threats and other crises, it is easy to lose sight of the long-range challenges. But we do so at our peril. One of the most daunting of them is meeting the world’s need for food and energy in this century. **At stake is** not only **preventing starvation and saving the environment,** but **also world peace and security**. History tells us that **states may go to war over access** to resources, **and that poverty and famine have often bred fanaticism and terrorism. Working to feed the world will minimize factors that contribute to global instability and the proliferation of [WMDs] weapons of mass destruction**. With the world population expected to grow from 6 billion people today **to 9 billion** by mid-century, the **demand** for affordable food will increase **well beyond** current international **production levels**. People in rapidly developing nations will have the means greatly to improve their standard of living and caloric intake. Inevitably, that means eating more meat. This will raise demand for feed grain at the same time that the growing world population will need vastly more basic food to eat. Complicating a solution to this problem is a dynamic that must be better understood in the West: developing countries often use limited arable land to expand cities to house their growing populations. As good land disappears**, people destroy timber resources and even rainforests as they try to create more arable land to feed themselves. The long-term environmental consequences could be disastrous for the entire globe**. Productivity revolution To **meet** the expected **demand** for food over the next 50 years, we in the United States will have to grow roughly **three times more food** on the land we have. That’s a tall order. My farm in Marion County, Indiana, for example, yields on average 8.3 to 8.6 tonnes of corn per hectare – typical for a farm in central Indiana. To triple our production by 2050, we will have to produce an annual average of 25 tonnes per hectare. Can we possibly boost output that much? Well, it’s been done before. Advances in the use of fertilizer and water, improved machinery and better tilling techniques combined to generate a threefold increase in yields since 1935 – on our farm back then, my dad produced 2.8 to 3 tonnes per hectare. Much US agriculture has seen similar increases. But of course there is no guarantee that we can achieve those results again. Given the urgency of expanding food production to meet world demand, we must invest much more in scientific research and target that money toward projects that promise to have significant national and global impact. For the United States, that will mean a major shift in the way we conduct and fund agricultural science. Fundamental research will generate the innovations that will be necessary to feed the world. **The U**nited **S**tates **can take a leading position** in a productivity revolution. And **our success at increasing food production may play a decisive humanitarian role in the survival of billions of people and the health of our planet.**

# Add On-Bio

## OCS exploration solves marine biotech.

**Schmitt, University of California Coastal Marine Institute Evolution and Marine Biology and Program Director, 08**

(Russell J, Department of Ecology, “Use of OCS Oil Platforms as Sustainable Sources of Marine Natural Products,” http://www.coastalresearchcenter.ucsb.edu/cmi/files/2006-054.pdf 2008, 2/14/13, atl)

The Santa Barbara Channel (SBC) is an ideal location to investigate the possibility of using OCS oil platforms as sustainable sources of biomedically important invertebrates because oceanographic gradients may provide for diversity in biotic assemblages, increasing the liklihood that invertebrates with valuable natural products will occur on one or more platforms. Several offshore oil and gas platforms are arrayed along the length of the SBC from near the southeast entrance, extending to the northwest south of Pt. Conception. The platform structures are covered intertidally and subtidally by an assemblage of sessile and semi-mobile invertebrtes typically found on inshore natural reefs and pier pilings in southern California as well as other species that are relatively rare in the inshore environment. The spatial distribution of platforms along the SBC also presented an opportunity to explore variability in invertebrate assemblages across oceanographic gradients in the absence of the habitat heterogeneity that characterizes natural rocky reefs. Marine organisms that inhabit the subtidal structures of offshore oil production platforms are a potential source of novel compounds for pharmaceutical use. These organisms provide an unparalleled opportunity to study natural product chemistry from populations of organisms living in ecologically unique habitats. Research has shown that growth rates of certain invertebrate species living in the platform community can be quite high. The platform encrusting invertebrate community also supports many encrusting and soft-bodied organisms, which rely on rapid growth rates, alleopathic effects, and chemical warfare to compete for space in the habitat and avoid predation. Such habitat characteristics (as in the example of coral reefs) have been shown to sustain many organisms that produce compounds with potential pharmaceutical application. This component of the project focused on the study of natural products from sea anemones, marine alga, and bryozoa living on the intertidal and subtidal portions of offshore oil production OCS (outer continental shelf) platforms in the Santa Barbara Channel. Knowledge of the population genetics of marine organisms will be imperative for advancing marine biotechnology. Genetic markers allow the accurate identification of species, the determination of genetic diversity, both within and between populations, the determination of the degree of gene flow among populations and the identification of processes such as hybridization. Each of these aspects of population genetics could be important for the successful development of marine biotechnology. Advances in marine biotechnology depend not only on the identification of useful compounds that organisms produce, but also on the accurate identification of the organisms that produce them. Without accurate identification, sampling of individuals may result in variable yields of target compounds or worse, no yield at all. It has become increasingly clear that molecular-genetic markers can be extremely useful for the identification of taxa of marine organisms. Using molecular markers, the identification of cryptic marine sibling species (species indistinguishable by morphology) has increased and the general conclusion has been that the current systematic treatments of many groups is characterized by excessive ‘lumping’ rather than excessive ‘splitting’.

## Solves extinction

**Nasim, Pakistani molecular geneticist and molecular biologist, 11**

(Anwar, scientist in the field of biochemical genetics and genetic engineering. “Biotechnology: A Powerful Tool for Human Survival and Sustainability,” Survival and Sustainability Environmental Earth Sciences 2011, pp 361-370, http://rd.springer.com/chapter/10.1007/978-3-540-95991-5\_34, 2/14/13, atl)

The concept of sustainable development for a meaningful human survival is now well documented. Among a large number of different components that can help achieve this highly desirable goal is the pivotal role that “Science and Technology” will play in our future. Among different disciplines of science which in recent times have achieved revolutionary breakthrough “Biotechnology” clearly is one. The multiple applications of “Biotechnology” include “Environment” as one area that constitutes an aspect that merits special attention. The newly acquired techniques involving use of microorganisms, manipulation of genetic material and bioremediation are closely related to the sustainable development. The examples of developing countries with special focus on Pakistan will be given to list the future challenges and possible solutions for achieving the well defined goals of human survival and sustainability. An attempt will be made to discuss the importance of both physical and biological environment as these relate to future human survival.

# T – Restrict

## 1. We meet---OCS moratorium are restrictions

**Hagerty, Specialist in Energy and Natural Resources Policy, 10**

(Curry, “Outer Continental Shelf Moratoria on Oil and Gas Development” CRS 2010, 2/16/13, atl)

Outer Continental Shelf (OCS) moratoria provisions, enacted as part of the Department of the Interior appropriations over the last 26 years, prohibited federal spending on oil and gas development in certain locations and for certain activities. Annual **congressional moratoria restrictions** expired on September 30, 2008. While the expiration of this restriction does not make leasing and drilling permissible in all offshore areas, it is a significant development in conjunction with other changes in offshore leasing activity. Change in moratoria policy signals a shift in policy that may affect other OCS policies as well.

## 2. C/I – Restrictions make production more difficult or expensive

**LVMI 96**

(Ludwig Von Mises Institute Original Book by Ludwig Von Mises, Austrian Economist in 1940, “Human Action” http://mises.org/pdf/humanaction/pdf/ha\_29.pdf, 2/16/13, atl)

**Restriction of production means that the government either forbids or makes more difficult or more expensive the production, transportation, or distribution** of definite articles, **or the application of definite modes of production, transportation, or distribution**. The authority thus eliminates some of the means available for the satisfaction of human wants. The effect of its interference is that people are prevented from using their knowledge and abilities, their labor and their material means of production in the way in which they would earn the highest returns and satisfy their needs as much as possible. Such interference makes people poorer and less satisfied.

## 5. No limits explosion-small regulations don’t overcome barriers to investment and six energies provides stable ground. ON energy production is still tied to energy production.

## Your interp is arbitrary- no full ban on energy in the squo, only geographical bans- banning moratorium makes aff predictability impossible

## 8. Plan is a financial incentive

**Mayes et al., EIA senior technical advisor, 2001**

(Fred, “Incentives, Mandates, and Government Programs for Promoting Renewable Energy”, February, <http://www.eia.gov/ftproot/renewables/06282000.pdf>, DOA: 12-17-12, ldg)

Over the years, incentives and mandates for renewable energy have been used to advance different energy policies, such as ensuring energy security or promoting environmentally benign energy sources. Renewable energy has beneficial attributes, such as low emissions and replenishable energy supply, that are not fully reflected in the market price. Accordingly, governments have used a variety of programs to promote renewable energy resources, technologies, and renewable-based transportation fuels.1 This paper discusses: (1) financial incentives and regulatory mandates used by Federal and State governments and Federal research and development (R&D),2, 3 and (2) their effectiveness in promoting renewables. A financial incentive is defined in this report as providing one or more of the following benefits: A transfer of economic resources by the Government to the buyer or seller of a good or service that has the effect of reducing the price paid, or, increasing the price received, respectively; Reducing the cost of production of the good or service; or, Creating or expanding a market for producers.

## 9. Competing interpretations causes a substance crowd out hurting topic education by dis-incentiving research over core controversies AND hurts predictability by NEG’s always moving the goal post.

# Consult Congress CP 2AC

## CP creates rising expectations for consultation in congress – creates larger backlash in future foreign policy decisions

## Obama Taliban negotiations disprove the NB

**Hosenball, Reuters staff, 12-30**

(Mark, Missy Ryan and Warren Strobel, "Exclusive - U.S. mulls transfer of Taliban prisoner in peace bid," Reuters, 12-30-11, uk.reuters.com/article/2011/12/30/uk-usa-afghanistan-detainees-idUKTRE7BS1B420111230?feedType=RSS&feedName=GCA-GoogleNewsUK, accessed 1-7-11, mss)

The Obama administration is considering transferring to Afghan custody a senior Taliban official suspected of major human rights abuses as part of a long-shot bid to improve the prospects of a peace deal in Afghanistan, Reuters has learned. The potential hand-over of Mohammed Fazl, a 'high-risk detainee' held at the Guantanamo Bay military prison since early 2002, has **set off alarms on Capitol Hill** and among some U.S. intelligence officials. As a senior commander of the Taliban army, Fazl is alleged to be responsible for the killing of thousands of Afghanistan's minority Shi'ite Muslims between 1998 and 2001. According to U.S. military documents made public by WikiLeaks, he was also on the scene of a November 2001 prison riot that killed CIA operative Johnny Micheal Spann, the first American who died in combat in the Afghan war. There is no evidence, however, that Fazl played any direct role in Spann's death. Senior U.S. officials have said their 10-month-long effort to set up substantive negotiations between the weak government of Afghan President Hamid Karzai and the Taliban has reached a make-or-break moment. Reuters reported earlier this month that they are proposing an exchange of "confidence-building measures," including the transfer of five detainees from Guantanamo and the establishment of a Taliban office outside of Afghanistan. Now Reuters has learned from U.S. government sources the identity of one of the five detainees in question. The detainees, the officials emphasized, would not be set free, but remain in some sort of further custody. It is unclear precisely what conditions they would be held under. In response to inquiries by Reuters, a senior administration official said that the release of Fazl and four other Taliban members had been requested by the Afghan government and Taliban representatives as far back as 2005. The debate surrounding the White House's consideration of high-profile prisoners such as Fazl illustrates the delicate course it must tread both at home and abroad as it seeks to move the nascent peace process ahead. One U.S. intelligence official said there had been **intense bipartisan opposition** in Congress to the proposed transfer. "I can tell you that the hair on the back of my neck went up when they walked in with this a month ago, and there's been very, very strong letters fired off to the administration," the official said on condition of anonymity. The senior administration official confirmed that the White House has received letters from lawmakers on the issue. "We will not characterize classified Congressional correspondence, but what is clear is the President's order to us to continue to discuss these important matters with Congress," the official said. Even supporters of a controversial deal with the Taliban - a fundamentalist group that refers to Americans as infidels and which is still killing U.S., NATO and Afghan soldiers on the battlefield - say the odds of striking an accord are slim. Critics of Obama's peace initiative remain deeply sceptical of the Taliban's willingness to negotiate, given that the West's intent to pull out most troops after 2014 could give insurgents a chance to reclaim lost territory or push the weak Kabul government toward collapse. The politically charged nature of the initiative was on display this month when the Karzai government angrily recalled its ambassador from Doha and complained Kabul was being cut out of U.S.-led efforts to establish a Taliban office in Qatar. U.S. officials appear to have smoothed things over with Karzai since then. Karzai's High Peace Council is signalling it would accept a liaison office for the Taliban office in Qatar - but also warning foreign powers that they cannot keep the Afghan government on the margins. **The detainee transfer may be** even more **politically explosive for the White House**. In discussing the proposal, U.S. officials have stressed the move would be a 'national decision' made in consultation with the U.S. Congress. Obama is expected to soon sign into law a defence authorization bill whose provisions would broaden the military's power over terrorist detainees and require the Pentagon to certify in most cases that certain security conditions will be met before Guantanamo prisoners can be sent home. **The mere idea of such a transfer is already raising hackles on Capitol Hill,** where one key senator last week cautioned the administration against **negotiating with "terrorists."** Senator Saxby Chambliss, the top Republican on the Senate Intelligence Committee, said such detainees would "likely continue to pose a threat to the United States" even once they were transferred.

## Perm do both

## Consultation compromises the plan – and bipartisanship impact is overhyped

**Gelb, CFR president emeritus, 10-25-11**

(Leslie, “We Bow to the God Bipartisanship”, nationalinterest.org/print/article/we-bow-the-god-bipartisanship-6048, DOA: 11-10-11, ldg)

The question, who is it bad for, and who is it good for, is what you ought to put your mind on. . . . No, I wouldn’t be too serious about bipartisanship. It’s a great myth that ought to be fostered. And don’t bring too damn much scholarship to bear on it. You’ll prove it out of existence if you’re not careful. The intent here is not to slaughter the sacred cow, but to reduce its high-flying levitation, thereby giving its Washington worshippers a better view of when bipartisanship might be useful and harmful—and to whom. Presidents seek bipartisanship to tamp down domestic critics and to convince foreign leaders that they cannot outlast or undermine presidential policies—as happened with Hanoi during the Vietnam War, Moscow during arms-control talks of the Cold War and the Taliban in the current war in Afghanistan. But in these and many other cases, bipartisan backing at home has too often been purchased at the price of good policy abroad. When worrying too much about bipartisanship, presidents also would do well to reflect on their vast powers to make foreign policy, powers to act as they think best—even in the face of serious political attacks. My concern is that Gates and many others have so inflated bipartisanship’s centrality that it has become a distraction from, and detriment to, making good policy. And if it is greater political support presidents are seeking, they’d find it better in the results of smart thinking than in compromised positions. Good policy enhances the chances of success abroad, which in the end is good politics as well.

