# 1NC

## 1

Restrictions on production must mandate a decrease in the quantity produced

Anell 89

Chairman, WTO panel

"To examine, in the light of the relevant GATT provisions, the matter referred to the

CONTRACTING PARTIES by the United States in document L/6445 and to make such findings as will assist the CONTRACTING PARTIES in making the recommendations or in giving the rulings provided for in Article XXIII:2." 3. On 3 April 1989, the Council was informed that agreement had been reached on the following composition of the Panel (C/164): Composition Chairman: Mr. Lars E.R. Anell Members: Mr. Hugh W. Bartlett Mrs. Carmen Luz Guarda CANADA - IMPORT RESTRICTIONS ON ICE CREAM AND YOGHURT Report of the Panel adopted at the Forty-fifth Session of the CONTRACTING PARTIES on 5 December 1989 (L/6568 - 36S/68)

http://www.wto.org/english/tratop\_e/dispu\_e/88icecrm.pdf

The United States argued that Canada had failed to demonstrate that it effectively restricted domestic production of milk. The differentiation between "fluid" and "industrial" milk was an artificial one for administrative purposes; with regard to GATT obligations, the product at issue was raw milk from the cow, regardless of what further use was made of it. The use of the word "permitted" in Article XI:2(c)(i) required that there be a limitation on the total quantity of milk that domestic producers were authorized or allowed to produce or sell. The provincial controls on fluid milk did not restrict the quantities permitted to be produced; rather dairy farmers could produce and market as much milk as could be sold as beverage milk or table cream. There were no penalties for delivering more than a farmer's fluid milk quota, it was only if deliveries exceeded actual fluid milk usage or sales that it counted against his industrial milk quota. At least one province did not participate in this voluntary system, and another province had considered leaving it. Furthermore, Canada did not even prohibit the production or sale of milk that exceeded the Market Share Quota. The method used to calculate direct support payments on within-quota deliveries assured that most dairy farmers would completely recover all of their fixed and variable costs on their within-quota deliveries. The farmer was permitted to produce and market milk in excess of the quota, and perhaps had an economic incentive to do so. 27. The United States noted that in the past six years total industrial milk production had consistently exceeded the established Market Sharing Quota, and concluded that the Canadian system was a regulation of production but not a restriction of production. Proposals to amend Article XI:2(c)(i) to replace the word "restrict" with "regulate" had been defeated; what was required was the reduction of production. The results of the econometric analyses cited by Canada provided no indication of what would happen to milk production in the absence not only of the production quotas, but also of the accompanying high price guarantees which operated as incentives to produce. According to the official publication of the Canadian Dairy Commission, a key element of Canada's national dairy policy was to promote self-sufficiency in milk production. The effectiveness of the government supply controls had to be compared to what the situation would be in the absence of all government measures.

The plan changes how energy is produced, rather than restricting how much is produced

This conflation ruins the topic:

1. Including regulations is a limits disaster

Doub 76

Energy Regulation: A Quagmire for Energy Policy

Annual Review of Energy

Vol. 1: 715-725 (Volume publication date November 1976)

DOI: 10.1146/annurev.eg.01.110176.003435LeBoeuf, Lamb, Leiby & MacRae, 1757 N Street NW, Washington, DC 20036

http://0-www.annualreviews.org.library.lausys.georgetown.edu/doi/pdf/10.1146/annurev.eg.01.110176.003435

Mr. Doub is a principal in the law firm of Doub and Muntzing, which he formed in 1977. Previously he was a partner in the law firm of LeBoeuf, Lamb, Leiby and MacRae. He was a member of the U.S. Atomic Energy Commission in 1971 - 1974. He served as a member of the Executive Advisory Committee to the Federal Power Commission in 1968 - 1971 and was appointed by the President of the United States to the President's Air Quality Advisory Board in 1970. He is a member of the American Bar Association, Maryland State Bar Association, and Federal Bar Association. He is immediate past Chairman of the U.S. National Committee of the World Energy Conference and a member of the Atomic Industrial Forum. He currently serves as a member of the nuclear export policy committees of both the Atomic Industrial Forum and the American Nuclear Energy Council. Mr. Doub graduated from Washington and Jefferson College (B.A., 1953) and the University of Maryland School of Law in 1956. He is married, has two children, and resides in Potomac, Md. He was born September 3, 1931, in Cumberland, Md.

