

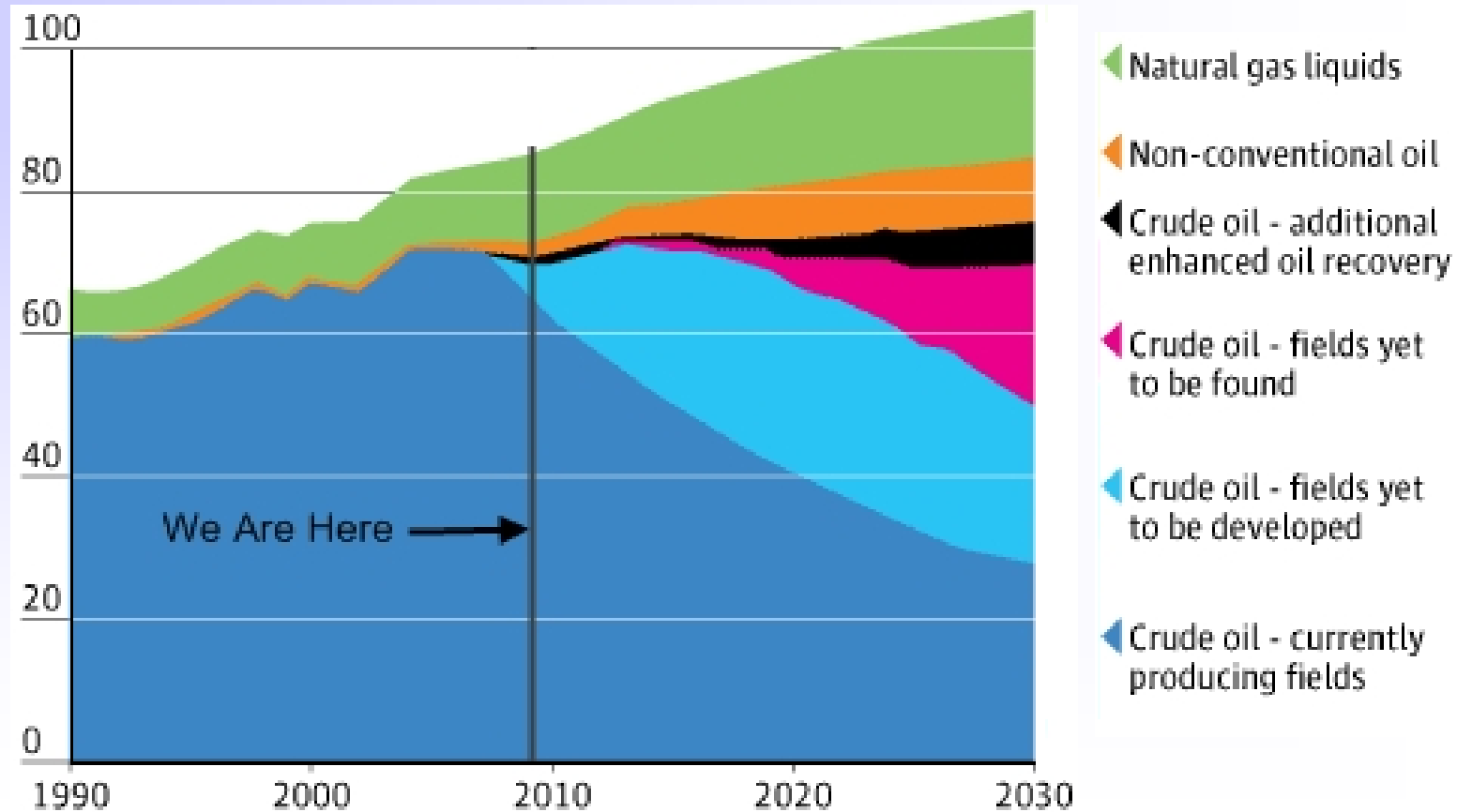
# **The Global Oil Addiction**

## **Some Facts**

# **Israel's security = Eliminate oil addiction**

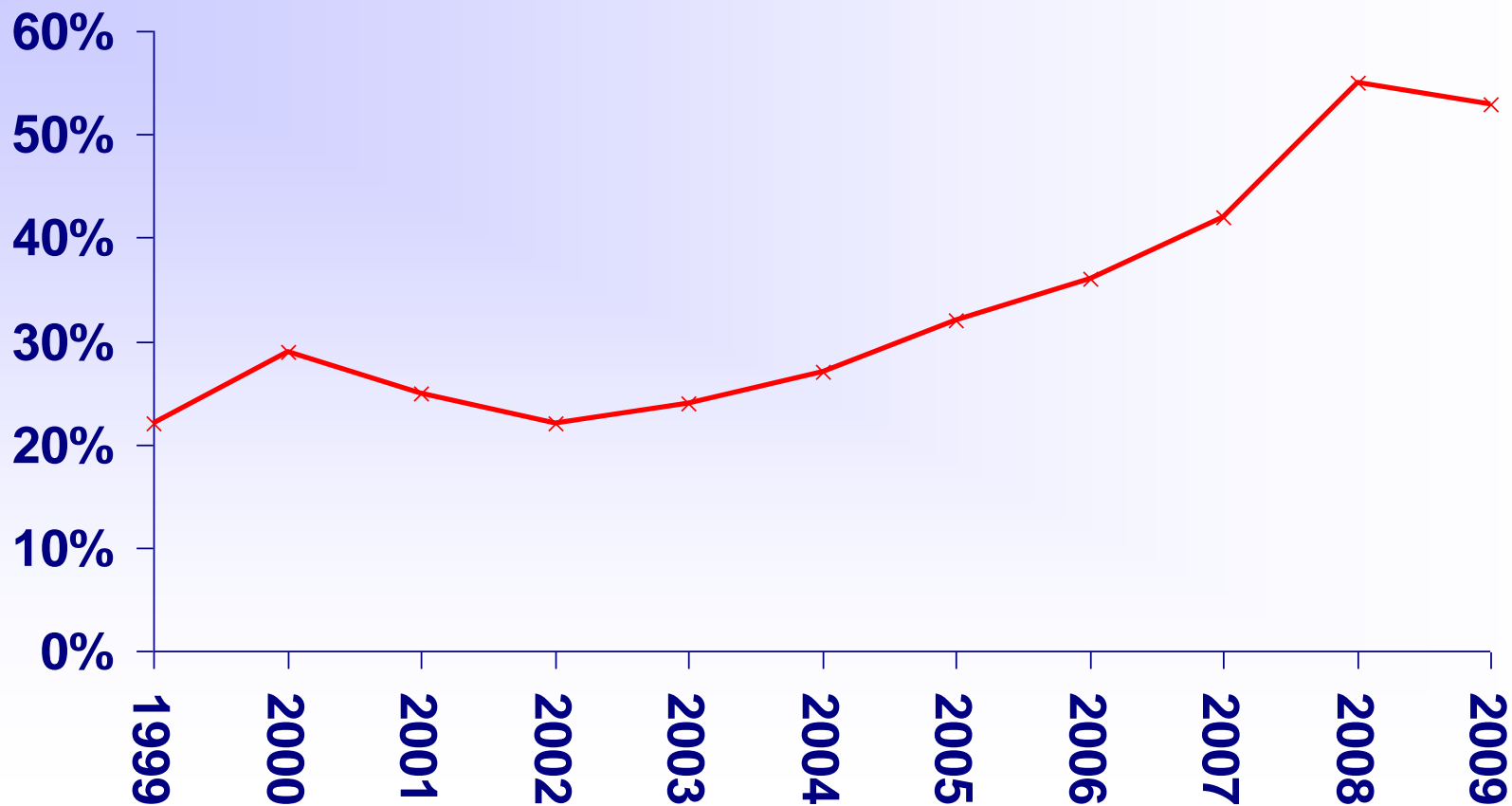
- **The first strategic priority of Israel's defense policy is to minimize US dependency on oil**
- **The second priority of Israel's defense policy is to minimize the world's dependency on oil**

# IEA forecast of global all-oil production, mbd



Source : IEA, The Guardian Newspaper