## Perm do the CP – example of how aid is given all the time

## Perm consult congress and regardless of answer – implement the aff anyway

## Non-binding consultation solves—merely “hearing people out” strengthens relations with Congress

**Andres and Griffin 02** (Gary, Senior Managing Partner @ Dutko Group Companies + Scholar in Residence in the Dept. of Gov’t @ American Univ., Rivals for Power: Presidential-Congressional Relations, p. 148)

Holding all the Democrats in line on a variety of these initiatives, some of which flew in the face of traditional Democratic rhetoric and interest groups, took many hours of consultation, both by inviting members to the White House and by sending administration personnel to Capital Hill. Active consultation results in members of Congress believing that someone at the White House is listening and that their views matter. **Often just “hearing people out” and attentiveness to their views** go a long way toward strengthening and creating positive relations with Congress.

## Delay solvency deficit – congressional deliberation takes forever

## Your politics link proves they’d say no

## Genuine consultation can’t overwhelm significant policy differences and can’t solve interbranch conflict

**Hamilton and Tama 02** (Lee and Jordan, Director @ Woodrow Wilson International Center for Scholars + Fmr Member of US House and Special Assistant to Director @ Woodrow Wilson Center, A Creative Tension: The Foreign Policy Roles of the President and Congress, p. 90)

**Improved consultation will not end differences and conflicts between the president and Congress over foreign policy**. Often, they will differ on the substance of policy **no matter how much consultation takes place**. In 1997, for instance, President Clinton and House Speaker Newt Gingrich worked hard to gain congressional passage of fast-track authority for negotiating free trade agreements, but they were simply unable to attract enough votes for the legislation to pass.

## Links to politics – XOs are unpopular AND takes out solvency

Savage, NY Times, 12

(Charlie, “Shift on Executive Power Lets Obama Bypass Rivals,” 4-22-12, http://www.nytimes.com/2012/04/23/us/politics/shift-on-executive-powers-let-obama-bypass-congress.html?pagewanted=all&\_moc.semityn.www#h[], accessed 9-19-12, ara)

The focus, said Dan Pfeiffer, the White House communications director, was “what we could do on our own to help the economy in areas Congress was failing to act,” so the list was not necessarily the highest priority actions, but instead steps that did not require legislation. Republican lawmakers watched warily. One of Mr. Obama’s first “We Can’t Wait” announcements was the moving up of plans to ease terms on student loans. After Republican complaints that the executive branch had no authority to change the timing, it appeared to back off. The sharpest legal criticism, however, came in January after Mr. Obama bypassed the Senate confirmation process to install four officials using his recess appointment powers, even though House Republicans had been forcing the Senate to hold “pro forma” sessions through its winter break to block such appointments. Mr. Obama declared the sessions a sham, saying the Senate was really in the midst of a lengthy recess. His appointments are facing a legal challenge, and some liberals and many conservatives have warned that he set a dangerous precedent. Senator Harry Reid of Nevada, the Senate Democratic leader, who essentially invented the pro forma session tactic late in Mr. Bush’s presidency, has not objected, however. Senate aides said Mr. Reid had told the White House that he would not oppose such appointments based on a memorandum from his counsel, Serena Hoy. She concluded that the longer the tactic went unchallenged, the harder it would be for any president to make recess appointments — a significant shift in the historic balance of power between the branches. The White House counsel, Kathryn Ruemmler, said the Obama administration’s legal team had begun examining the issue in early 2011 — including an internal Bush administration memo criticizing the notion that such sessions could block a president’s recess powers — and “seriously considered” making some appointments during Congress’s August break. But Mr. Obama decided to move ahead in January 2012, including installing Richard Cordray to head the new consumer financial protection bureau, after Senate Republicans blocked a confirmation vote. “I refuse to take ‘no’ for an answer,” Mr. Obama declared, beneath a “We Can’t Wait” banner. “When Congress refuses to act and — as a result — hurts our economy and puts people at risk, I have an obligation as president to do what I can without them.” The unilateralist strategy carries political risks. Mr. Obama cannot blame the Republicans when he adopts policies that liberals oppose, like when he overruled the Environmental Protection Agency’s proposal to strengthen antismog rules or decided not to sign an order banning discrimination by federal contractors based on sexual orientation. The approach also exposes Mr. Obama to accusations that he is concentrating too much power in the White House. Earlier this year, Senator Charles E. Grassley, Republican of Iowa, delivered a series of floor speeches accusing Mr. Obama of acting “more and more like a king that the Constitution was designed to replace” and imploring colleagues of both parties to push back against his “power grabs.”

## Rollback

## A. Courts

**Cooper, Vermont political science professor, 2002**

(Phillip, By Order of the President: The Use and Abuse of Executive Direct Action” pg. 77, ldg)

Despite the apparent deference by the judiciary to the president's orders, this chapter has plainly demonstrated any number of instances in which the White House has lost in court. Executive orders, both legal and illegal, can expose officials to liability. It is an old argument, developed long before the battle over the so-called Nuremberg defense, that illegal orders do not insulate a public official from liability for his or her actions. The classic example harks back to Little v. Barreme 13 1 during the Washington administration. Even legal orders can expose the government to liability. Though the federal courts have often upheld dramatic actions taken by the president during difficult periods, they have not been hesitant to support claims against the government later. The many cases that were brought involving the U.S. Shipping Board Emergency Fleet Corporation after World War I provide examples of just how long such postorder legal cleanup can take and how much it can Cost. 112 Later, in a 1951 case, the Supreme Court subjected government to claims by business for the damages done to their interests during the government's operation of the coal mines during World War II after FDR seized the mines in 1943.133 Thus, the legal issues that may arise are concerned with both the validity of orders and with addressing the consequences of admittedly legitimate decrees.

## B. Future presidents

**Cooper, Vermont political science professor, 1997**

(Phillip, “Power tools for an effective and responsible presidency” Administration and Society, Vol. 29, proquest, ldg)

Even if they serve temporary goals**,** executive orders can produce a significant amount ofcomplexity andconflict and not yield a long-term benefit because the next president may dispose of predecessors’ orders at a whim. It may be easier than moving a statute through Congressand faster than waiting for agencies to use their rule-making processes to accomplish policy ends**,** but executive orders may ultimately be a much weaker foundation on which to build a policythan the alternatives**.**

## Renewables suck

**Seeking Alpha, 12**

(“Why Alternative Energy Will Never Achieve Widespread Use In Our Lifetime”, 8/13/12, http://seekingalpha.com/article/802141-why-alternative-energy-will-never-achieve-widespread-use-in-our-lifetime, 2/16/13, atl)

The biggest issue comes with adapting these new resources. Aside from the fact that it would be a major pain for companies to make the switch, cost is the real problem. Building fossil fuel plants and resources, as well as actually using them, is a cheaper option for most big businesses. Alternative energy costs more to install and maintain, and with natural gas prices sitting so low and the supply growing by the day, you would be hard pressed to convince corporate America (or anywhere else in the world for that matter) that switching to clean energy is better for their business. It may help the environment, but it often hurts bottom line returns. Our addiction to fossil fuels is worse than that of our addiction to quantitative easing. Weening off natural gas and oil will take decades if not longer. Another major issue is the need for government subsidies to keep these programs going, as we all saw what happens when those programs run dry a la Solyndra. That brings us to the investing side of the equation, as many have utilized alternative energy in long-term portfolios in hopes of racking up strong gains.

## Renewable fail—even doubled production isn’t enough

Hughes 11 (J. David, Fellow in Fossil Fuels – Post Carbon Institute, Geoscientist – Geological Survey of Canada, and Team Leader – Canadian Gas Potential Committee, “Will Natural Gas Fuel America in the 21st Century?” Post Carbon Institute, May, <http://www.postcarbon.org/reports/PCI-report-nat-gas-future-plain.pdf>, 2/16/13, atl)

Electricity generation is the primary use for renewable energy sources such as wind and solar; yet these sources, including geothermal energy, generated **only 2.7% of U.S. electricity** in 2009, with biomass generating a further 1%. Even if these renewable sources more than double through 2035, as projected by the EIA, they will still constitute **only 8% of forecast U.S. electricity demand**. Proponents of wind and solar and other renewable sources of generation will argue that this forecast is far too conservative. Perhaps it is, but the scale of the problem of replacing hydrocarbons in electricity generation is simply **daunting**. Moreover, renewables have wellknown issues with intermittency and unpredictability, which compromise their ability to make up a major proportion of electricity supply, especially at current rates of consumption and necessary supply reliability.

## Renewables aren’t cheap

Smil, Manitoba environment and geography professor, 2012

(Vaclav, “A Skeptic Looks at Alternative Energy”, July, <http://spectrum.ieee.org/energy/renewables/a-skeptic-looks-at-alternative-energy/0>, DOA: 11-7-12, ldg)

The matter of affordable costs is the hardest promise to assess, given the many assorted subsidies and the creative accounting techniques that have for years propped up alternative and renewable generation technologies. Both the European Wind Energy Association and the American Wind Energy Association claim that wind turbines already produce cheaper electricity than coal-fired power plants do, while the solar enthusiasts love to take the history of impressively declining prices for photovoltaic cells and project them forward to imply that we’ll soon see installed costs that are amazingly low. But other analyses refute the claims of cheap wind electricity, and still others take into account the fact that photo­voltaic installations require not just cells but also frames, inverters, batteries, and labor. These associated expenses are not plummeting at all, and that is why the cost of electricity generated by residential solar systems in the United States has not changed dramatically since 2000. At that time the national mean was close to 40 U.S. cents per kilowatt­-hour, while the latest Solarbuzz data for 2012 show 28.91 cents per kilowatt-hour in sunny climates and 63.60 cents per kilowatt-­hour in cloudy ones. That’s still far more expensive than using fossil fuels, which in the United States cost between 11 and 12 cents per kilowatt-hour in 2011. The age of mass-scale, decentralized photovoltaic generation is not here yet.

# Theory

## Conditions counter plans are illegitimate

## 1. Doesn't test the desirability of the plan, still proves it’s a good idea, just that other countries should do the same thing.

## 2. Kills aff ground - since it includes the entirety of the plan, we can't generate offense off of it.

## 3. Unpredictable - impossible to determine what the plan could be conditioned on, leads to unfair neg ground.

## 4. Not educational - doesn't discuss the issues of the plan, just discusses about how other countries should do the same thing.

## Voter for fairness and education

## Consultation counterplans are bad for debate:

## They destroy competitive equity- unlike normal PICs, consultation counterplans steal the entirety of the affirmative plan.

## Net bet benefit turns aren’t enough ground- there are an infinite number of actors the negative could choose to consult with. It is unrealistic to assume that the affirmative can research turn arguments against every one of these. This destroys predictability for the affirmative.

## Undermines topic education- The counterplan shifts the focus of the debate entirely to the desirability of relations with the consulted actor.

## AFF—Plan-Inclusive Counterplans Bad

## 1. Steals affirmative ground—we’re locked out of traditional CP solvency arguments because the CP is our aff; the aff can never win

## 2. Destroys education—they reduce broad clash to debate over trivial distinctions

## 3. Intellectual piracy—they stifle innovation by promoting intellectual theft, destroying innovation in debate

## 4. Encourages vague plan writing—increased use of PICs leads affirmatives to write vaguer plans, destroying clash

## 5. Skews time allocation—by reading a 15 second plan text they moot the 9 minutes of the 1AC; that is key to check against advantages like the negative block

## 6. Reciprocity—justifies severance and intrinsicness perms to recover lost ground, so perm: do the counterplan and perm: do the plan and solve for the net benefit

## 7. Reject the argument and the team—the damage has already been done.

# Ferc

## Perm do btoh

## Perm d the CP- example of the plan’s implementation

## FERC rulemaking is inefficient and forces massive delays

**Mashaw, Yale University Gordon B. Tweedy Professor of Law & Organization, 94**

(Jerry, “Improving the Environment of Agency Rulemaking: An Essay on Management, Games and Accountability”, (1994). Faculty Scholarship Series. Paper 1190., 12/27/12, atl)

4. The Federal Energy Regulatory Commission ("FERC"). In his 1991 article,' Richard Pierce provided an extremely pessimistic view of future rulemaking at FERC. In short, Pierce concluded that FERC is unlikely to attempt to muster the political and bureaucratic resources necessary to adopt several extremely urgent rules governing the structure of the electricity generation market. These policies were proposed in 1988 but have since languished. And, **even if the rules are** ultimately **adopted**, Pierce's view is that **the delay will make them too late to save the economy from years of costly electricity shortages**. The FERC situation, while similar in predicted outcome, has some striking differences from those previously recounted at NHTSA, the CPSC, and OSHA. FERC, in its prior incarnation, the Federal Power Commission, was traditionally an adjudicatory agency. Indeed, during its first fifty years it issued virtually no rules whatsoever. This was not because adjudication had been discovered to be an efficient policymaking technique. Rather, in Pierce's account, it was because adjudication was the path of least resistance. FERC/FPC's adjudicatory process was so slow that **virtually all policy disputes became moot before they were put in a posture that made them ripe for agency action**. 3 Hence, if FERC has a preference for adjudication over rulemaking, **it is not based on efficiency considerations.**

## Their studies assume impossible extraction rates

**Nelder, Slate energy analyst, 11**

(Chris, 12-29-11, “What the Frack?,” http://www.slate.com/articles/health\_and\_science/future\_tense/2011/12/is\_there\_really\_100\_years\_worth\_of\_natural\_gas\_beneath\_the\_united\_states\_.html, 2/16/13, atl)

One complicating factor here is recoverability, because we are never able to extract all of an oil or gas resource. For oil, a 35 percent recovery factor is considered excellent. But recovery factors for shale gas are highly variable, due to the varied geology of the source rocks. Even if we assume a very optimistic 50 percent recovery factor for the 550 tcf of probable gas (536.6 tcf from shale gas plus 13.4 tcf from coalbed gas), that would still only amount to 225 tcf, or a 10-year supply. That plus the 11-year supply of proved reserves would last the United States just 21 years, at current rates of consumption. Natural-gas proponents aren't advocating current rates of consumption, however. They would like to see more than 2 million 18-wheelers converted to natural gas, in order to reduce our dependence on oil imports from unfriendly countries. They also advocate switching a substantial part of our power generation from coal to gas, in order to reduce carbon emissions. Were we to do those things, that 21-year supply could quickly shrink to a 10-year supply, yet those same advocates never adjust their years of supply estimates accordingly.

## Even if they win long term certainty, it doesn’t solve the case

**Ryan, AOL Energy, 12**

(Margaret, 12-7-12, “LNG Project Angst Builds in US Energy Industry,” 12-7-12, http://energy.aol.com/2012/12/07/lng-project-angst-builds-in-us-energy-industry/?icid=related1, 2/16/13, atl)

As of the end of October, the Department of Energy (DOE) had 18 applications pending for authority to export liquefied natural gas (LNG). International demand is growing and expert studies say the LNG market will need 15 billion cubic feet per day (bcf/d) more in five years. The question causing angst in the natural gas industry: Can DOE and the [Federal Energy Regulatory Commission](http://energy.aol.com/tag/Federal%2BEnergy%2BRegulatory%2BCommission/) (FERC), which permit LNG exports and the LNG physical facilities, respectively, license exports in time for US producers to act before competitors grab that growing world demand? Timing is crucial for US exporters, since LNG export facilities are already being built in places like Australia and Qatar. The current regulatory system, designed to protect the US against gas scarcity, can take two years or more for full approvals.

