

Public Domain

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(Probable) Odds & Ends

"There it is, that's a straw, you see? You watching? And my straw reaches acroooooooss the room, and starts to drink your milkshake... I... drink... your... milkshake!" – Daniel Plainview, There Will Be Blood

It was one year ago I concluded my series on Peak Oil with a fanciful "look backwards" from the year 2020. You may recall I posited a winning 2008 Gore/Obama ticket (something *Time* columnist Joe Klein "stole" from me nearly a year later). So my hypothetical parallel universe is already diverging from our mundane one – though last week Clinton Consigliari James Carville suggested an Obama/Gore ticket, which, if it happens, might allow for an eerie mirror image of my scenario of 2010. Still, I feel that even having "gotten" Obama into the next administration, at a time when Hillary was "inevitable," keeps my Nostradomic credentials alive.

I also said gas would have hit \$4.00 per gallon, and never turned back, in late 2007; OK, so I was off by a few months. And though I said gas prices this year would go to \$5, \$6, and \$7, I'm going to backpedal a bit and predict that it will flirt with \$5 before Labor Day and will be solidly in \$5-plus territory by year's end, pushing European-level prices off into 2009.

I just came back from two weeks in Russia, an oil exporter. Russians, too, were now paying the equivalent of \$4.00 per gallon. Alexey Miller, head of Kremlin-owned Gazprom, the world's largest energy company, has, according to Britain's *The Independent*, issued the most dire warning yet about the soaring price of oil, predicting that it will hit \$250 per barrel by the end of 2009. "Mr. Miller... said that the primary reason is simple supply and demand, driven by the rapidly expanding countries of the developing world, principally China and India." Although it's too soon to confirm, my "prediction" that "daily global demand exceeded daily production in mid-2008, exhausting buffer stockpiles by year's end," is quite possible, although being even a few months (or even one year) off, wouldn't be any reason for celebration.

In the opening to my series, I predicted: "oil spirals up to \$100, \$200, \$300 or more per barrel... possibly within five years," so I see Miller's bombshell as somewhat of a confirmation from an expert. With oil hitting nearly \$140 per barrel last month, more than double where it was last year (100% inflation!), the rate of increase makes all that quite plausible.

And, though there was one minor uptick in production this year that matched it, my looking-backward "prediction" that 2007 would indeed be confirmed as the year of peak oil production, has so far stood correct; we *are* plateauing and *will* descend.

I also alluded to "commercial aviation, already decimated by high fuel prices" before 2010; that decimation was in full force this year, as 24 airlines have been effectively grounded or gone into bankruptcy since January alone, with more shake-outs, mergers, cut-backs, and price hikes coming. According to *Business Week*: "To fully appreciate the impact that soaring oil prices have had on the nation's beleaguered airline industry, consider that U.S. carriers will likely spend \$60 billion on jet fuel this year – nearly four times what they paid in 2000. Because of the spike in fuel costs, airlines now lose roughly \$60 on every round-trip passenger, a slow bleed that puts the industry on pace to lose \$7.2 billion this year, the largest yearly loss ever. Not

surprisingly, Wall Street has become so dour about the industry's prospects, the combined market capitalization for the six major legacy carriers and Southwest Airlines has fallen to just over \$17 billion. 'The U.S. airline industry, as it is constituted today, was not built for \$125-per-barrel oil,' Gerard Arpey, the chief executive of American Airlines parent AMR told shareholders." *BW* suggests that European and other cash-rich foreign airlines may simply buy out and take over the US fleets. Meanwhile, *BW* says, expect an end to cheap fares and coast-to-coast flights: "With roughly 30% of the weight of any transcontinental flight consisting of the fuel alone, meaning airlines are burning fuel just to carry fuel, carriers can be expected to replace many of those longer nonstops with one-stop flights, intended largely for refueling." Expect more charges for extras, even for seating choices; expect smaller planes and airports to fade. "The fee changes and higher fares are likely to cull millions of poor and middle-class travelers from the ranks of regular fliers," says *BW*. On top of flying now being a major-pain-in-the-butt-unpleasant experience (don't ask me about what is like dealing with JFK, Heathrow, or deGaulle airports! Feh!), I still don't see the airlines or air travel, as we've known it, making it past 2010, if even that far.

I predicted "drought, fires, power blackouts, and food shortages [leading] to massive riots in Arizona and California." These shortages and riots are already happening *today* in: Britain (The British government was urging motorists not to panic-buy gas in anticipation of a strike on Friday by truck drivers who deliver petrol.); Spain (According to *The Independent*: "the regional government of Catalonia enacted an emergency action plan to bring in fresh food and fuel supplies after nearly half of its forecourts ran dry and supermarkets shelves were left bare. The situation was the result of the second day of an 'indefinite' nationwide strike staged by lorry drivers in Spain seeking their government's help to contain the effects of expensive petrol." All of Spain's 18 car factories, which produce 13,000 vehicles a day and account for about 5% of Spain's GDP, would be out of action.); Haiti (Demonstrators recently tried to storm the presidential palace after prices of staple foods leaped 50%.); the Philippines (Hundreds of trucks and minibuses blocked roads in Manila leading to the presidential palace to demand lifting a 12% sales tax on fuel; gas prices there have risen about 24% this year.); Thailand (Fishermen burned their boats); Argentina (The shortage of fuel forced several bus lines in Buenos Aires to suspend or reduce their service while the lack of diesel hampered industrial and agricultural activity elsewhere. Hundreds of buses were affected by the move, and there was chaos at bus-stops, as commuters tried to squeeze into full vehicles.); and Bangladesh (In Dhaka, 10,000 textile workers clashed with police; dozens were injured in a protest triggered by food costs that was eventually quelled by baton charges and tear gas). Scattered protests by drivers and fisherman in France and Portugal also continued. In Egypt, Indonesia, Ivory Coast, Mauritania, Mozambique, Senegal, and Cameroon there have been demonstrations, and fatalities, as starving, desperate people have taken to the streets. And much of this chaos is due to oil peaking.

According to *The Guardian* (UK), "Across the world, a food crisis is now unfolding with frightening speed. Hundreds of millions of men and women who, only a few months ago, were able to provide food for their families have found rocketing prices of wheat, rice and cooking oil have left them facing the imminent prospect of starvation. The spectre of catastrophe now looms over much of the planet." Tick... tick... tick.

Coming sooner than you think to a village near you.