# US: Oil share of goods & services trade deficit



Source: US Bureau of Economic Analysis

\* Jan-Nov 2009

# Oil and the US Defense Budget

**More than 50% of the US defense issues are oil related:**

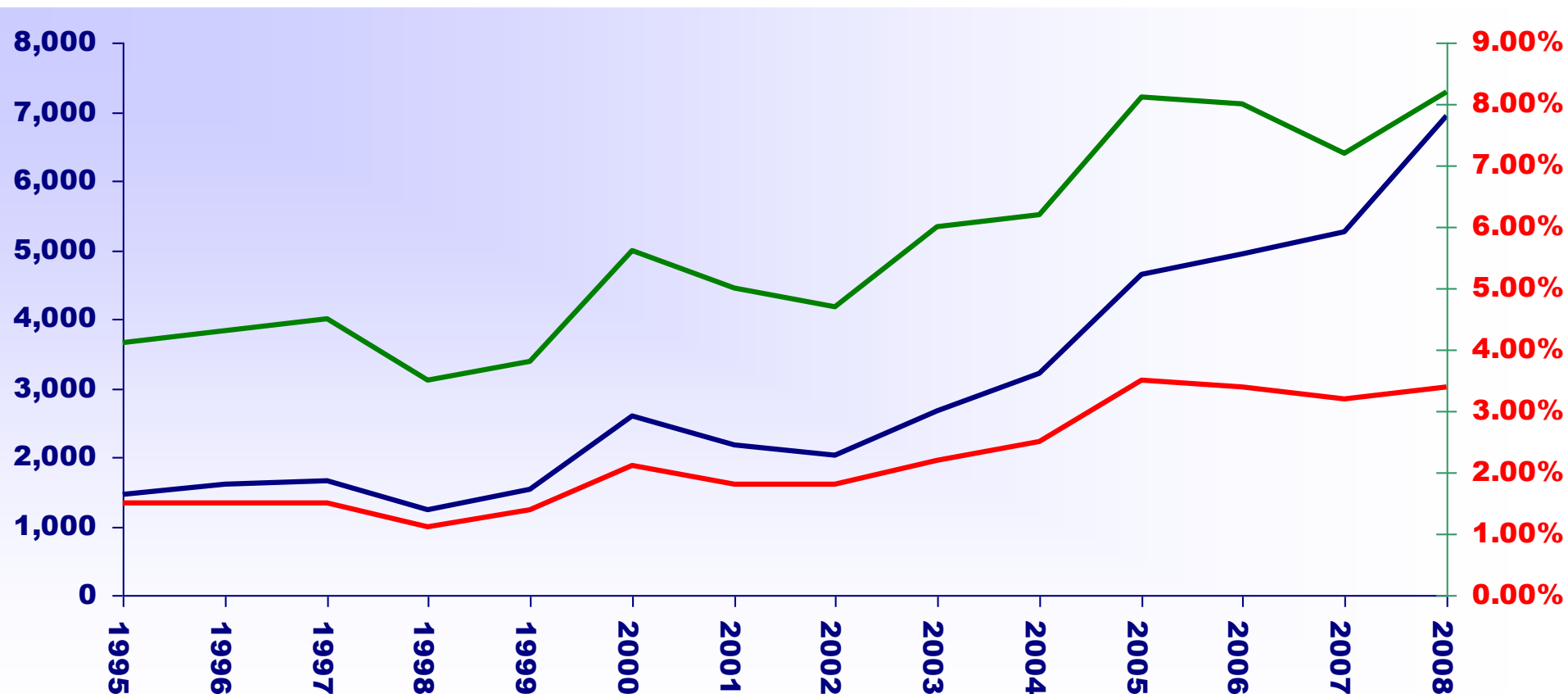
- **Protecting the “Oil States”**  
(e.g., the Gulf War, Iraq)
- **Protecting the “Oil Routes”**  
(Navy)
- **War on Terror**  
(Radical Islam)