## CP causes shale to backfire—collapses the industry

**Butterfield, Huffington Post, 12**

(Anne, Boulder Daily Camera Columnist, 4-19-12, “Colorado's Elegant Solution for Fracking,” http://www.huffingtonpost.com/anne-butterfield/colorado-fracking\_b\_1413811.html, 2/16/13, atl)

And in case anyone has forgotten -- there are huge economic risks with shale gas, a.k.a. the fracking boom, as the resource is almost certainly not as profitable, resourceful or as clean as hyped by industry. On deeper review, it's promising to be an economic bubble. Fracking is supposedly going to make our nation 100 years of cheap gas, as, amnesiac members of Congress and the president are [wont to say](http://www.rollingstone.com/politics/news/the-big-fracking-bubble-the-scam-behind-the-gas-boom-20120301). But various geological experts such as the Potential Gas Committe have [poured cold water](http://www.slate.com/articles/health_and_science/future_tense/2011/12/is_there_really_100_years_worth_of_natural_gas_beneath_the_united_states_.html) all over that flaming hype, detailing how the supply could be as little as 21 or even 11 years. And Arthur Berman, a widely regarded petro-geologist has commented that the industry reminds him of the sub prime mortgage mess and [wrote](http://www.theoildrum.com/node/8914), "U.S. shale plays share many characteristics with the gold rushes... Both phenomena result from extreme promotion. Anyone can join. Every participant believes that they will get rich. Great amounts of capital are destroyed as entrants try to get a position. The bonanza is exhausted sooner than most expected and few profit in the end."

## NG exports approval spurs opposition

Boman, Rigzone Staff writer, 11-2

(Karen, more than 10 years of experience covering the upstream oil and gas sector, "Boman, Rigzone Staff writer, 11-2 (Karen, more than 10 years of experience covering the upstream oil and gas sector, "Romney, Obama Seen Favoring U.S. LNG Exports," 11-2-12, http://www.rigzone.com/news/oil\_gas/a/121794/Romney\_Obama\_Seen\_Favoring\_US\_LNG\_Exports, accessed 11-3-12, mtf)

However, some U.S. politicians and environmentalist groups have called for the U.S. Department of Energy (DOE) to delay approving U.S. LNG exports over concerns that more LNG exports would result in more hydraulic fracturing. Congressman Ed Markey (D-Mass.) has also spoken out against LNG exports, saying that LNG exports would raise domestic gas prices. A preliminary analysis by the U.S. Energy Information Administration (EIA) indicated exports would raise domestic gas prices, peaking by 14 percent or $.70 per million cubic feet (Mcf) if 1 billion cubic feet per day (Bcf/d) is added from 2015 to 2021, or 6 Bcf/d. Markey earlier this year introduced legislation that would prohibit the Federal Energy Regulatory Commission (FERC) from approving LNG export facility applications until 2025. http://www.rigzone.com/news/article.asp?a\_id=115173 Additionally, large industrial consumers of gas have warned that LNG exports would take away supply that could be used as a feedstock in the manufacturing and chemical sectors. "We continue to see the existing law as highly favorable to LNG exports but expect political sentiment to further trend against exports," according to an Oct. 2 FBR analysts' note. While FBR maintains its expectation of 6-8 Bcf/d of low-hanging fruit for export approvals in the foreseeable future, growing risks of project delays exist from litigants seeking to slow down the process. Factors That Could Influence U.S. LNG Exports Under the current law, the president has absolute legal authority to approve exports. The formal influence of a member of Congress would only be to change the law. However, **there is often informal influence by Congress over presidential decisions, such as key Democrats who have questioned LNG exports**, said Salisbury. One example is Sen. Ron Wyden (D-Ore.), who is likely to serve as chair of the Senate Energy Committee, has called for a pause on LNG exports, which many think means he is really opposed to U.S. LNG exports, Salisbury said. In a September 21 research note, FBR estimated a 47 percent likelihood that the Democrats will win the 51 seats needed to control the Senate and 31 percent likelihood that Republicans will win the Senate majority. This factor could also play a role in influencing LNG exports.

## Russia doesn’t perceive shale as credible- Alec

## Agency rulemaking is massively inefficient, accident prone, and causes inevitable backlogs

**Mashaw, Yale University Gordon B. Tweedy Professor of Law & Organization, 94**

(Jerry, “Improving the Environment of Agency Rulemaking: An Essay on Management, Games and Accountability”, (1994). Faculty Scholarship Series. Paper 1190., 12/27/12, atl)

Today's reformers tend to view rulemaking by federal administrative agencies more as a problem than as a solution. From one perspective, rulemaking is a problem precisely because it has been the instrument by which large, previously unregulated sectors of the economy have been subjected to costly federal edicts.5 Regulatory reform from this perspective lies precisely in reducing the reach of rulemaking authority and in making it subject to a realistic appraisal of the costs and benefits of governmental intervention. From a different substantive or political perspective, rulemaking is equally strenuously criticized as having failed to live up to its promise. The brave new agencies of the 1960s and 1970s may have imposed many costs on society, but they have made only halting progress toward the safer and healthier world that was then envisioned. Many regulatory programs are years, if not decades, behind in completing (sometimes addressing) their announced or statutorily mandated agenda. The older commissions that experimented with rulemaking in the 1960s and 1970s as a response to charges of **inefficiency, unfairness, or lack of accountability** have largely returned to their more familiar adjudicatory processes. **The machinery of federal rulemaking is widely viewed as so creaky and accident-prone that administrators will resort to almost any other technique to attempt to get their jobs done**.6 Although to some (perhaps a large) degree these competing visions describe a dispute about policy or politics, in which the troubles with "rulemaking" or disagreement, there is also a sense in which the two sets of critics might perceive a common problem. While pro-regulation forces are constant in their calls for a more effective and timely rulemaking process, deregulators often have a similar interest.' The rulemaking processes of regulation are also the policy processes by which deregulation might be (sometimes must be) pursued. Thus, proregulatory laments concerning the inability of OSHA to generate rules regulating the large number of toxic substances found in U.S. workplaces might find a mirror image in deregulatory frustrations concerning OSHA's torpidity in revising archaic, but statutorily mandated, rules adopted twenty years ago. The EPA may have missed hundreds of deadlines in issuing rules to protect the environment, but a regulatory process that drives the Federal Energy Regulatory Commission to **virtually abandon its initiatives to reintroduce market discipline** in energy pricing is no friend of "deregulation" either. If **policymaking** by rule **has become** moribund or "**ossified**" as some have argued,' there is a need to reconsider the structure of agency rulemaking as a mechanism of governance, quite apart from that mechanism's substantive effects in particular instances. This article seeks to address that general institutional question.

## Shale has higher CO2 content

**Roy, Terasen Gas regulatory affairs director, 2010**

(Diane, “Commercial Energy Consumers Association of British Columbia”, 10-8, http://www.fortisbc.com/About/RegulatoryAffairs/GasUtility/NatGasBCUCSubmissions/Documents/101108\_TUtilities\_2010\_LTRP\_CEC\_IR2\_Response\_FF.pdf

Using gas is an advantage for companies that are investing in greenhouse gas (GHG) emission reductions; as conventional gas has about 27% lower GHG emissions on an energy equivalent basis compared to diesel or fuel oil for example. 1 However, unconventional gas production and processing can result in the release of CO2 that occurs naturally with the gas. The CO2 content of shale gas varies considerably by deposit. In Canada, the approximate range of CO2 content of shale gas is anywhere from 1 percent or less to 12 percent. Since some shale gas contains more CO2 than conventional gas, mitigation methods will need to be developed for high CO2 shales.

## That makes it uneconomical to liquefy

**Ebenezer, Institute of Petroleum Technology, 2005**

(Salako, “Removal Of Carbon Dioxide From Natural Gas For LNG Production”, December, <http://www.ipt.ntnu.no/~jsg/studenter/prosjekt/Salako2005.pdf>, DOA: 1-24-13, ldg)

Liquefaction process which is the transformation of natural gas to liquid form involve operation at a very low Temperature (-161 o C) and as low as atmospheric pressure. At these conditions CO2 can freeze out on exchanger surface, plugging lines and reduce plant efficiency. Therefore there is need for removal of CO2 before liquefaction process, this is done not to overcome the process bottle necks but also to meet the LNG product specifications, prevent corrosion of process equipment and environmental performance. There are many acid gas treating processes available for removal of CO2 from natural gas. These processes include Chemical solvents, Physical solvents, Adsorption Processes Hybrid solvents and Physical separation (Membrane) (Kohl and Nielsen, 1997); The chemical solvents and physical solvents or combination of these two have been used extensively in existing base load LNG facilities (David Coyle et. al 2003). Today, computer-aided process simulation is nearly universally recognized as an essential tool in the process industries. Indeed, simulation software play a key role in: process development – to study process alternatives, assess feasibility and preliminary economics, and interpret pilot-plant data; process design to optimize hardware and flowsheets, estimate equipment and operating cost and investigate feedstock flexibility; and plant operation to reduce energy use, increase yield and improve pollution control. The ability of the LNG option to continue to compete with existing and emerging gas monetization, option will depend on the industry’s success in reducing cost throughout the LNG value chain and maintaining exceptional safety, reliable and less environmental impact operations. This project therefore summarizes the various processes available and suitable for removal of CO2 from natural gas to meet the LNG stringent specification of about 50-100 ppmv or 2-3% CO2 concentration in the product stream. Different processes scalability, advantages and disadvantages will be highlighted. Simulation of a typical amine solvent based CO2 removal plant using HYSYS process simulator to establish optimum operating conditions that will improve process environmental performance will be considered in detail.

## Newest ev proves no gas

Cobb, CS Monitor, 3/26

(Kurt, March 26, 2013, “Do high natural gas prices mean the shale boom is ending?”, http://www.csmonitor.com/Environment/Energy-Voices/2013/0326/Do-high-natural-gas-prices-mean-the-shale-boom-is-ending, 3/29/13, atl)

As U.S. natural gas prices flirt with the $4 mark, some skeptics of the so-called shale gas revolution think prices are headed much higher. Such a move would, not surprisingly, seriously undermine the official story that the United States has a century of cheap natural gas waiting for the drillbit. Several years ago when natural gas began flowing in great quantities from deep shale deposits beneath American soil, it seemed to be the beginning of the end of America’s troubled journey into dependence on energy imports—a journey marked by frequent worry, occasional war and enormous expense. But, to some people this supposed solution to America’s energy needs has begun to seem as costly to the environment and human health as the country’s dependence on imported energy has been in terms of mental distress, money and blood. It turns out that this new kind of natural gas requires the industrialization of the countryside in order to extract it. And that, say those closest to the action, risks tainting air, land, and drinking water and compromising the health of humans and animals alike. Well, at least we can say that shale gas is plentiful, cheap, American, and much easier on the climate than coal or oil. It didn’t take too long before people started looking into whether shale gas really was that much easier on the climate. [A Cornell University researcher came to the conclusion that shale gas was probably worse for climate change than coal](http://www.news.cornell.edu/stories/April11/GasDrillingDirtier.html). His conclusion hinged in part on what are called “fugitive emissions”—unintentional, but unavoidable releases of unburned methane into the atmosphere during the [hydraulic fracturing](http://en.wikipedia.org/wiki/Hydraulic_fracturing)operations performed to extract the gas. Methane is [some 20 times more potent](http://www.climatescience.gov/infosheets/highlight1/default.htm) than carbon dioxide as a greenhouse gas. Naturally, the oil and gas industry [responded vigorously](http://anga.us/links-and-resources/howarth-a-credibility-gap#.UUzVtjf57Cs) to the researcher’s findings with its usual ad hominem attacks. But, it also highlighted uncertainties that are always part of any scientific study. This industry is, of course, the same one that has consistently denied the existence of climate change and continues to spend millions trying to convince the public that climate change either isn’t happening, or if it is, it won’t be that bad or if it is, it may actually be good for us. The industry’s response to the study has, not surprisingly, been met with skepticism. That is befitting an industry that, having spent the last two decades denying climate change, now suddenly embraces it as a reason to produce more natural gas. So, despite the industry’s best efforts, the meme that shale gas is worse than coal is out there and being repeated again and again by opponents of shale gas drilling. Well, at least we can say that shale gas is plentiful, cheap and American. But, then came [the industry campaign to end federal limitations on the export of natural gas.](http://thehill.com/blogs/e2-wire/e2-wire/279609-oil-firms-governors-urge-natural-gas-export-expansion) What had been touted by the industry as a fuel that would help lead America to energy independence would henceforth be treated as just another world commodity seeking the highest bidder—even if that bidder is in China, Japan or Great Britain. The industry’s aim, of course, is to get higher prices for its product than customers in the United States can provide. As noted above, natural gas trades at around $4 per thousand cubic feet (mcf) in the United States. That compares to about $17 per mcf for liquefied natural gas delivered to Japan. The price in Europe is around $12. Well, at least we can say that shale gas is plentiful and cheap. As natural gas prices declined from double digits in 2008 and the shale gas boom proceeded apace, the industry convinced Americans that cheap, plentiful natural gas was the country’s future for a century to come. And, when natural gas prices plunged briefly to $1.82 per mcf last April, even the oil and gas industry began to wonder whether cheap natural gas was really such a great thing. At that price or anything below about $2.50 really, almost no wells were profitable. Last year independent petroleum geologist Art Berman, while reviewing the financial wreckage of the once flourishing, but now fallen shale gas drillers, [noted that the industry was based on](http://www.theoildrum.com/node/8914): an improbable business model that has no barriers to entry except access to capital, that provides a source of cheap and abundant gas, and that somehow also allows for great profit. Despite three decades of experience with tight sandstone and coal-bed methane production that yielded low-margin returns and less supply than originally advertised, we are expected to believe that poorer-quality shale reservoirs will somehow provide superior returns and make the U.S. energy independent. As Berman noted back then: “Improbable stories that great profits can be made at increasingly lower prices have intersected with reality.” The industry proceeded [to abandon shale gas plays in favor of tight oil plays](http://resourceinsights.blogspot.com/2011/02/when-believers-stop-believing.html) which have proven to be profitable with oil prices consistently crisscrossing $100 a barrel in the last two years. Apparently, price does matter when it comes to natural gas. And so, it seems natural gas won’t be endlessly cheap in America after all. As Berman foretold in [an earlier piece](http://www.theoildrum.com/node/8212), prices would have to rise to between $5 and $6 to make currently paid-for leases profitable from this point forward and between $7 to $8 to make new leases worth pursuing. For comparison, back in the heyday of cheap natural gas, the decade of the 1990s, the average annual U.S. price was $1.92 per mcf, [according the U.S. Energy Information Administration](http://www.eia.gov/dnav/ng/hist/n9190us3a.htm). So what exactly has happened to U.S. natural gas production as reality has set in and companies have withdrawn drills to await prices that might actually be profitable? The answer ought to be troubling to those who are counting on endlessly escalating supplies large enough to displace the majority of oil and coal used in our economy. To wit, U.S. marketed natural gas production has been flat for the last two years. The trend is so ominous that two industry insiders I know believe that U.S. natural gas production could actually start declining soon and send prices soaring. They say drillers have fallen so far behind that it will be impossible to make up for production lost from existing shale gas wells. Those wells typically see production decline rates of 85 percent after two years. (Translation: Some 85 percent of existing production from shale gas wells must be replaced every two years BEFORE production can grow.) The future is, of course, unknown to us. But, the present and the past suggest that the so-called shale gas revolution is about to be laid to rest. Yes, shale gas might prevent total American natural gas production from dropping off a cliff even as conventional natural gas production continues to decline. And, at some point shale gas might even allow U.S. production to rise modestly above current levels. But, two things are now abundantly clear: It won’t be easy and it won’t be cheap.