FERS began with the recognition that federal energy policy must result from concerted efforts in all areas dealing with energy, not the least of which was the manner in which energy is regulated by the federal government. Energy selfsufficiency is improbable, if not impossible, without sensible regulatory processes, and effective regulation is necessary for public confidence. Thus, the President directed that "a comprehensive study be undertaken, in full consultation with Congress, to determine the best way to organize all energy-related regulatory activities of the government." An interagency task force was formed to study this question. With 19 different federal departments and agencies contributing, the task force spent seven months deciphering the present organizational makeup of the federal energy regulatory system, studying the need for organizational improvement, and evaluating alternatives. More than 40 agencies were found to be involved with making regulatory decisions on energy. Although only a few deal exclusively with energy, most of the 40 could significantly affect the availability and/or cost of energy. For example, in the field of gas transmission, there are five federal agencies that must act on siting and land-use issues, seven on emission and effluent issues, five on public safety issues, and one on worker health and safety issues-all before an onshore gas pipeline can be built. The complexity of energy regulation is also illustrated by the case of Standard Oil Company (Indiana), which reportedly must file about 1000 reports a year with 35 different federal agencies. Unfortunately, this example is the rule rather than the exception.

2. Precision: Only direct prohibition is a restriction – key to predictability

Sinha 6

<http://www.indiankanoon.org/doc/437310/>

Supreme Court of India Union Of India & Ors vs M/S. Asian Food Industries on 7 November, 2006 Author: S.B. Sinha Bench: S Sinha, Mark, E Katju CASE NO.: Writ Petition (civil) 4695 of 2006 PETITIONER: Union of India & Ors. RESPONDENT: M/s. Asian Food Industries DATE OF JUDGMENT: 07/11/2006 BENCH: S.B. Sinha & Markandey Katju JUDGMENT: J U D G M E N T [Arising out of S.L.P. (Civil) No. 17008 of 2006] WITH CIVIL APPEAL NO. 4696 OF 2006 [Arising out of S.L.P. (Civil) No. 17558 of 2006] S.B. SINHA, J :

We may, however, notice that this Court in State of U.P. and Others v. M/s. Hindustan Aluminium Corpn. and others [AIR 1979 SC 1459] stated the law thus:

"It appears that a distinction between regulation and restriction or prohibition has always been drawn, ever since Municipal Corporation of the City of Toronto v. Virgo. Regulation promotes the freedom or the facility which is required to be regulated in the interest of all concerned, whereas prohibition obstructs or shuts off, or denies it to those to whom it is applied. The Oxford English Dictionary does not define regulate to include prohibition so that if it had been the intention to prohibit the supply, distribution, consumption or use of energy, the legislature would not have contented itself with the use of the word regulating without using the word prohibiting or some such word, to bring out that effect."

## 2

#### The move to [ ] offshore oil production is dangerously neoliberal—it’s underpinned by a logic of commodification that cannot reconcile or account for environmental degradation—the result is systemic destruction of ocean space.