# **Oil Prices and Recession**

**Every major recession in the last 40 years was preceded by a rise in oil prices.**

**Can the US/world come out of the recession when oil is 80\$?**

# Israel: Oil share of GDP



Source:  
Modelim  
estimates

- Net oil imports of oil in millions, present value \$
- Expenditure on oil as % of GDP
- Oil imports as a % of total imports

# Africa: Oil share of trade deficit

<b>Country</b>	<b>Fuel Imports as % of current account balance</b>
<b>Kenya</b>	<b>-174%</b>
<b>Senegal</b>	<b>-90%</b>
<b>Tanzania</b>	<b>-85%</b>
<b>Uganda</b>	<b>-124%</b>
<b>Mali</b>	<b>-83%</b>

Source: Development Indicators, World Bank, 2007



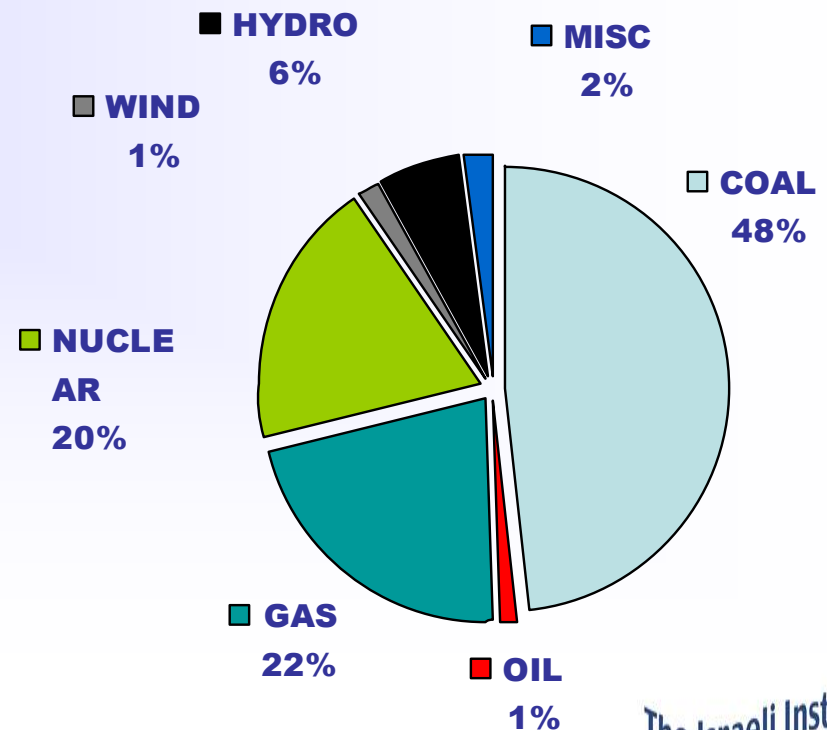
# What is the best way to reduce US oil dependency?

- **Nuclear**
- **Wind**
- **Solar**
- **None of the above**

# Oil is hardly used (1%) to generate electricity

If the US replaced all of its coal based electricity with nuclear, wind or solar... it would not reduce its oil dependency by a single gallon.