## Onshore terminals blocked now

**Parfomak, Specialist in Energy and Infrastructure Policy, 09**

(Paul W, “Liquefied Natural Gas (LNG) Import Terminals: Siting, Safety, and Regulation”, Congressional Research Service, 12-14-9, http://www.cnie.org/NLE/CRSreports/10Jan/RL32205.pdf, 2/20/13, atl)

Liquefied natural gas (LNG) is a hazardous fuel shipped in large tankers to U.S. ports from overseas. While LNG has historically made up a small part of U.S. natural gas supplies, rising price volatility, and the possibility of domestic shortages have significantly increased LNG demand. To meet this demand, energy companies have proposed new LNG import terminals throughout the coastal United States. Many of these terminals would be built onshore near populated areas. The Federal Energy Regulatory Commission (FERC*)* grants federal approval for the siting of new onshore LNG facilities under the Natural Gas Act of 1938 and the Energy Policy Act of 2005 (P.L. 109-58). This approval process incorporates minimum safety standards for LNG established by the Department of Transportation. Although LNG has had a record of relative safety for the last 45 years, and no LNG tanker or land-based facility has been attacked by terrorists, proposals for new LNG terminal facilities have generated considerable public concern. Some community groups and governments officials fear that LNG terminals may expose nearby residents to unacceptable hazards. Ongoing public concern about LNG safety has focused congressional attention on the exclusivity of FERC’s LNG siting authority, proposals for a regional LNG siting process, the lack of “remote” siting requirements in FERC regulations, state permitting requirements under the Clean Water Act and the Coastal Zone Management Act, terrorism attractiveness of LNG, the adequacy of Coast Guard security resources, and other issues. LNG terminals directly affect the safety of communities in the states and congressional districts where they are sited, and may influence energy costs nationwide. Faced with an uncertain national need for greater LNG imports and persistent public concerns about LNG hazards, some in Congress have proposed changes to safety provisions in federal LNG siting regulation. Legislation proposed in the 110 th Congress addressed Coast Guard LNG resources, FERC’s exclusive siting authority, state concurrence of federal LNG siting decisions, and agency coordination under the Coastal Zone Management Act, among other proposals. Provisions in the Coast Guard Authorization Act of 2010 (H.R. 3619), passed by the House on October 23, 2009, would require additional waterway suitability notification requirements in LNG siting reviews by FERC (Sec. 1117). The Maritime Hazardous Cargo Security Act (S. 1385), introduced by Senator Lautenberg and three co-sponsors on June 25, 2009, would require a national study to identify measures to improve the security of maritime transportation of liquefied natural gas (Sec. 6). If Congress concludes that new LNG terminals as currently regulated will pose an unacceptable risk to public safety, Congress may consider additional LNG safety-related legislation, or may exercise its oversight authority in other ways to influence LNG terminal siting approval. Alternatively, Congress may consider other changes in U.S. energy policy legislation to reduce the nation’s demand for natural gas or increase supplies of North American natural gas and, thus, the need for new LNG infrastructure.

## [Condo]

# TPA DA

## Econ resilient-no war

**Drezner, Tufts international politics professor, 2011**

(Daniel, “Please come down off the ledge, dear readers”, 8-12, <http://drezner.foreignpolicy.com/posts/2011/08/12/please_come_down_off_the_ledge_dear_readers>, DOA: 3-13-13, ldg)

So, when we last left off this debate, things were looking grim. My concern in the last post was that the persistence of hard times would cause governments to take actions that would lead to a collapse of the open global economy, a spike in general riots and disturbances, and eerie echoes of the Great Depression. Let's assume that the global economy persists in sputtering for a while, because that's what happens after major financial shocks. Why won't these other bad things happen? Why isn't it 1931? Let's start with the obvious -- it's not gonna be 1931 because there's some passing familiarity with how 1931 played out. The Chairman of the Federal Reserve has devoted much of his academic career to studying the Great Depression. I'm gonna go out on a limb therefore and assert that if the world plunges into a another severe downturn, it's not gonna be because central bank heads replay the same set of mistakes. The legacy of the Great Depression has also affected public attitudes and institutions that provide much stronger cement for the current system. In terms of publuc attitudes, compare the results of this mid-2007 poll with this mid-2010 poll about which economic system is best. I'll just reproduce the key charts below: The headline of the 2010 results is that there's eroding U.S. support for the global economy, but a few other things stand out. U.S. support has declined, but it's declined from a very high level. In contrast, support for free markets has increased in other major powers, such as Germany and China. On the whole, despite the worst global economic crisis since the Great Depression, public attitudes have not changed all that much. While there might be populist demands to "do something," that something is not a return to autarky or anything so drastc. Another big difference is that multilateral economic institutions are much more robust now than they were in 1931. On trade matters, even if the Doha round is dead, the rest of the World Trade Organization's corpus of trade-liberalizing measures are still working quite well. Even beyond the WTO, the complaint about trade is not the deficit of free-trade agreements but the surfeit of them. The IMF's resources have been strengthened as a result of the 2008 financial crisis. The Basle Committee on Banking Supervision has already promulgated a plan to strengthen capital requirements for banks. True, it's a slow, weak-assed plan, but it would be an improvement over the status quo. As for the G-20, I've been pretty skeptical about that group's abilities to collectively address serious macroeconomic problems. That is setting the bar rather high, however. One could argue that the G-20's most useful function is reassurance. Even if there are disagreements, communication can prevent them from growing into anything worse. Finally, a note about the possibility of riots and other general social unrest. The working papercited in my previous post noted the links between austerity measures and increases in disturbances. However, that paper contains the following important paragraph on page 19: [I]n countries with better institutions, the responsiveness of unrest to budget cuts is generally lower. Where constraints on the executive are minimal, the coefficient on expenditure changes is strongly negative -- more spending buys a lot of social peace. In countries with Polity-2 scores above zero, the coefficient is about half in size, and less significant. As we limit the sample to ever more democratic countries, the size of the coefficient declines. For full democracies with a complete range of civil rights, the coefficient is still negative, but no longer significant. This is good news!! The world has a hell of a lot more democratic governments now than it did in 1931. What happened in London, in other words, might prove to be the exception more than the rule. So yes, the recent economic news might seem grim. Unless political institutions and public attitudes buckle, however, we're unlikely to repeat the mistakes of the 1930's. And, based on the data we've got, that's not going to happen.

## TPA doesn’t solve – budget cuts kill trade talks

**Reuters, 2/28**

(“UPDATE 2-U.S. budget cuts could impair trade agenda –USTR.” 2013. <http://www.reuters.com/article/2013/02/28/us-fiscal-trade-idUSL1N0BSEXV20130228>. Accessed: 3/27/2013. ADC)

 WASHINGTON, Feb 28 (Reuters) - A top U.S. trade official warned that automatic budgets cuts that start taking effect on Friday could hamper ongoing U.S. trade talks in the Asia-Pacific region and another proposed set of negotiations with the European Union. "The sequester cuts will add a significant hurdle to these and other efforts to support American jobs by opening markets, including through reduced staffing (and) reduced ability to engage with our trading partners," said Tim Reif, general counsel with the U.S. Trade Representative's office. "Additionally, USTR may no longer have the funding to initiate new legal disputes, which would result in reduced enforcement of trade agreements, so the sequester is an important issue for us," Reif said at a trade conference at the Georgetown University Law Center. It was the latest warning from President Barack Obama's administration of the negative impact of the automatic spending cuts, or "sequester," set to begin on March 1 because the White House and Congress have not agreed on any alternative plan to reduce the federal budget deficit. The cuts come as United States engages in negotiations with 10 countries in the Asia-Pacific region on a free trade pact. Expectations also are rising that Japan will join the talks following Japanese Prime Minister Shinzo Abe's meeting with Obama last week at the White House.

## No negotiations now on TPA

**Abrams, AP staff writer, 3/19**

(Jim. “Budget cuts hurt trade policy, official says.” 2013. <http://news.yahoo.com/budget-cuts-hurt-trade-policy-official-says-151751076.html>. Accessed: 3/27/2013. ADC)

With many Democrats suspicious of the benefits of trade deals that could disrupt American industries, the Obama administration has not actively sought a reopening of negotiations with Congress to establish the non-binding trade objectives that would act as the basis of new TPA legislation. "There's some concern," Baucus said, that "maybe the administration is a little lax, a little slow," in requesting a revival of TPA.

## Won’t pass – Republicans and trade representative nominee

**Palmer, AP staff writer, 3/1**

(Doug. “White House says it will seek "fast-track" trade authority.” 2013. <http://news.yahoo.com/white-house-eyes-trade-authority-asia-pacific-trade-160936830.html>. Accessed: 3/27/2013. ADC)

 But the brief reference to the legislation known as "trade promotion authority" in an annual report on the president's trade agenda failed to impress some key Republicans who have been pressing for action on the issue for years. House of Representative Ways and Means Committee Chairman Dave Camp, a Michigan Republican, urged President Barack Obama to "demonstrate his commitment to a vigorous and productive trade policy" by opening talks with Congress on the "fast track" powers and "nominating a qualified and committed U.S. trade representative." The current U.S. trade representative, Ron Kirk, plans to step down soon. That will leave the position of chief U.S. trade negotiator vacant as the United States prepares to launch trade talks with the European Union and as it seeks to finish talks on a Trans-Pacific Partnership pact by the end of the year.

## Obama has no capital and it doesn’t matter anyway-Obama officials concede

**The Hill 3-20-13**

(“Obama honeymoon may be over”, <http://thehill.com/homenews/administration/289179-obama-honeymoon-may-be-over>, DOA: 3-24-13, ldg)

The second-term honeymoon for President Obama is beginning to look like it is over. Obama, who was riding high after his reelection win in November, has seen his poll numbers take a precipitous fall in recent weeks. A CNN poll released Tuesday showed Obama’s favorability rating underwater, with 47 percent approving and 50 percent disapproving of Obama’s handling of his job. Much of the president’s agenda is stuck, with climate change regulations delayed, immigration reform mired in committee negotiations and prospects for a grand bargain budget deal in limbo at best. On Tuesday, in a decision that underscored Obama’s depleting political capital, the White House watched as Senate Majority Leader Harry Reid (D-Nev.) announced only a watered-down version of Obama’s gun control proposals would be considered on the Senate floor. Republicans, sensing the sea change, are licking their chops. They point to the lack of movement on Obama’s signature issues, noting the contrast to the ambitious plans outlined in the early weeks of his second term. “The president set very high goals for himself during his State of the Union, but the reality is very little of his agenda is actually moving,” Republican strategist Ron Bonjean said. “He allowed himself to get caught up in the legislative quicksand, [and] the cement is beginning to harden. “ History isn’t on Obama’s side. The last four presidents who won a second term all saw their poll numbers slide by mid-March with the exception of Bill Clinton, whose numbers improved in the four months following his reelection. Clinton may have only been delaying the inevitable. His numbers dropped 5 points in April 1994. Even Ronald Reagan, buoyed by a dominant performance over Walter Mondale in the 1984 election, saw a double-digit erosion by this point in his second term. Obama has yet to complete the first 100 days of his second term. But without a signature achievement since his reelection, he faces a crossroads that could define the remainder of his presidency. White House aides maintain that the 24-hour news cycle makes comparisons to previous presidents difficult. “I think the nature of our politics now is different than Ronald Reagan’s honeymoon,” one senior administration official said. “The ebb and flow of politics doesn’t follow that model anymore.” But observers say a drop in popularity is typical for second-termers. “There may be some typical second-term honeymoon fade happening,” said Martin Sweet, an assistant visiting professor of political science at Northwestern University. “Honeymoon periods for incumbents are a bit more ephemeral.” But like most other presidents, Sweet added, “Obama’s fate is tied to the economy.” “Continuing economic progress would ultimately strengthen the president but if we are hit with a double-dip recession, then Obama’s numbers will crater,” he said. The White House disputes any notion that Obama has lost any political capital in recent weeks. “The president set out an ambitious agenda and he’s doing big things that are not easy, from immigration to gun control,” the senior administration official said. “Those are policies you can’t rack up easily, and no one here is naive about that.” The White House is aware that the clock is ticking to push its hefty agenda, but the official added, “The clock is not ticking because of president’s political cagpital. The clock is ticking because there’s a timetable in achieving all of this. [Lawmakers] are not going to sign on because the president’s popular.” And administration officials believe they still have the leverage. “There’s a decent amount of momentum behind all of this,” the official said. “It looks like immigration is closer [to passage] than ever before.” Republican strategist Ken Lundberg argued that current budget fights “have cut short the president’s second-term honeymoon.”