2008 United States Electric Power

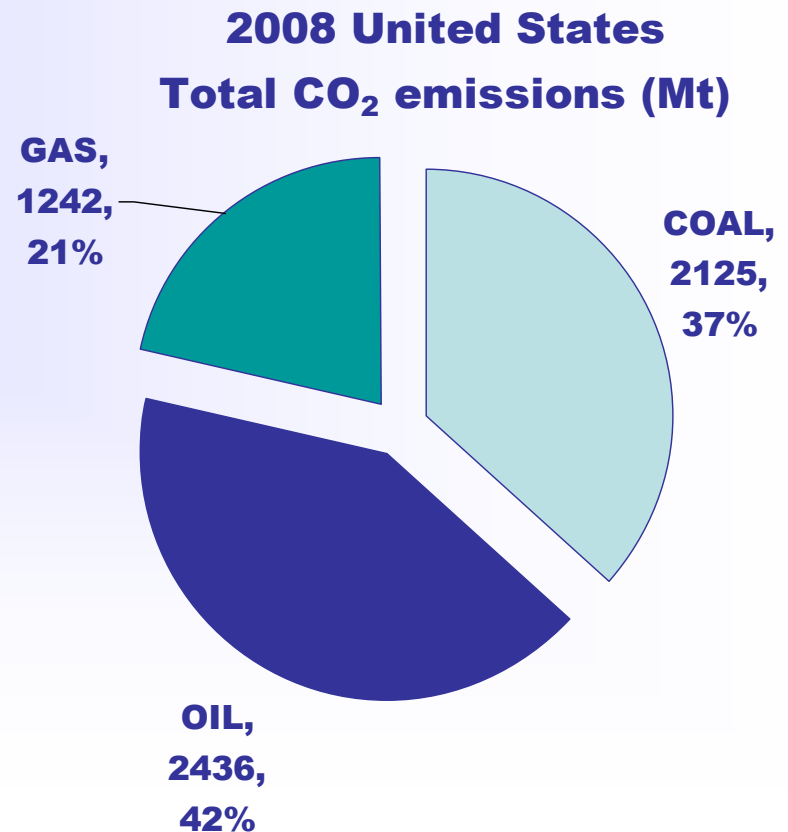


Source: US Energy Information Administration

# What is the largest source of CO<sub>2</sub> in the US?

**Coal  
or  
Oil?**

**It is oil**



Source: US Energy Information Administration

# Distorted Priorities

- **The US Stimulus Bill allocated \$64 billion to electricity/coal related energy (like CCS, wind and solar) and only \$3 billion to oil replacement issues.**
- **If our goal is to reduce CO2 emissions, why aren't we attacking the larger source?**

# Death Tolls - A Comparison

- **Deaths as result of oil related wars (last 35 years)-**  
*6- 6.7 million*
- **Possible deaths as result of oil related wars (next 20 years)-**  
*100 million*
- **Possible deaths as result of global warming (next 20-50-80 years)-**  
*Hard to determine, but according to IPCC the severe impact will happen in 50-80 years*

# A Question of Priorities

**Putting Climate Change *ahead of* eliminating the strategic value of oil**

**... it is like a physician telling a 25 year old...**

***“You have brain tumor and without treatment you will die in three years. However, we will not do anything about it. Instead you should take medicine to reduce your cholesterol.”***

# **We have a brain tumor**

**It is called global oil dependency:**

- **It ruins our economy**
- **It funds radical Islam**
- **It kills millions today and most likely will be the cause of a new world war**

**It is time to get our priorities right**

# **Drill, baby, drill ?**

## **The United States:**

- **Uses 23% of world oil supply**
- **Has 3% of the world's oil reserves**
- **Most likely production costs of new US oil findings at \$50-100 /barrel**