## Doesn’t require legislation—DOI just needs to approve that’s Pyle

## NI

## Plan’s bipartisan – perceived as green energy

**Murray, Roll Call staff, 2010**

(Matthew, “Natural Gas Lobby Drills for Democratic Allies”, 10-14, [www.rollcall.com/issues/56\_38/-50704-1.html](http://www.rollcall.com/issues/56_38/-50704-1.html), DOA: 1-17-13, ldg)

Natural gas firms are lobbying Members for federal investment incentives such as the Promoting Natural Gas and Electric Vehicles Act, a bill that is scheduled for a Nov. 17 cloture vote.Ahead of its new advocacy push, the industry has enlisted nontraditional political allies, such as Democratic Congressional leaders, and its companies have formed a new trade group. The industry has also been giving more campaign contributions to the majority party.A Democratic lobbyist who works on energy legislation said new technological advances have “broadened the field” on the political front for natural gas companies. The companies have also been successful at playing up the commodity’s green reputation among Democrats.“There has certainly been a lot more interest,” the lobbyist said. “There are a lot of Democrats who definitely think natural gas is a lot more environmentally friendly alternative.”The American Gas Association has been more generous to the party, giving $120,000 to Democrats since 2009, including contributions to House Energy and Commerce Chairman Henry Waxman (Calif.), House Majority Leader Steny Hoyer (Md.), Energy and Commerce Chairman Emeritus John Dingell (Mich.) and Senate Rules Chairman Charles Schumer (N.Y.).According to CQ MoneyLine, contributions to Democrats represented 46 percent of AGA’s overall political giving this cycle, a dramatic increase from the previous two-year period. In 2007-08, the trade group gave 36 percent of its campaign gifts to Democrats and gave 28 percent in the previous cycle, campaign records show.The trade association represents large utility companies such as Ameren Corp. and Nicor Inc.AGA lobbyist Charles Fritts said the industry is “lucky” Senate Majority Leader Harry Reid is putting so much attention on natural gas. The utilities lobby also is supporting the Nevada Democrat’s bill that would create incentives for developing natural-gas-fired vehicles, a product line that is unlikely to come to market without a federal government investment, Fritts said.“The natural gas vehicle market hasn’t cracked into the big time,” he said. “It’s been a very hard sell.”Switching LoyaltiesFor the first time in 16 years, a trade group representing natural gas pipeline providers has shifted the majority of its campaign contributions to Democrats. According to CQ MoneyLine, the Interstate Natural Gas Association of America has given $33,500 to Democrats this cycle, which is almost 60 percent of its total political giving.Campaign finance records show the trade association gave 51 percent of its donations in the last cycle to Republican candidates and political action committees, the same ratio of contributions to the GOP that the organization’s PAC has averaged since 1980.“We’re looking for allies on both sides of the aisle,” INGAA lobbyist Martin Edwards said. “In a Democratic Congress, it’s important to look for allies on the Democratic side of the aisle. We’ve certainly done that, and we tend to focus our contributions to folks who have been proven supporters on gas-related issues.”Edwards also credited the “improbable relationship” between T. Boone Pickens and Reid as a major boon for the natural gas industry. In 2008, the Texas oilman launched his “Pickens Plan,” an energy blueprint that encourages lawmakers to move national energy consumption away from foreign oil in favor of natural gas and electric vehicles.Once a prominent Republican donor, Pickens told reporters last week that he has pledged not to make federal campaign contributions and to work with Members of both parties. Pickens also said Reid will be able to move an alternative fuels subsidy bill during the lame-duck session, in part because of the promise.Pickens declined through a spokeswoman to be interviewed for this article.Regan Lachapelle, a Reid spokeswoman, said in an e-mail Wednesday that “Democrats recognize that the responsible development and use of our significant domestic natural gas resources can make our nation more secure and provide a good bridge to a job-creating, clean energy future.”Tapping Democrats’ SupportAmerica’s Natural Gas Alliance, which represents independent producers, is also attempting to make its pitch to Members from both parties. The organization registered a PAC this summer but is not expected to make any contributions until after Election Day.“We feel that the compelling benefits of natural gas have strong bipartisan appeal,” spokesman Daniel Whitten said in a statement. “So we feel that the advantages natural gas offers, not just for transportation, but also power generation and industrial uses, crosses partisan lines and is an essential component of any forward-looking energy policy.”Unlike with oil and coal, **environmental groups are tepidly blessing legislation that would encourage investment in natural gas facilities, undoubtedly making it easier for Democrats to offer their support**.

## Plan bipartisan—outweighs party allegiance

**Russell, President of the Independent Petroleum Association of America, 12**

(Barry, “Energy Must Transcend Politics,” 8-15-12, http://energy.nationaljournal.com/2012/08/finding-the-sweet-spot-biparti.php?comments=expandall#comments, 2/13/13, atl)

There have been glimpses of great leadership, examples when legislators have reached across the aisle to construct and support common-sense legislation that encourages American energy production. Recent legislation from Congress which would replace the Obama administration’s five-year offshore leasing plan and instead increase access America’s abundant offshore oil and natural gas is one example of such bipartisanship. The House passed legislation with support from 25 key Democrats. The support from Republicans and Democrats is obviously not equal, but this bipartisan legislative victory demonstrates a commitment by the House of Representatives to support the jobs, economic growth and national security over stubborn allegiance to political party. The same is happening on the Senate side. Democratic Senators Jim Webb (VA), Mark Warner (VA), and Mary Landrieu (LA) cosponsored the Senate’s legislation to expand offshore oil and natural gas production with Republican Senators Lisa Murkowski (AK), John Hoeven (ND), and Jim Inhofe (OK). Senator Manchin (WV) is another Democratic leader who consistently votes to promote responsible energy development.

## Winner’s win

**Hirsh, National Journal chief correspondent, 2-7-13**

(Michael, “There's No Such Thing as Political Capital”, [www.nationaljournal.com/magazine/there-s-no-such-thing-as-political-capital-20130207](http://www.nationaljournal.com/magazine/there-s-no-such-thing-as-political-capital-20130207), DOA: 2-9-13, ldg)

But the abrupt emergence of the immigration and gun-control issues illustrates how suddenly shifts in mood can occur and how political interests can align in new ways just as suddenly. Indeed, the pseudo-concept of political capital masks a larger truth about Washington that is kindergarten simple: You just don’t know what you can do until you try. Or as Ornstein himself once wrote years ago, “Winning wins.” In theory, and in practice, depending on Obama’s handling of any particular issue, even in a polarized time, he could still deliver on a lot of his second-term goals, depending on his skill and the breaks. Unforeseen catalysts can appear, like Newtown. Epiphanies can dawn, such as when many Republican Party leaders suddenly woke up in panic to the huge disparity in the Hispanic vote. Some political scientists who study the elusive calculus of how to pass legislation and run successful presidencies say that political capital is, at best, an empty concept, and that almost nothing in the academic literature successfully quantifies or even defines it. “It can refer to a very abstract thing, like a president’s popularity, but there’s no mechanism there. That makes it kind of useless,” says Richard Bensel, a government professor at Cornell University. Even Ornstein concedes that the calculus is far more complex than the term suggests. Winning on one issue often changes the calculation for the next issue; there is never any known amount of capital. “The idea here is, if an issue comes up where the conventional wisdom is that president is not going to get what he wants, and he gets it, then each time that happens, it changes the calculus of the other actors” Ornstein says. “If they think he’s going to win, they may change positions to get on the winning side. It’s a bandwagon effect.”

# Drilling DA

## No environmental harm – offshore drilling has a 100% safety record and reduces leakages

**Thornley, Concordia business law professor, 2009**

(Drew, “Energy & Environmental Myths”, April, <http://www.manhattan-institute.org/energymyths/myth8.htm>, DOA: 1-17-13, ldg)

Since 1975, offshore drilling in the Exclusive Economic Zone (within 200 miles of U.S. coasts) has a safety record of 99.999 percent, meaning that only 0.0001 percent of the oil produced has been spilled.[103] With regard to the Outer Continental Shelf (U.S. waters under federal, rather than state, jurisdiction),[104] between 1993 and 2007 there were 651 oil spills, releasing 47,800 barrels of oil. Given 7.5 billion barrels of oil produced during that period, one barrel of oil has been spilled in the OCS per 156,900 barrels produced.[105] Research published in 2000 by the U.S. Minerals Management Service (MMS)[106] documents the decreasing occurrence of crude-oil spills in the OCS. Revising previous estimates first published in 1994, the authors analyzed data through 1999 and concluded that oil-spill rates for OCS platforms, tankers, and barges continued to decline.[107] Additionally, the number of oil spills from platforms, tankers, and pipelines is small, relative to the amount of oil extracted and transported. Even so, oil spills remain an unpleasant reality of offshore oil drilling. Certainly, any amount of oil spilled into the ocean is undesirable, but offshore oil operations contribute relatively little of the oil that enters ocean waters each year. For example, ocean floors naturally seep more oil into the ocean than do oil-drilling accidents and oil-tanker spills combined. (However, such seepage generally does not rise to the surface or reach the coastlines and, thus, is not as apparent as oil-drilling spills.) According to the National Academies’ National Research Council, natural processes are responsible for over 60 percent of the petroleum that enters North American ocean waters and over 45 percent of the petroleum that enters ocean waters worldwide.[108] Thus, in percentage terms, North America’s oil-drilling activities spill less oil into the ocean than the global average, suggesting that our drilling is comparatively safe for the environment. Ironically, research shows that drilling can actually reduce natural seepage, as it relieves the pressure that drives oil and gas up from ocean floors and into ocean waters. In 1999, two peer-reviewed studies found that natural seepage in the northern Santa Barbara Channel was significantly reduced by oil production. The researchers documented that natural seepage declined 50 percent around Platform Holly over a twenty-two-year period, concluding that, as oil was pumped from the reservoir, the pressure that drives natural seepage dropped.[109] Offshore oil drilling is carefully monitored for environmental safety. Using state-of-the-art technology and employing a range of procedural safeguards, U.S. offshore drilling has a track record of minimal environmental impact. Modern oil drilling is even designed to withstand hurricanes and tropical storms. According to the MMS, 3,050 of the Gulf of Mexico’s 4,000 platforms and 22,000 of the 33,000 miles of the Gulf’s pipelines were in the direct path of either Hurricane Katrina or Hurricane Rita. The hurricanes destroyed 115 drilling platforms, damaged 52 others, and damaged 535 pipeline segments, yet “there was no loss of life and no major oil spills attributed to either storm.”[110] All forms of energy production come with risks, both to humans and to the environment. Offshore oil drilling is no exception. Spills from offshore drilling and tankers undoubtedly will continue to occur, but they are rare and are decreasing in frequency; and the amount of oil spilled from rigs and tankers is small, compared with the amount of oil extracted and with the amount of oil that enters ocean waters naturally from ocean floors. As technology continues to advance, and as companies find themselves accountable to a public increasingly concerned about environmental stewardship, drilling for oil in our coastal waters will continue to be conducted in a safe and environmentally conscious manner.

## Drilling inevitable- US lead ensures best practices

**Schneider, Clean Air Task Force Advocacy Director, 12**

(Michael, “Curb Methane Emissions,” National Journal, 7-25, <http://energy.nationaljournal.com/2012/07/is-arctic-oil-drilling-ready-f.php?comments=expandall#comments>, 2/16/13, atl)

What we do know is that the black carbon that flaring will release in the Arctic is particularly harmful, since it is so likely to settle out on snow or ice, where the dark pollutant rapidly warms the white frozen surface. Many technologies and best practices exist to reduce the impact of oil and gas production both to the Arctic and the global climate. If we are going to extract the oil from the Arctic, we need to do it in a way that does not exacerbate the very real problem that climate change is already posing there. In order to do so, the US must take the lead in ensuring that only the best practices are acceptable when it comes to Arctic exploration and drilling. The technologies and practices below can dramatically reduce the emissions associated with oil and natural gas, in some cases by almost 100%.

## No impact – eco-system adapts to accidents

**Easterbrook, fellow at the Brookings Institution, 1995**

(Gregg, A moment on the Earth, pg 57, ldg)

Why did so many commentators presume Prince William Sound the victim of an instant doom? Petroleum is a naturally occurring product. It "spills" from the Earth's crust continuously via seepage, though more slowly than happened at the sound. Because petroleum regularly enters the biosphere on a natural basis, some organisms long ago adapted to metabolizing it. Conceptually what Exxon did was reposition a naturally occurring pollutant from below Earth's surface to an ocean inlet, a place where wave action, sunlight, biology, and other factors immediately began operating in opposition to the intruder

## Empirically disproven by previous accidents- oceans are resilient-they are too big.

**Lomborg, Aarhus university political science professor, 2001**

(Bjorn, The Skeptical Environmentalist, pg 189, ldg)

But the oceans are so incredibly big that our impact on them has been astoundingly insignificant - the oceans contain more than 1,000 billion billion liters of water.1407 The UN's overall evaluation of the oceans concludes: "The open sea is still relatively clean. Low levels of lead, synthetic organic compounds and artificial radionuclides, though widely detectable, are biologically insignificant. Oil slicks and litter are common along sea lanes, but are, at present, a minor consequence to communities of organisms living in open-ocean waters."1408 It actually turns out that the very lumps of oil that Heyerdahl was so worried about are now much fewer in number. It is estimated that in 1985 about 60 percent of the marine sources of oil pollution came from the routine tanker transport operation, while 20 percent came from regular oil spills of the kind we see on TV, and about 15 percent come from natural oil seepage at the bottom of the sea and from sediment erosion.

# 1AR

# Russian Econ

## Russian power and aggression is historically decoupled from their economy

**Friedman, Chief Intelligence Officer Stratfor, 09**

(George, Financial Overseer and CEO of the Private Intelligence Corporation Stratfor, “Russian Economy and Russian Power,”, <http://www.stratfor.com/weekly/20090727_u_s_policy_continuity_and_russian_response>, 7/27/09, da: 02/20/2013, lmm)

Russia has been an economic wreck for most of its history, both under the czars and under the Soviets. The geography of Russia has a range of weaknesses, as we have explored. Russia's geography, daunting infrastructural challenges and demographic structure all conspire against it. But the strategic power of Russia was never synchronized to its economic well-being. Certainly, following World War II the Russian economy was shattered and never quite came back together. Yet Russian global power was still enormous. A look at the crushing poverty -- but undeniable power -- of Russia during broad swaths of time from 1600 until Andropov arrived on the scene certainly gives credence to Putin's view. The problems of the 1980s had as much to do with the weakening and corruption of the Communist Party under former Soviet leader Leonid Brezhnev as it had to do with intrinsic economic weakness. To put it differently, the Soviet Union was an economic wreck under Joseph Stalin as well. The Germans made a massive mistake in confusing Soviet economic weakness with military weakness. During the Cold War, the United States did not make that mistake. It understood that Soviet economic weakness did not track with Russian strategic power. Moscow might not be able to house its people, but its military power was not to be dismissed. What made an economic cripple into a military giant was political power. Both the czar and the Communist Party maintained a ruthless degree of control over society. That meant Moscow could divert resources from consumption to the military and suppress resistance. In a state run by terror, dissatisfaction with the state of the economy does not translate into either policy shifts or military weakness -- and certainly not in the short term. Huge percentages of gross domestic product can be devoted to military purposes, even if used inefficiently there. Repression and terror smooth over public opinion. The czar used repression widely, and it was not until the army itself rebelled in World War I that the regime collapsed. Under Stalin, even at the worst moments of World War II, the army did not rebel. In both regimes, economic dysfunction was accepted as the inevitable price of strategic power. And dissent -- even the hint of dissent -- was dealt with by the only truly efficient state enterprise: the security apparatus, whether called the Okhraina, Cheka, NKVD, MGB or KGB. From the point of view of Putin, who has called the Soviet collapse the greatest tragedy of our time, the problem was not economic dysfunction. Rather, it was the attempt to completely overhaul the Soviet Union's foreign and domestic policies simultaneously that led to the collapse of the Soviet Union. And that collapse did not lead to an economic renaissance. Biden might not have meant to gloat, but he drove home the point that Putin believes. For Putin, the West, and particularly the United States, engineered the fall of the Soviet Union by policies crafted by the Reagan administration -- and that same policy remains in place under the Obama administration. It is not clear that Putin and Russian President Dmitri Medvedev disagree with Biden's analysis -- the Russian economy truly is "withering" -- except in one sense. Given the policies Putin has pursued, the Russian prime minister must believe he has a way to cope with that. In the short run, Putin might well have such a coping mechanism, and this is the temporary window of opportunity Biden alluded to. But in the long run, the solution is not improving the economy -- that would be difficult, if not outright impossible, for a country as large and lightly populated as Russia. Rather, the solution is accepting that Russia's economic weakness is endemic and creating a regime that allows Russia to be a great power in spite of that. Such a regime is the one that can create military power in the face of broad poverty, something we will call the "Chekist state." This state uses its security apparatus, now known as the FSB, to control the public through repression, freeing the state to allocate resources to the military as needed. In other words, this is Putin coming full circle to his KGB roots, but without the teachings of an Andropov or Gorbachev to confuse the issue. This is not an ideological stance; it applies to the Romanovs and to the Bolsheviks. It is an operational principle embedded in Russian geopolitics and history. Counting on Russian strategic power to track Russian economic power is risky. Certainly, it did in the 1980s and 1990s, but Putin has worked to decouple the two. On the surface, it might seem a futile gesture, but in Russian history, this decoupling is the norm. Obama seems to understand this to the extent that he has tried to play off Medvedev (who appears less traditional) from Putin (who appears to be the more traditional), but we do not think this is a viable strategy -- this is not a matter of Russian political personalities but of Russian geopolitical necessity.