## **OPEC:**

- **79% of the world's oil reserves**
- **Production costs under \$10 /barrel**



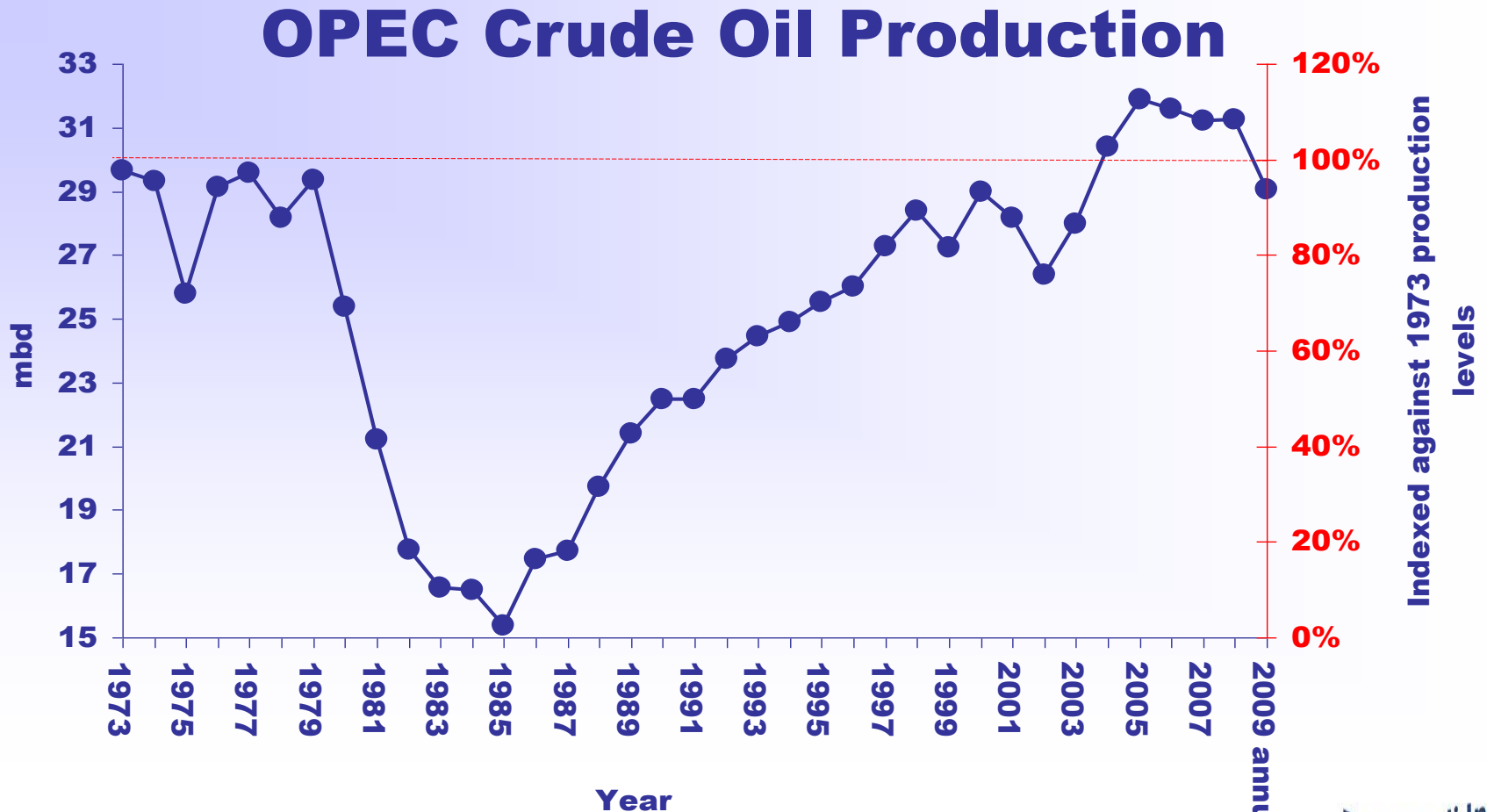
# **Save – efficiency – CAFE**

- **If the US will implement the current CAFE standards, its oil consumption in 2030 will be a few percent lower than today**
- **Yes – we should improve efficiency (and faster), but we cannot save our way off oil**
- **Smoking 18 cigarettes a day instead of 20 is marginal – we need to quit smoking altogether**

# What is the increase of OPEC production since 1973?

- **100%**
- **50%**
- **20%**
- **-2%**

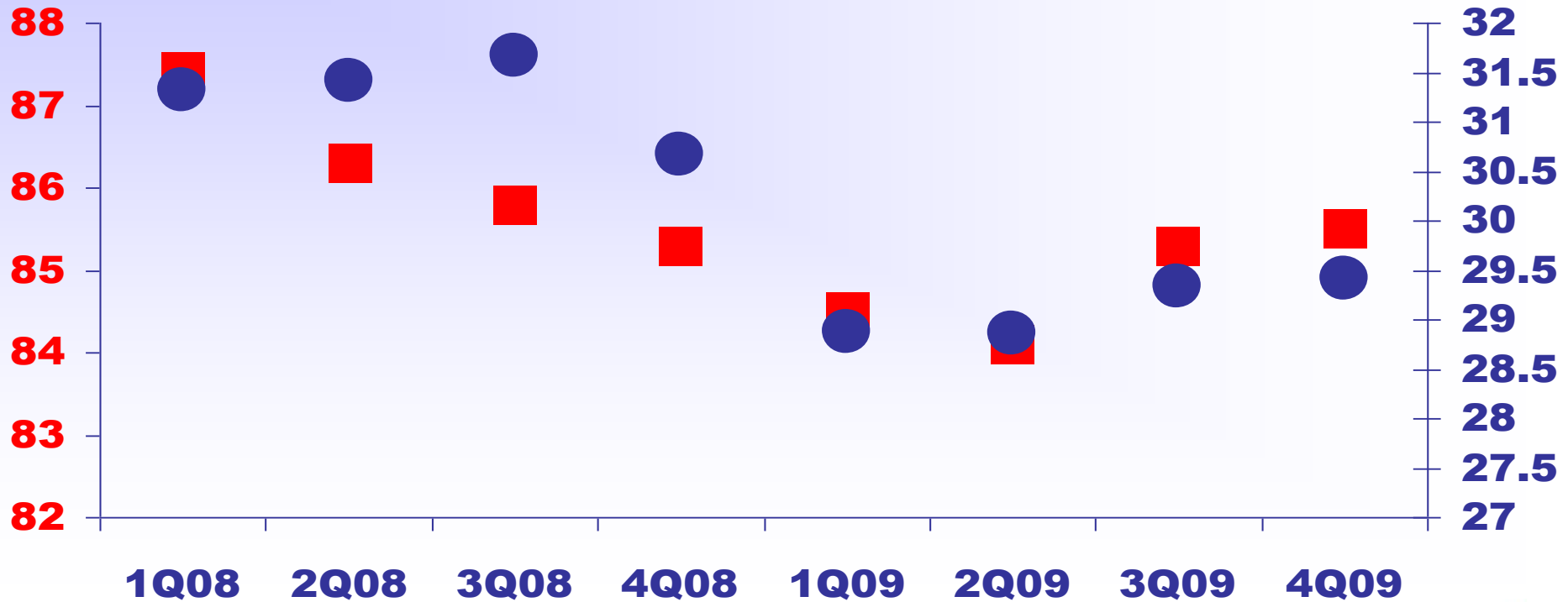
# OPEC since 1973- Controlling Oil Supply (and prices)



Source: Energy Information Administration

# What happened in 2008?

## Demand falls... OPEC cuts production



Source: Oil Market Report, IEA and EIA

■ Global Oil Demand, mbd ● OPEC Avg Production, mbd

# Summary

# Food vs. Fuel

**One of the best false PR campaigns in history**

# Guess who said this?

**“Ethanol and other biofuels do not meet environmental and energy security goals... their cultivation eats into the human food supply, reduces the absorption of carbon dioxide as forests are cut down, has not improved the security of energy supply and has not reduced petrol prices... we have to look beyond biofuels... and concentrate instead on truly renewable sources of energy,” he said, flagging solar energy as “perhaps the best source”**