## Only falling prices solve—their impacts are inevitable

**Gorst, Financial Times writer for, 12**

(Isabel, 12/14/2012, “EBRD to Russia: diversify,” <http://blogs.ft.com/beyond-brics/2012/12/14/ebrd-to-russia-diversify/#axzz2HH7AWJbz>, 2/22/13, atl)

Russia has talked a lot about economic diversification over the past two decades but it **has made little progress** in weaning itself off revenues from natural resources. A new report by the European Bank for Reconstruction and Development sets out recommendations that might stimulate industrial modernization and tries to make sense of Russia’s abiding addiction to oil. Although diplomatically worded, the EBRD’s 88 page “Diversifying Russia” report published on Friday will make uncomfortable weekend reading for Vladimir Putin’s administration. Despite a series of high profile government initiatives to stimulate economic modernization, **Russia is more hooked on oil today than at any time over the last 15 years**. As the report says: Oil and gas now account for almost 70 per cent of total goods exports and the structure of exports has narrowed somewhat since the mid-1990s. Oil and gas revenues also contribute about half of the federal budget. The non-oil fiscal deficit has averaged more than 11 per cent of GDP since 2009, while the oil price consistent with a balanced budget is now in the region of $115 a barrel and rising. The economy also remains highly energy-intensive , not least because of the persistent under-pricing of energy seen until recently. Delving into the problem, the EBRD report says Russia’s poor business environment, failures in the education system and a lack of skilled managers – exacerbated by restrictive immigration policies – have combined to stymy government efforts to modernise and kick its addiction to oil. Russia is not the only oil-rich country facing such challenges. Indeed, possession of large oil and gas reserves is widely regarded as at best a mixed blessing and at worst a curse. **Petro-economies are inherently vulnerable to boom bust cycles** driven by swings in world oil prices. Excessive reliance on natural resources tends to **corrode economic and political institutions and undermine the competitiveness of other sectors weakening productivity growth**. Although the EBRD gives the Russian government credit for admitting the scale of the problem, the report warns that top down efforts to modernise are not the solution. A series of government initiatives such as the creation in 2006 of Rusnano, the state nanotechnology company and, more recently, the Skolkovo innovation hub outside Moscow, have absorbed billions of dollars of public funds. But efforts might have been better directed into fostering education and skills and encouraging private investment in new industries. Russia invests only 1 per cent of its GDP in research and development, lagging way behind developed countries. Multinationals, the biggest contributors to R&D in developed countries, are under represented in Russia largely because of the difficulty in finding qualified managers locally – a problem compounded by restrictive immigration policies that limit the hiring of highly-skilled foreign personnel. The report urges Russia to improve its business climate by **reducing red tape** and **cracking down on bureaucratic rent seeking**: Effective reform in this area is difficult, as it involves the state reforming itself – akin to a man pulling himself up by his own bootstraps. This is hard to achieve in any country, but is particularly difficult – as research shows – in countries with significant revenues from natural resources. Erik Berglof, chief economist at the EBRD, said **a fall in oil prices could have beneficial side effects in Russia**, **stimulating the government to crank up the economic diversification drive**. “**Russia will battle very strong head winds as long as oil prices are high**,” he told a breakfast meeting organized by the American Chamber of Commerce in Moscow on Friday. “It’s very frustrating. I have been involved in these discussions [about economic diversification] for two decades … A fall in oil prices would be an incentive.”

# Cartel

## No impact to democracy

**Rosato, Notre Dame political science professor, 2011**

(Sebastian, The Handbook on the Political Economy of War, google books, DOA: 8-30-11, ldg)

In this section I evaluate the empirical claims at the core of democratic peace theory. I find scant support for both of them. Democracies do go to war with one another and attempts to prove that they do not have the unintended consequence of making the no war claim uninteresting. Moreover there is little evidence that democracies are less likely to engage each other in militarized disputes than other pairs of states because of their shared regime type. The finding is either statistically insignificant or explained by factors other than democracy. The claim that democracies rarely if ever go to war with one another is either incorrect or unsurprising. A careful review of the evidence suggests that contrary to the assertions of democratic peace proponents, there have been a handful of wars between democracies and these can only be excluded by imposing a highly restrictive definition of democracy. This would not pose a problem were it not for the fact that by raising the requirements for a state to be judged democratic, the theory's defenders reduce the number of democracies in the analysis to such an extent that the finding of no war between them is wholly to be expected. There is considerable evidence that the absence of war claim is incorrect. As Christopher Layne (2001, pg. 801) notes. "The most damning indictment of democratic peace theory is that it happens not to be true: democratic states have gone to war with one another." For example, categorizing a state as democratic if it achieves a democracy score of six or more in the Polity dataset on regime type - as several analysts do - yields three inter-democratic wars: the American Civil War, the Spanish American War and the Boer War."This is something defenders of the theory readily admit - adopting relatively inclusive definitions of democracy, they themselves generate anywhere between a dozen and three dozen cases of inter-democratic war. In order to exclude these anomalies and thereby preserve the absence of war claim, the theory`s defenders restrict their definitions of democracy. In the most compelling analysis to date Ray (1993, pp. 256-9, 269) argues that no two democracies have gone to war with one another as long as a democracy is defined as follows: the members of the executive and legislative branches are determined in fair and competitive elections, which is to say that at least two independent parties contest the election, half of the adult population is eligible to vote and the possibility that the governing party can lose has been established by historical precedent. Similarly Doyle (1983a. pp. 216-17) rescues the claim by arguing that states"˜ domestic and foreign policies must both be subject to the control of the citizenry if they are to be considered liberal. Russett meanwhile, argues that his no war claim rests on defining democracy as a state with a voting franchise for a substantial fraction of the population, a government brought to power in elections involving two or more legally recognized parties. a popularly elected executive or one responsible to an elected legislature, requirements for civil liberties including free speech and demonstrated longevity of at least three years (Russell 1993. pp. 14-16). Despite imposing these definitional restrictions, proponents of the democratic peace cannot exclude up to five major wars. a figure which, if confirmed, would invalidate the democratic peace by their own admission (Ray 1995. p. 27), The first is the War of 1812 between Britain and the United States. Ray argues that it does not contradict the claim because Britain does not meet his suffrage requirement. Yet this does not make Britain any less democratic than the United States at the time where less than half the adult population was eligible to vote. In fact, as Layne (200l. p. 801) notes, "the United States was not appreciably more democratic than unreformed Britain." This poses a problem for the democratic peace: if the United States was a democracy, and Ray believes it was, then Britain was also a democracy and the War of 1812 was an inter-democratic war. The second case is the American Civil War. Democratic peace theorists believe the United States was a democracy in 1861, but exclude the case on the grounds that it was a civil rather than interstate war (Russett 1993. pp. 16-17). However, a plausible argument can be made that the United States was not a state but a union of states and that this was therefore a war between states rather than within one. Note, for example, that the term "United States" was plural rather than singular at the time and the conflict was known as the "War Between the States." This being the case the Civil War also contradicts the claim. The Spanish-American and Boer wars constitute two further exceptions to the rule. Ray excludes the former because half the members of Spain`s upper house held their positions through hereditary succession or royal appointment. Yet this made Spain little different to Britain, which he classifies as a democracy at the time, thereby leading to the conclusion that the Spanish-American War was a war between democracies. Similarly, it is hard to accept his claim that the Orange Free State was not a democracy during the Boer War because black Africans were not allowed to vote when he is content to classify the United States us a democracy in the second half of the nineteenth century (Ray 1993, pp. 265, 267; Layne 200l. p. 802). In short, defenders of the democratic peace can only rescue their core claim through the selective application of highly restrictive criteria. Perhaps the most important exception is World War I, which by virtue of the fact that Germany fought against Britain, France, Italy, Belgium and the United States would count as five instances of war between liberal stares in most analyses of the democratic peace."As Ido Oren (1995 pp, 178-9) has shown, Germany was widely considered to be a liberal state prior to World War I: "Germany was a member of a select group of the most politically advanced countries, far more advanced than some of the nations that are currently coded as having been 'liberal' during that period." In fact, Germany was consistently placed toward the top of that group, "either as second only to the United States . . . or as positioned below England and above France." Moreover. Doyle`s assertion that the case ought to be excluded because Germany was liberal domestically, but not in foreign affairs, docs not stand up to scrutiny, As Layne (1994, p. 42) points out, foreign policy was \*insulated from parliamentary control" in both France and Britain, two purportedly liberal states (see also Mearsheimer l990, p. SI. fn, 77; Layne 2001. pp. 803 807), Thus it is difficult to classify Germany as non-liberal and World War I constitutes an important exception to the finding.

## Need of a monopoly, lack of credibility, and new suppliers prevent cartelization

**Finon, Research Director at CNRS, 07**

(Dominique, engineering graduate from the Ecole Centrale de Lyon and a Doctor of Economics, he headed the Institut d’Economie et de Politique de l’Energie and currently heads the Laboratoire d’Analyse économique des Réseaux et des Systèmes Energétiques (LARSEN) in Paris. His research focuses on the reform of the energy industry and the liberalization of markets. In the framework of various European networks, he has co-edited several studies on the competition within integrated gas and electricity markets in Europe, he is currently President of the Association of Energy Economists, “Russia and the "Gas-OPEC". Real or Perceived Threat?”, Russia/NIS Center, November 2007, 2/19/13, atl)

If the cartelization of the world gas market is highly improbable, it is still necessary to examine the possible effects that long-term coordination between producers might have. This is the framework within which Russia’s projects and bilateral exchanges with other important gas exporting countries, such as Qatar and Iran, must be analyzed. It goes without saying that this constitutes a less visible form of coordination than cartel price control. Harmonizing the development of capacities, pipeline projects and LNG supply chains in order to avoid temporary over-capacity on a particular regional market and limit competition between projects would bring down costs for both sides. This form of coordination would also benefit consumers by limiting the uncertainty and volatility of the market. Such coordination would nevertheless risk morphing into a tacit entente to under-invest in production and transit apparatus in order to exert pressure on prices. In a world where supplies seem limited, coordination between suppliers to limit investment (or simply to limit the contractual obligations of gas export contracts) is not difficult to envisage. In November 2006, the International Energy Agency (IEA) voiced concern over the possibility that Russia and Iran were seeking global cooperation via a transformed GECF. 6 Three obstacles confront this possible transformation: – A strict coordination of natural gas’ international or regional development is not foreseeable, as it would need to encompass all the market’s actors and not only a small group of dominant actors (Russia, Algeria, Qatar and later Iran), even if these hold over half the world’s reserves. – It would imply very-long-term commitment by the participants, which presumes their credibility. From this perspective, could Russia itself be considered credible? It is worth remembering that Russia has failed to demonstrate such credibility in many other fields. – Lastly, were the big exporters to impose such investment and contractual restrictions upon themselves, the main buyers would certainly seek to divide the members of the alliance and to seek new supplies.

## Spot pricing now

**Dittrick, Oil & Gas Senior writer, 3/19**

(Paula, March 19, 2013, “E&Y: New LNG exporters could change pricing status quo”, http://www.ogj.com/articles/2013/03/e-y--new-lng-exporters-could-change-pricing-status-quo.html, 3/27/13, atl)

A broadening of the LNG supply base will support anticipated demand growth in the next 10-20 years, although pricing scenarios are likely to change with more price-sensitive buyers becoming less willing to pay supply security premiums, according to a recent report by Ernst & Young. Algeria, Malaysia, and Indonesia were the first to dominate world LNG supply and then were joined by Qatar and Australia, said the [E&Y report](http://www.ey.com/Publication/vwLUAssets/Global_LNG_New_pricing_ahead/%24FILE/Global_LNG_New_pricing_ahead_DW0240.pdf) entitled “Global LNG: Will new demand and new supply mean new pricing.” E&Y said, “The third wave could come from as many as 25 other countries, many of which currently have little or no capacity; but by 2020, these countries could provide as much as 30% of the world’s LNG capacity.” Analysts believe diverse new supply sources will change the LNG status quo with Asian buyers presumably looking to modify or possibly replace their long-standing and relatively expensive pricing model of gas prices tied explicitly to oil prices. “High LNG development costs will require iron-clad, long-term, off-take agreements. However, more recently, the market is witnessing the inherent conflict of increasingly more-expensive projects trying to sell to increasingly more price-sensitive buyers,” the report said. New potential LNG exporters, most important to the issue of pricing are those in the US and Western Canada, where the source gas is likely to be priced on a spot basis, unlike gas elsewhere in the world which is generally priced (wholly or partially) on an oil-linked basis, E&Y said. “Critically, the possibility of spot gas-linked contracts for North American LNG could upset the traditional LNG pricing structure,” the report said. Proposed North American LNG export projects are particularly well-positioned for a cost advantage. “As substantial volumes of lower-cost LNG move into Asian markets, projects at the high end of the supply curve—namely, many of the Australian projects—will become increasingly vulnerable,” E&Y said. Going forward over the medium to long term, E&Y analysts expect to see a gradual but partial migration away from oil-linked pricing to more spot or hub-based pricing.

## Makes everything better for everyone

Hulbert, Lead Analyst, European Energy Review, 12

(Matthew, formerly Senior Research Fellow, Netherlands Institute for International Relations, previously Senior Research Fellow at ETH Zurich working on energy and political risk, "Why America Can Make or Break A New Global Gas World," 8-5-12, http://www.forbes.com/sites/matthewhulbert/2012/08/05/why-america-can-make-or-break-a-new-global-gas-world/, DOA: 2-22-13, ara)

The fact this price war is already being fought out on a daily basis in the Atlantic and Pacific basin is generally poorly understood by analysts, as is the ‘vital supply side relationship’ between Russia and Qatar that will determine how these two worlds start to play out. Truth be told, the overall result remains uncertain, not because fundamentals don’t look promising, but because countervailing political pressures to keep gas as a regional affair, rather than ‘global marriage’ remain formidable. Overall liquidity is the core tool available to counteract Russia (et al) by making sure shale options are globally developed and LNG trains set in motion to enhance fringe supply. In large part that means the US, but given that 90% of gas is still traded on a regional, pipeline basis across the world, most producers will still look to long term contracts to get fields developed, infrastructure built, pipes welded, and even LNG tankers filled. This historical legacy isn’t going to instantly lose contemporary resonance: hence the real question isn’t whether long-term bilateral supply contracts will be struck. They will. But what’s used as the pricing reference point within them: spot market prices based on supply-demand fundamentals should be the increasingly logical answer. The deeper gas markets get, the more credible independent benchmarks become. But that ironically raises a ‘thornier’ final question for us to ponder: Who would ultimately gain most from a globalised gas market? The obvious short to medium term answer is consumers. Gas on gas pricing should drive competition and efficiency gains, not to mention far greater energy security by fostering diversification of supplies. But as much as gas producers initially balk at the idea, an emerging single price point could give them everything they want – reduced price volatility, with far broader and more flexible markets, rather than relying on a single consumer at the end of a pipeline where the price is ‘set’ by OPEC. Take that argument to its logical conclusion, and we could even see far greater supply side collusion, both in volumes and price. A single price point = core set of single swing producers. The ‘gas cartel’ debate has been chronically overdone of late, but ignoring supply side collusion full stop could prove to be a costly mistake, just as it was to ignore the world’s largest oil producers in the 1960s. That would certainly be an explosive twist in a fascinating gas convergence tale – out of a supposed existential crisis, could come the biggest opportunity gas producers ever had.

# TPA

# No Capital – 1AR

## No capital

**Mediaite 3-19-13**

(“Obama's Spiraling Job Approval Ratings Complicate Negotiations With Congressional Republicans”, lexis, ldg)

A CNN/ORC poll[2], taken between March 15 - 17, 2013, of 1,021 adults with a +/- 3.0 percent margin of error, shows the president's approval rating is underwater for the first time since well before the 2012 presidential election. With 47 percent of adults approving of the job the president is doing compared to 50 percent who disapprove, Obama is at his lowest approval rating among all adults since CNN/ORC's September 28-30, 2012[3], survey. The last time CNN found the president underwater among adults was their January 11 - 12, 2012, survey which found Obama's job approval rating at 47/51 percent. The president's approval rating is even more troubling for his supporters when one digs into this poll's crosstabs. Obama is underwater among women. 49 percent of women disapproving of the job he has done in office compared to 48 percent who approve. Though this result is well within this subsample's +/- 4.5 percent margin of error, in September of 2012, 51 to 45 percent of women approved of the job Obama is doing in office. The president is buoyed by young adults aged 18 - 35-years-old who support the president by 49 to 43 percent, but Obama's approval rating is underwater across all other age groups. In September, self-identified moderate voters approved of the job Obama was doing in office by 61 to 37 percent with a MoE of +/- 5.5 percent. Today, that number has shrunk to 54/42 percent approval. Obama remains as unpopular among self-identified independents as he was prior to the election. In fact, the only area where the president has shown an irrefutable increase in his level of support is among those adults residing in the Northeast. Today, 60 percent of adults in the Northeast approve of the job Obama is doing in office compared to 36 who disapprove. In September, just 50 percent of Northeasterners approved of Obama compared to 46 percent who disapproved. CNN/ORC's findings are matched by other pollsters in the field in a similar period. A McClatchy/Marist poll[4] from March 4 - 7, 2013 of 1,068 registered voters found Obama slipping to 45 percent approval and 48 percent disapproval. A Democracy Corps survey[5] of likely voters taken from March 9 - 12, 2013, shows Obama down to 48 percent approval and 49 percent disapproval. Neither poll, however, provides their full crosstabs. One survey that does, however, provide a counter to these findings is a recent Washington Post/ABC News poll[6] of an undisclosed number of adults taken from March 7 - 10. This survey found Obama above water at 50 to 46 percent approval. However, they registered a significant dip from Obama's job approval rating in a WaPo/ABC poll released January 13 which showed the president at 55/41 percent approval. What these polls show definitively is that the president's post-election bounce is gone. The political capital he would have preferred to spend in pursuit of a comprehensive immigration reform plan or stricter gun laws was consumed in rolling battles with Congress over the sequester and the debt ceiling between December and February. Obama is now reduced to negotiating with the dismally unpopular members of Congress on relatively equal footing. This is not a place a president entering his second term would prefer to be.

## Obama’s leverage is gone

**Geraghty, National Review, 3-12-13**

(Jim, “McClatchy Poll: Obama’s Post-Election Political Capital ‘Largely Gone”, <http://www.nationalreview.com/campaign-spot/342737/mcclatchy-poll-obamas-post-election-political-capital-largely-gone>, DOA: 3-24-13, ldg)

If President Barack Obama had piled up political capital with his impressive re-election, it’s largely gone. His approval rating has dropped to the lowest level in more than a year, with more voters now turning thumbs down on his performance than thumbs up, according to a new McClatchy-Marist poll. The measure of how much people like him also has dropped. He’s still vastly more popular than Congress, particularly congressional Republicans. But in the biggest political clash of the year — over the federal budget and how to curb deficits — voters split 44 percent to 42 percent between preferring Congress or Obama. The numbers: 45 percent of voters approve of the way he’s handling his job, 48 percent disapprove. Steven Thomma of McClatchy puts those numbers in context: That was down from a 50 percent approval rating in November and December, and the lowest since November 2011. It also was the first time that more people disapproved of his work than approved since November 2011, when his rating was 43-50. Obama’s personal popularity also has declined, with 48 percent of voters having favorable impressions of him and 48 percent having unfavorable impressions. That was down from 53-44 in December. It also was the lowest since November 2011, when it was 47-49. “Man, that guy is falling fast!” said Icarus. The article also notes: At least some of the president’s fall to Earth lies in the fact that voters no longer see him in the context of an election. He has to stand alone in the eyes of voters again and doesn’t benefit from the comparison with Republican rival Mitt Romney.

# TPA Fails

## No trade deals because of budget cuts

**Abrams, AP staff writer, 3/19**

(Jim. “Budget cuts hurt trade policy, official says.” 2013. <http://news.yahoo.com/budget-cuts-hurt-trade-policy-official-says-151751076.html>. Accessed: 3/27/2013. ADC)

 WASHINGTON (AP) — The administration's top trade official outlined President Barack Obama's ambitious trade agenda to Congress Tuesday while cautioning that budget cuts are hampering efforts to negotiate new trade deals and enforce existing ones. The administration is currently conducting or preparing to launch three major trade negotiations, acting U.S. Trade Representative Demetrios Marantis said at Senate Finance Committee hearing on trade policy. But budget cuts "may significantly hamper these and other efforts to open global markets and support American jobs." He said his agency has seen its funding cut by $2.6 million as a result of the automatic budget cuts that went into effect at the beginning of the month and stands to lose another $1 million under legislation to fund the government for the rest of the fiscal year. "USTR has cut everything from travel to hiring to parking spots to security to save money," he said.

# Won’t Pass

## Won’t pass – Republicans and trade representative nominee

**Palmer, AP staff writer, 3/1**

(Doug. “White House says it will seek "fast-track" trade authority.” 2013. <http://news.yahoo.com/white-house-eyes-trade-authority-asia-pacific-trade-160936830.html>. Accessed: 3/27/2013. ADC)

 But the brief reference to the legislation known as "trade promotion authority" in an annual report on the president's trade agenda failed to impress some key Republicans who have been pressing for action on the issue for years. House of Representative Ways and Means Committee Chairman Dave Camp, a Michigan Republican, urged President Barack Obama to "demonstrate his commitment to a vigorous and productive trade policy" by opening talks with Congress on the "fast track" powers and "nominating a qualified and committed U.S. trade representative." The current U.S. trade representative, Ron Kirk, plans to step down soon. That will leave the position of chief U.S. trade negotiator vacant as the United States prepares to launch trade talks with the European Union and as it seeks to finish talks on a Trans-Pacific Partnership pact by the end of the year.

## No agreement – too many differences

**Fergusson et al, International Trade and Finance specialist, 3/19**

(Ian F. “The Trans-Pacific Partnership Negotiations and Issues for Congress.” 2013. <http://www.fas.org/sgp/crs/row/R42694.pdf>. Accessed: 3/27/2013. ADC)

 The potential Trans-Pacific Partnership agreement may have a large impact on U.S. trade and trade policy, but much of its substance and its future remains undecided. The agreement is ambitious in at least three ways: (1) in terms of its size—it would be the largest U.S. FTA by trade flows and could expand in a region that represents over half of all U.S. trade; (2) the scope and scale of its liberalization—the negotiating partners have expressed an intent to comprehensively reduce barriers in goods, services, and agricultural trade as well as rules and disciplines on a wide range of topics including new policy issues that neither the WTO nor existing FTAs yet cover; and (3) its flexibility—this “living agreement” has been and may continue to be expanded in terms of its membership and its trade and investment disciplines. Due to this level of ambition, however, achieving such an agreement may be difficult. Differences in opinion exist, both domestically and among the negotiating partners, on precisely what form the agreement’s provisions should take. A broad range of U.S. interests groups view the TPP as a way to “correct” flaws in previous U.S. FTAs, but changes that some groups consider improvements to U.S. trade policy others see as unwarranted intrusions into other aspects of public policy, or may contribute to economic insecurity for some Americans. Even challenges with “20th-century” trade issues, such as market access for goods, have yet to be resolved among the TPP partners.

## Obama not pushing and talks won’t be complete until October at the earliest

**Abrams, AP staff writer, 3/10**

(Jim. “Obama Trade Agenda: Congress Wants Role In Aggressive White House Push.” 2013. <http://www.huffingtonpost.com/2013/03/10/obama-trade-agenda_n_2849878.html>. Accessed: 3/27/2013. ADC)

 WASHINGTON — The Obama administration has embarked on an aggressive trade agenda that could lower barriers and increase U.S. exports to many of the economic giants of Asia and Europe. To make that a reality, though, it may first have to negotiate future trade policy a little closer to home – with Congress. The administration hopes to complete talks by October on the Trans-Pacific Partnership, which would reduce duties on a wide range of goods and services in the world's most vibrant trading area. Eleven countries, including Australia, Peru, Malaysia, Vietnam, Mexico and Canada, are participating, and Japan has expressed interest in joining. In his State of the Union address, President Barack Obama announced plans for a second deal, the Transatlantic Trade and Investment Partnership, which would link the United States and the European Union, the world's two largest economies. Departing U.S. Trade Representative Ron Kirk added to the agenda in January when he notified Congress of plans to start negotiations for a new trade agreement on international trade in services. The talks will include a group of 20 trading partners representing nearly two-thirds of global trade in services. Obama has set a goal of doubling exports by the end of next year, after drawing criticism from free-trade advocates during his first term for moving too slowly on trade issues. "The Obama administration suddenly has this highly ambitious trade agenda that they've laid out," said John Murphy, vice president for international affairs at the U.S. Chamber of Commerce. "Now the challenge is going to be executing." First, Obama must nominate a successor to Kirk, who in January announced plans to step down. Then, he has to work with lawmakers to restore a procedure called trade promotion authority that is regarded as key to getting trade treaties finalized and approved by Congress. TPA, also known as "fast track," has a history going back to the 1930s and was formalized in a 1974 trade law. Under TPA, Congress and the White House agree on the objectives of trade negotiations, and Congress affirms that it will vote on any trade treaty without offering amendments that would force the administration to go back to the negotiating table. The last TPA law expired in 2007, and up to now, the Obama White House hasn't pushed for its renewal. Without TPA on the books, trade partners are reluctant to sign off on deals that could later be amended. That could be fatal to some complex trade deals, such as the future talks with the EU where success hinges on reaching delicate compromises on such issues as European agriculture subsidies and Europe's restrictions on genetically engineered crops. A strong trade agenda, said Sen. Orrin Hatch of Utah, the top Republican on the Senate Finance Committee, requires close cooperation and consultation with Congress, and "trade promotion authority is the linchpin that brings these elements together." Members of Obama's Democratic Party tend to oppose TPA, arguing that trade pacts negotiated by past administrations have resulted in job losses in America and given short shrift to environmental and labor and human rights issues. The last TPA law was passed in 2002 by the slimmest of margins, with House votes of 215-214 and 215-212.