**Ali Al-Naimi**

**Saudi Minister of Petroleum and Mineral Resources at  
the International Oil Summit**

# **Biofuels- Good for oil or Bad for oil?**

**The US no longer produces electricity from oil. Whereas biofuels:**

- **Directly displace oil**
- **Snatch petrodollars from the Saudi coffers**

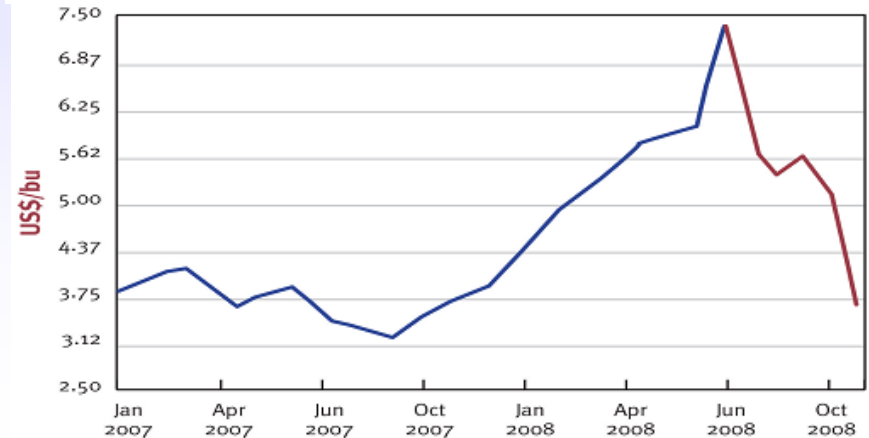
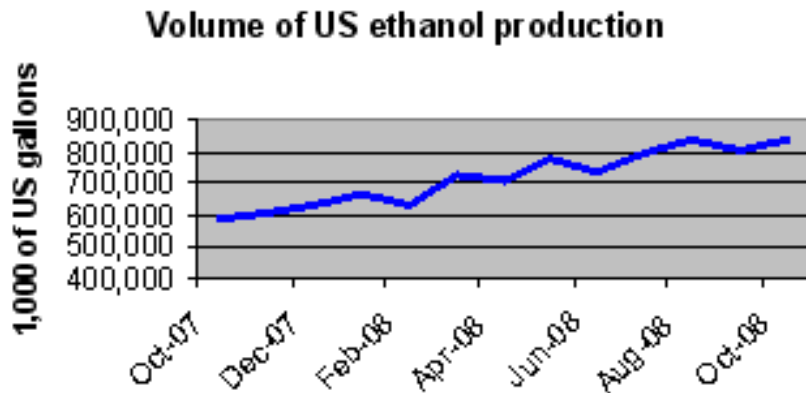
**Merrill Lynch Commodity Strategist Francisco Blanch:**

**Without biofuels, the price of oil would be about 15% higher than it now is.**



# It's the OIL - not the Ethanol.

Higher commodity prices (like corn) are driven by OIL prices, not Ethanol production volumes!



Sources: NYMEX, USDA, RFA

# The campaign against biofuels

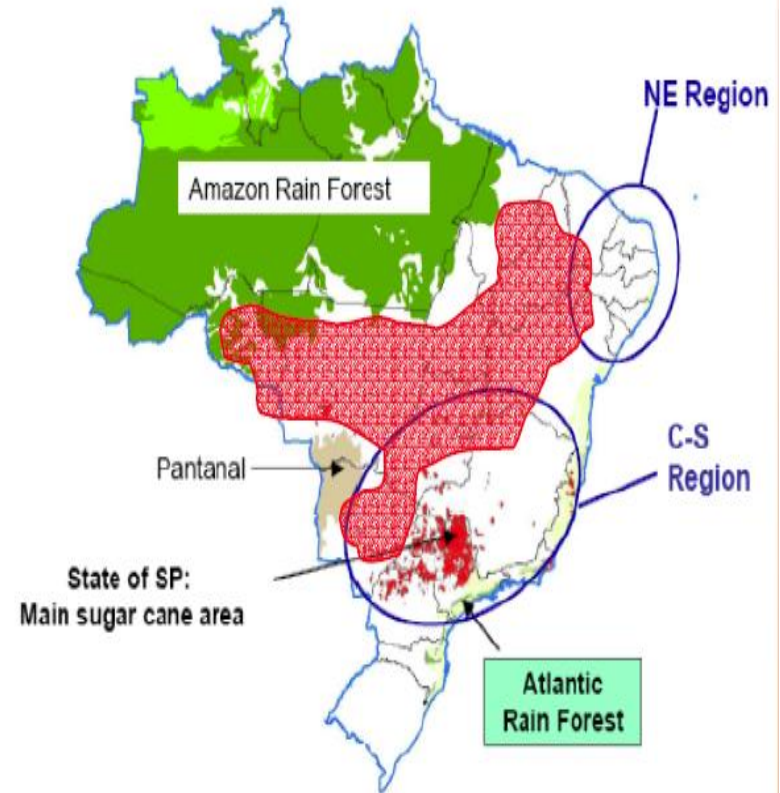
## The Lie:

**“Growing biofuels destroys the rainforests”**

# The Truth- Growing biofuels does not destroy the rainforests

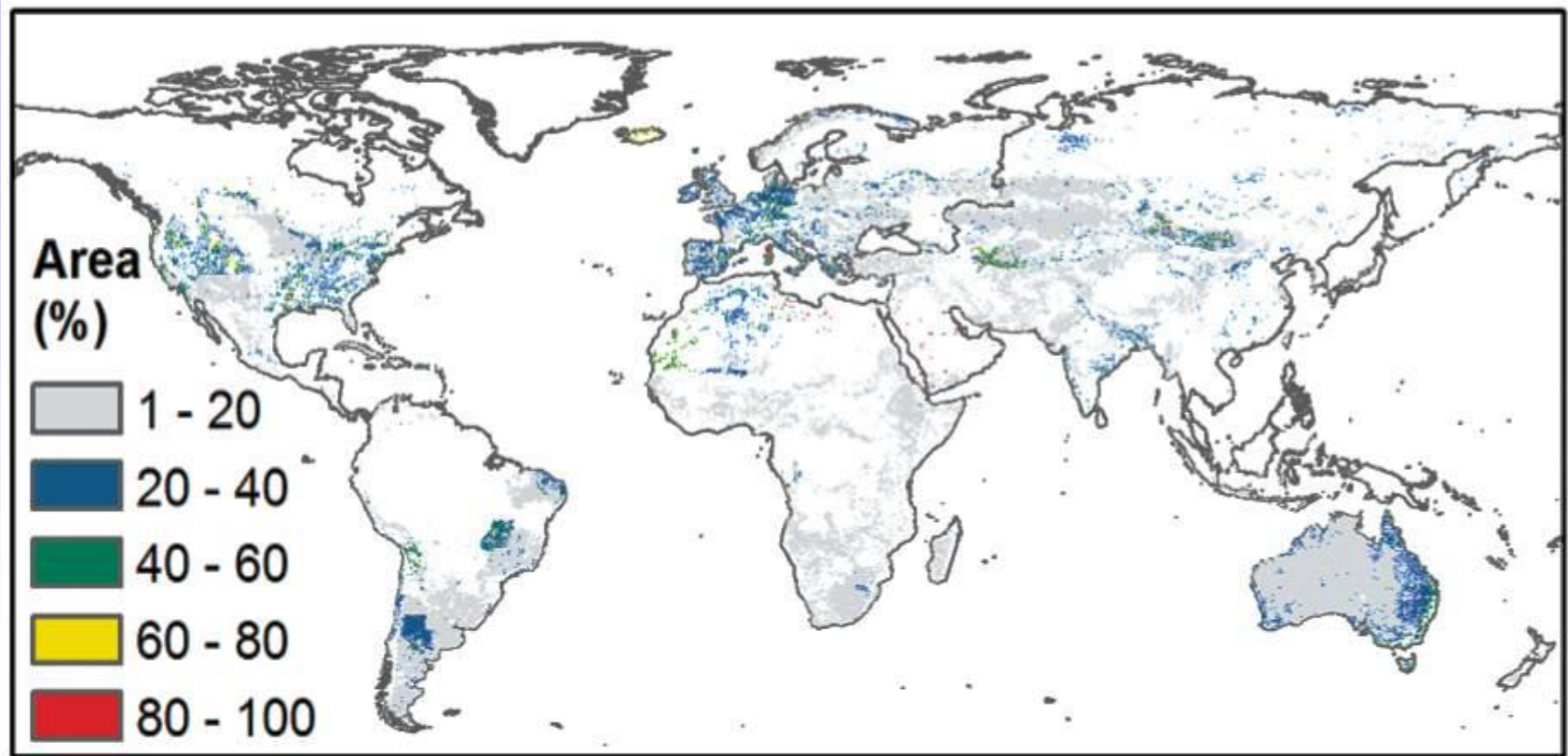
- **Brazil has substituted over 50% of what would be its gasoline consumption with ethanol sugarcane**
- **Should Brazil double its ethanol production, this would take up 3.3% of its total *agricultural* land**
- **This land is not the Amazon**
- **In fact, you cannot grow sugarcane in the Amazon**

Brazil's available land capacity: 90 million ha.



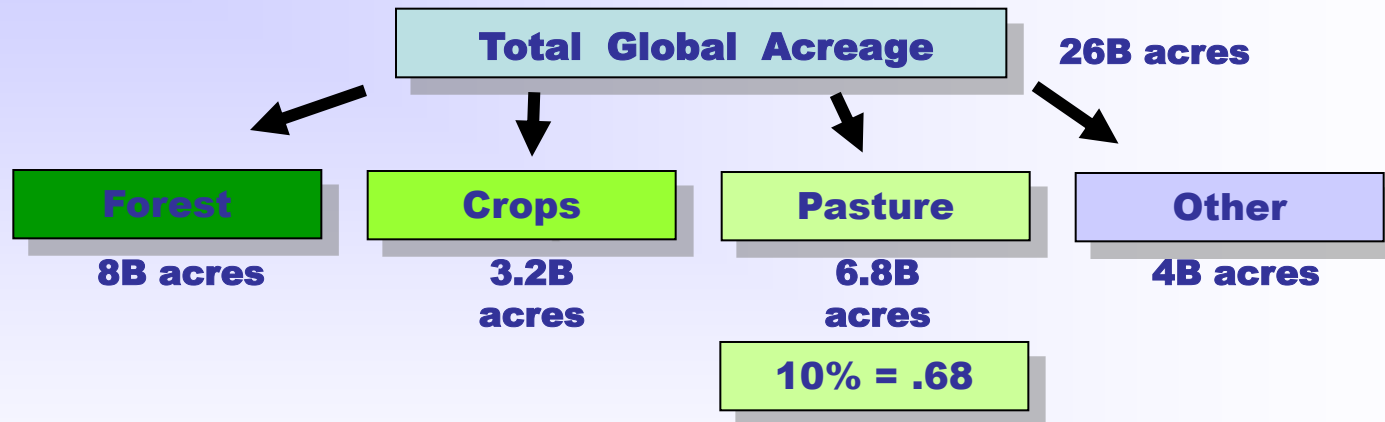
Source: IBGE, CTC, Bear, Stearns & Co., Inc.

# A Billion Acres Of Abandoned Agricultural Land



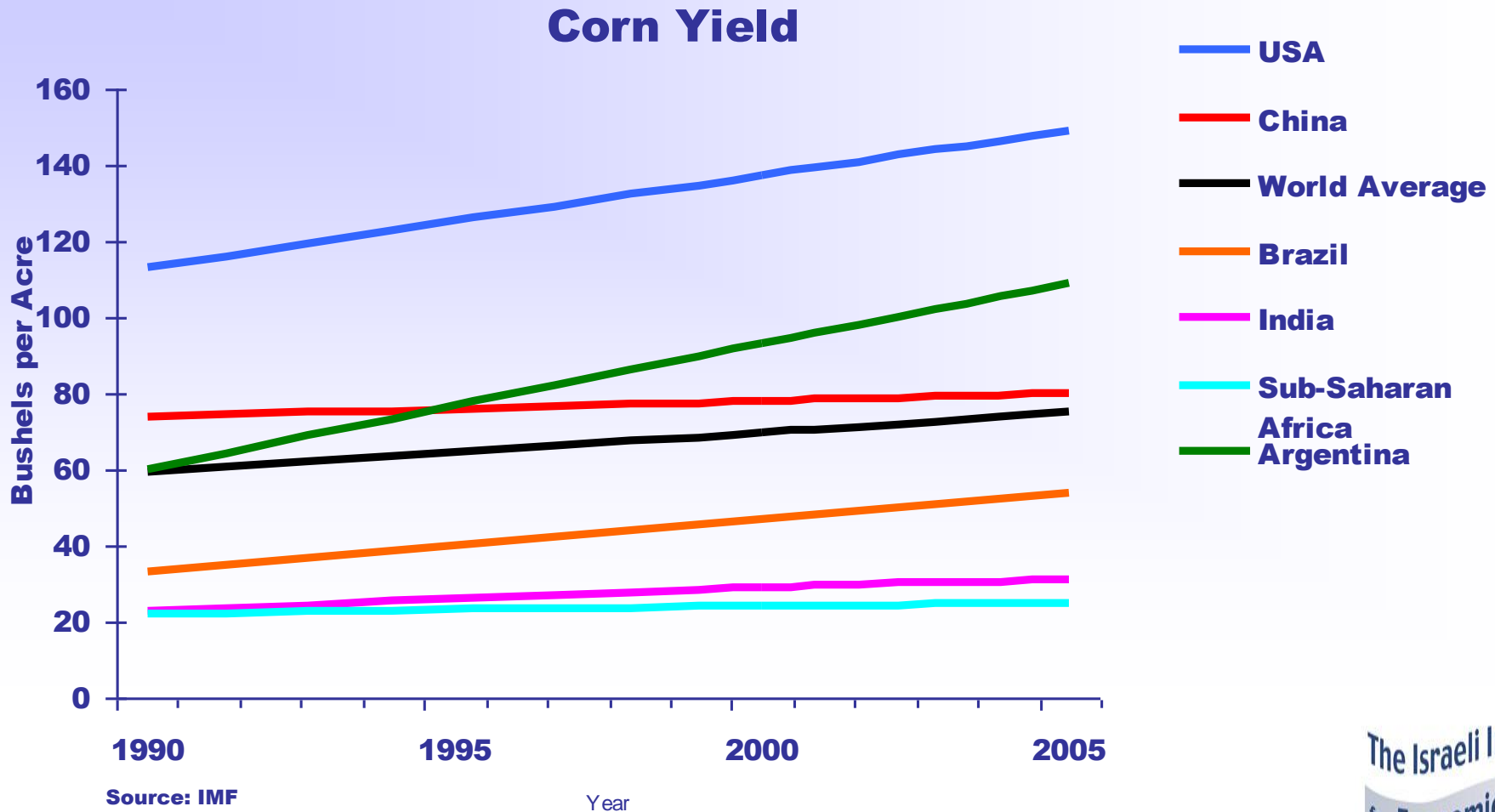
Source: Campbell et al., *Env. Sci. Technol.* (2008) **ASAP Article**, 10.1021/es800052w

# Not Enough Land For Biomass?



$$0.675 \text{ B acres} \times 20 \text{ t/ac} \times 2.38 \text{ B / t} \\ = 88\text{M barrels per day}$$

# Varying regional yields are barriers to meeting food demand



# Historically, food is not expensive