# Link

## NG lobbies more strong

**Froomkin, senior Washington correspondent for the Huffington Post, 11**

(Dan, “How The Oil Lobby Greases Washington's Wheels,” 04/06/11, <http://www.huffingtonpost.com/2011/04/06/how-the-oil-lobby-greases_n_845720.html?view=print&comm_ref=false>, 2/13/13, atl)

Clout in Washington isn't about **winning****legislative battles** -- **it's about making sure that they never happen at all.** The oil and **gas industry** has **that kind of****clout**. Despite astronomical profits during what have been lean years for most everyone else, the oil and gas industry continues to benefit from massive, multi-billion dollar taxpayer subsidies. Opinion polling shows the American public overwhelmingly wants those subsidies eliminated. Meanwhile, both parties are hunting feverishly for ways to reduce the deficit. But when President Obama called on Congress to eliminate about $4 billion a year in tax breaks for Big Oil earlier this year,**the response on the Hill was little more than a knowing chuckle.****Even Obama's closest congressional allies don't think the president’s proposal has a shot.** "I would be surprised if it got a great deal of traction," Senator Jeff Bingaman (D-N.M.), chairman of the Senate energy committee, told reporters at the National Press Club a few days after Obama first announced his plan. Rep. Earl Blumenauer (D-Ore.), co-author of a House bill that closely resembles Obama's proposal, nevertheless acknowledges that it has slim chances of passing. "It will be a challenge to get anything through the House that includes any tax increase for anyone under any circumstance," he told The Huffington Post. The list goes on: "It's not on my radar," said Frank Maisano, a spokesman for Bracewell Giuliani, a lobbying firm with several oil and gas industry clients. "It's old news and it's never going to happen in this Congress. It couldn't even happen in the last Congress." Indeed, the oil and gas industry's stranglehold on Congres is **so firm** that **even when the Democrats controlled both houses**, **repeal of the subsidies didn't stand a chance***.* Obama proposed cutting them in his previous two budgets as well, but the Senate -- where Republicans and consistently pro-oil Louisiana Democrat Mary Landrieu had more than enough votes to block any legislation -- never even took a stab at it. Now that the House is controlled by the GOP, Obama's proposal is deader than an oil-soaked pelican. Over the last decade in particular, the Republican Party's anti-tax policies and **pro-drilling campaign rhetoric** have become nearly indistinguishable from those of Big Oil. "Obama's been proposing to get rid of these subsidies since his first budget in February 2009," said Tyson Slocum, director of the energy program for the consumer watchdog group Public Citizen. "The obstacle has been the petroleum industry. **The American Petroleum Institute has dug in their heels and is fighting tooth and nail to retain these subsidies."** The American Petroleum Institute (API) is the industry's **enormously****powerful lobbying** and trade **association**. "API is very focused on making sure that we have **a voice in policy debates,"** said Martin Durbin, the organization's executive vice president for government affairs. "Certainly I hope we're having some role in the debate here." Is he pleased at the industry's success in heading off this particular debate? "I feel that we are successfully getting the point across, successfully educating policy-makers about the importance of our industry throughout the economy," he said. Even before Obama's 2011 State of the Union address, API president Jack Gerard used his "State of American Energy" speech to cast the repeal attempt as a tax increase and a job-killer. "The way I see it, our **policy-makers are at a crossroads**," Gerard said. "They face two choices: One leads us forward and promotes jobs, investments, revenue and growth -- or one that takes us backward, threatening the progress we've made and closing the door on future opportunities." Gerard was speaking to a receptive audience. As Time noted, "Republican Fred Upton, the new chairman of the House Energy and Commerce Committee, was in the front row of the audience for Gerard's speech." Upton did not return calls for comment. A PAMPERED INDUSTRY In January, Obama previewed his 2012 budget proposal during his State of the Union address. "I'm asking Congress to eliminate the billions in taxpayer dollars we currently give to oil companies," he said. "I don't know if you've noticed, but they're doing just fine on their own." The line got a laugh, and then Obama pointed out the trade-offs of giving public support to a powerful private interest: "Instead of subsidizing yesterday's energy, let's invest in tomorrow's." he said. With the actual budget proposal came more details: a list of tax breaks that, if eliminated, would generate $43.6 billion of additional revenue over the next 10 years. Two of the biggest breaks date back nearly a century, to a time when a young, untested industry needed incentives to drill. The API, after adding in the cost of some other proposed measures (including reinstating Superfund taxes and repealing two accounting gimmicks that would affect other industries as well), concluded that Obama's FY 2012 proposed budget could cost the oil and gas industry $90 billion over the next decade. The loss of subsidies would affect the industry's bottom lines, but would hardly, as Rep. Joe Barton (R-Tex), recently suggested, start driving companies out of business. That's because Obama was right; the oil companies are doing just fine. The big five -- BP, Chevron, ConocoPhillips, ExxonMobil and Shell -- made a combined total profit of nearly $1 trillion over the past decade, with ExxonMobil clearing $31 billion in profits this past year alone. And it's hardly the case that the oil industry needs added incentives to drill. Former oilman George W. Bush made that point as clearly as anyone when he leveled with members of the American Society of Newspaper Editors in a 2005 address: "I will tell you with $55 [a barrel] oil we don't need incentives to oil and gas companies to explore," he said. "There are plenty of incentives." Slocum, of Public Citizen, concurs: "With prices around $100 a barrel, it is asinine to suggest that $4 to $6 billion a year collectively is driving decisions about whether or not to pursue extraction opportunities in the U.S.," he said. "It is market prices that are driving investment decisions." While the oil industry warns that repealing the subsidies -- in addition to costing jobs -- would lead to higher gas prices, that too is hardly evident. Fuel costs largely reflect the price of oil, and that price has little to do with how much it costs to produce it. According to a U.S. Energy Information Administration survey, between 2007 and 2009, major U.S.-based oil companies spent an average of $29.31 to produce a barrel of oil. About one third of that amount went for extraction and taxes, and two thirds for exploration and development -- precisely why those companies are making such a killing when prices are $100 a barrel or more. Rather than production costs, the price of oil is set by the global market, and is affected by multiple factors. Those can include financial speculation and geopolitical fears that lately have been causing wild price swings. The repeal of a few billion dollars in subsidies isn't enough to make more than a small ripple in an approximately $3 trillion-a-year global market. Blumenauer argues that subsidies aren't appropriate for any well-established industry. Instead, he says, they should be used to support developing ones. "What's happened over the years, as the oil industry matured, as the giants consolidated into global players, and as the price of oil has been on a pretty steady upward trajectory -- with some hiccups along the way -- is that there ceased to be any rationale for providing these tax subsidies other than they were in the code and they benefited some of these companies." By contrast, he points out: "The rationale for providing tax subsidies for emerging technologies and energy sources now makes perfect sense for solar, wind, and geothermal -- where helping them come to scale would help provide a better balance to our energy choices." Oil and gas subsidies don't appear to wash with the general public, either. In a February NBC/Wall Street Journal poll that proffered suggestions for things that might be cut or eliminated as a way to reduce the current federal budget deficit, "eliminating tax credits for the oil and gas industries" was considered acceptable by a whopping 74 percent of Americans. Nearly 50 percent called it "totally acceptable." The only policy proposals that were more popular were raising taxes on the rich, eliminating earmarks, and canceling unnecessary weapons systems. The API says it has gotten very different signals from people.. Durbin said API's own polls show otherwise. "If you ask people, 'Should we take away unfair advantages to Big Oil,' then of course they'll say yes," he said. "If you ask a straight question, as we do... you get a much different answer." API's poll question asked "Do you support or oppose increased taxes on America's oil and natural gas industry?" ENERGY GIANTS ANTE UP With so much public opposition, why do subsidies remain? You might as well ask why there is no carbon tax, or why there was no significant reform legislation passed after the BP oil spill. The answer is that one of the many things the industry can do with its **fat pocketbook** is hire **a veritable army of sharp lobbyists** and back them up with big wads of cash in the form of **campaign donations and spending.** **The end result is that the industry has a remarkable ability to get its way on Capitol Hill.** According to the Center for Responsive Politics' website, the oil and gas industry has spent more than $1 billion on lobbying since 1998, including a jaw-dropping $147 million just last year. For comparison's sake, $147 million is about equivalent to the total budget of 100 congressional offices. That's more than the $103 million spent in 2010 by the financial service industry, another potent lobbying force -- but considerably less than the $240 million spent by the pharmaceutical industry. Among major industries, Opensecrets.org ranked Big Oil fifth in terms of lobbying dollars spent, behind only Big Pharma, electric utilities, business associations and insurance. The oil and gas industry used its $147 million to employ 788 individual lobbyists in 2010 -- some 500 (or almost two thirds) of whom, according to Opensecrets.org, are former federal employees who came through the revolving door particularly well versed in the ways of government. All told, that's well more than one oil and gas lobbyist per member of Congress out there on the Hill arming allies with talking points and briefing books, spinning the undecided and pressuring the opposition. And **there's more of them every year**. Consider the trendlines. As recently as 2004, the oil and gas industry spent about $52 million a year in lobbying; by 2009, that figure was up to $175 million -- **or a 300 percent increase in just five years**. The industry backs up its extraordinary lobbying effort with lavish spending on political campaigns. Candidates associated with oil and gas companies made about $15 million in direct campaign donations during the 2010 mid-term election cycle ($26 million during the 2008 presidential cycle). The industry was also responsible for more than $10 million in donations through its political action committees, or PACs, in the 2010 cycle. The trendlines are notable here, as well. In the early ’90s, oil and gas campaign spending favored Republicans over Democrats by about a 2 to 1 margin: For every $1 the industry gave to Democrats, it gave Republicans $1.78. But starting in the 1996 election cycle (think Al Gore), that changed dramatically. Now, for every $1 the industry gives Democrats, it gives Republicans about $3.35. Among the top oil and gas industry donors in the 2010 cycle, Koch Industries and ExxonMobil head the list. And Opensecrets.org's top 20 list of oil and gas money recipients is 4 to 1 Republican. In addition to contributions to individuals and PACs, there's the whole new world of spending opportunities opened up by recent Supreme Court rulings that essentially blew a hole through the post-Watergate campaign finance laws. Super PACs are groups that can now accept unlimited contributions, though they must disclose their contributors. Opensecrets.org calculates that companies with interests in the energy sector combined to give more than $5.6 million to Super PACs in the 2010 cycle. Former Bush political guru Karl Rove's American Crossroads group, for one such Super PAC. It spent $21 million on political advertising in the 2010 cycle; oil and gas interests contributed just over $3 million of that amount. The recent court rulings also opened the way for nonprofit groups to spend unlimited amounts of money on political campaigns -- and unlike the Super PACs, they don't have to disclose their donors. All they have to do is report how much they spent. These groups, led by the U.S. Chamber of Commerce, reported $140 million in campaign spending in the 2010 cycle, the vast majority of which went to support conservative causes. There's no way to know how much of that money came from Big Oil. Adding yet more firepower to its lobbyists’ arsenal, API announced last month that it will start funding political campaigns directly through a new PAC of its own -- in addition to what its member organizations give already. "API is very focused on making sure that we have a voice in policy debates," said its spokesman, Durbin. "We're always looking at ways to improve the way we do our jobs here. This just adds one more tool to leverage our ability to get the point across about the critical nature of this industry." One more thing: According to another study by the Center for Responsive Politics, oil and gas industry holdings are some of the most popular investments among *lawmakers* and their spouses, and in recent years have grown in value, offering a bundle of potential conflicts of interest problems. **"Without question, among all the different industries that lobby the federal government, that make campaign contributions, oil and gas is right at the top of the top**," said CRP's Dave Levinthal. "They can invest incredible resources into the **political process** that make **so much of a difference in Washington**, at the cost of a fraction of a faction of their haul." And it's not just the breadth of their efforts *--* **it's the ferocity and the****effectiveness**. Last month, one of the House's nine freshmen Democrats, Rep. William Keating of Massachusetts, tried to tack a subsidy repeal onto a continuing budget resolution. He failed, **by a 73 vote margin,** **with not a single Republican voting** in favor and 13 Democrats voting against the measure. Keating said **he considers that vote a testament to the power of the** oil and **gas lobby**. "It's incredible to me. It would be my Exhibit A," he said. "Because we're sitting here in the midst of a budget deadlock, we're sitting here cutting Head Start programs, police, fire, border security, reading teachers -- we're sitting here cutting the basics, and there's just this refusal to even consider subsidies for the oil companies." There's no business or economic argument for them, Keating said. "These are profitable businesses right now. This isn't a situation where you're trying to provide capital for businesses that need it, or trying to provide assistance to get a small business off the ground. It's not for economic development. It's not for job creation. It's not to enhance the middle class. So why is it there?" The answer, Keating said, has to be the industry's political clout. "I used to be a district attorney. Many times you begin an investigation by eliminating everything else. So I've been trying to eliminate every other possible reason, and I'm left with that." **The money the industry spends influencing legislation and elections looks enormous** -- until you compare it with what it buys. "If you look at $4 billion [in subsidies] annually, compared to say $200 million for lobbying and campaign spending," said Daniel J. Weiss, director of climate strategy for the Center for American Progress Action Fund, "that is a 20-to-1 payoff." And maintaining subsidies is only a small part of what the oil industry lobby has accomplished. Last session, the industry also blocked cap-and-trade legislation and staved off any action in response to the BP oil spill. Right now, it's fully occupied trying to defund the Environmental Protection Agency and roll back regulations across the board.

## Plan popular:

## A) Trumps ideology

**Russell, President of the Independent Petroleum Association of America, 12**

(Barry, “Energy Must Transcend Politics”, 8-15-12, http://energy.nationaljournal.com/2012/08/finding-the-sweet-spot-biparti.php#2238176, 2/13/13, atl)

There have been glimpses of great leadership, examples when legislators have reached across the aisle to construct and support common-sense legislation that encourages American energy production. Recent legislation from Congress which would replace the Obama administration’s five-year offshore leasing plan and instead increase access America’s abundant offshore oil and natural gas is one example of such bipartisanship. The House passed legislation with support from 25 key Democrats. The support from Republicans and Democrats is obviously not equal, but this bipartisan legislative victory demonstrates a commitment by the House of Representatives to support the jobs, economic growth and national security over stubborn allegiance to political party. The same is happening on the Senate side. Democratic Senators Jim Webb (VA), Mark Warner (VA), and Mary Landrieu (LA) cosponsored the Senate’s legislation to expand offshore oil and natural gas production with Republican Senators Lisa Murkowski (AK), John Hoeven (ND), and Jim Inhofe (OK). Senator Manchin (WV) is another Democratic leader who consistently votes to promote responsible energy development.

## B) Key to bipartisan bargain

**Davenport, Energy and Environment Correspondent for National Journal, 12**

(Coral, “How Obama and Congress Could Find Common Ground on Energy,” December 6, 2012, http://www.nationaljournal.com/magazine/how-obama-and-congress-could-find-common-ground-on-energy-20121206, 2/13/13, atl)

Meanwhile, **the partisan impasse may be about to end**. **Quietly, lawmakers and lobbyists say they can envision a grand bargain on** **energy** and climate change—cutting fossil- fuel use and **investing in clean energy in exchange for new offshore drilling** or approval of the controversial Keystone XL pipeline. The biggest if, and the heaviest lift, will be getting Congress to enact the policy that economists say would do the most to transform the nation’s energy economy: taxing or pricing fossil carbon pollution. A price on carbon, say economists across the ideological spectrum, will increase the price of fossil fuels and decisively drive the free market toward clean energy. Yet any lawmaker who supports the plan could be accused of supporting an energy tax. Still, **a combination of events**—including more **droughts, floods, and extreme weather** like superstorm Sandy—**has increased the sense of urgency**. **The recent explosion in domestic** oil and **natural-gas production** **has helped to create jobs and prop up the recovery while** **bringing together** oil **companies and the Obama White House in alliances** **that could pave the way for new agreements** on energy policy. And as Washington grapples with the deficit, many in the capital are more open to the carbon tax as a way to raise revenue.

## C) Olive branch

**McLendon, Mother Nature Network, 10**

(Russell, mother nature network, 5/27/10, “Offshore drilling: Low bills vs. big spills”, http://www.mnn.com/earth-matters/translating-uncle-sam/stories/offshore-drilling-low-bills-vs-big-spills, 2/13/13, atl)

That pressure reached a critical mass in March, **when** President **Obama announced plans to end a three**-decade **ban on new offshore drilling in U.S. waters. The move was widely seen as an olive branch to offshore-drilling advocates in Congress, offering a compromise that might** win support for a climate-change bill. It paved the way for new drilling in the Gulf of Mexico as well as the first-ever oil rigs off the East Coast, and **while it drew the ire of environmentalists, there was only scattered public criticism**. Within a few weeks, though, the tides suddenly turned. An explosion aboard the Deepwater Horizon oil rig in the Gulf of Mexico killed 11 workers on April 20, and two days later — the 40th anniversary of Earth Day — the rig sank to the sea floor, starting what is now being called the worst oil spill in American history.