Martens ’11 (Emily, Masters’ Thesis paper at the University of Miami for a Master’s Degree in Geography and Regional Studies, overseen by Mazen Labban, Ph.D. and professor of Geography, Terri A. Scandura, Ph.D, Dean of the Graduate School, Jan Nijman, Ph.D. Professor of Geography, and Anna Zalik, Ph.D.,Professor of Environmental Sciences, York University, Toronto, “THE DISCOURSES OF ENERGY AND ENVIRONMENTAL SECURITY IN THE DEBATE OVER OFFSHORE OIL DRILLING POLICY IN FLORIDA,” http://scholarlyrepository.miami.edu/cgi/viewcontent.cgi?article=1253&context=oa\_theses, AM)

The fusion of energy security and environmental protection concerns has since the energy and environmental crises of the 1970s forged a policy aimed at creating environmentally safe extraction and production processes. The emphasis on cheap energy resources, however, has come into contradiction with requirements of costly regulation and oversight practices that are thought to better ensure environmental security. The attempt to reconcile offshore drilling with concerns about environmental protection during the Nixon and Carter years was torn asunder by the hostility to regulation during the Reagan and Clinton years. As a result, a heated debate developed between proponents of offshore oil drilling who argue that (unregulated) offshore oil drilling — and expanded domestic oil production in general — ensures energy security by making the United States energy independent and opponents of offshore oil drilling who do not contest the goal of energy independence but who argue that this should not be at the expense of the protection of marine ecosystems and coastal economies from the destructive effects of offshore drilling, regulated or not. The debate, in other words, developed into a debate between a dominant discourse of energy security and a counter discourse of environmental security — at the core of it were questions of regulation as well as competing commercial interests. Though there are various actors and interests within each of these discourses, the primary tension between proponents and opponents of offshore oil drilling tends to reproduce the tensions embodied in the larger discourses of energy security and environmental security at different geographical scales. One of the main arguments of this thesis is that the credence given to either one of these two security discourses at any given time is the result of broader socio-political forces and the changing ideologies within which they operate. Underlying both seemingly opposed discourses, however, is a common logic that informs the path they take and the language they use to establish legitimacy — the logic of the commodity — an abstract representation of space that supports this logic. This space, as Lefebvre (2007: 53) points out, “includes the ‘world of commodities’, its ‘logic’ and its worldwide strategies, as well as the power of money and that of the political state”. As will be shown in the following chapters, each of these competing discourses has organized its arguments around the logics of capitalism to gain public support and federal and local state protections. This is not an arbitrary association but rather the result of specific political developments in the US that have shaped environmental concerns, and the environment, according to free market principles. Prior to the injection of neoliberal policies of deregulation and privatization into the environment and discourses on the environment under the Reagan Administration, the Nixon and Carter Administrations were caught between an environmental movement, which attempted to create a new perspective from which human activity could be viewed in light of its often negative impacts on the environment – especially offshore oil drilling as a result of the 1969 Santa Barbara oil spill – and the volatility of the international oil market which threatened oil imports. The Nixon and Carter strategies attempted to balance the two agendas through the expansion of domestic oil production in tandem with regulations and oversight that would monitor the offshore oil industry’s compliance with environmental standards. This was thought and presented as a temporary measure. Ultimately the aim was to create alternative fuels in the not too distant future to replace oil, in light of evidence and concern that both the production and consumption of oil were proving to be detrimental to the environment which humans depended on for their own survival. Neoliberal restructuring under the Reagan Administration, however, promoted a market-based discourse of energy security above, or more precisely against the discourse of environmental security, advocating reduction of state oversights and reliance on market signals instead as the more efficient means to regulate offshore drilling. Environmental security, in the form of government oversight, became a threat to the accumulation of wealth — a source of insecurity. Instead, environmental security could be entrusted to the multiple interests operating in the free market. The argument rested on the neoliberal mantra that the government was not as efficient as private owners and the market in managing and protecting the environment. As a result, offshore oil drilling activity has since enjoyed lax regulatory oversight, while day-to-day oil pollution continues to disrupt various ecological and economic activities that share ocean space.

#### Reject the aff’s neoliberal ideology

#### The system’s nsustainable – debt, offshoring, financialization, eco – only shift from EMPIRE to MULTITUDES averts extinction

Shor 10

<http://www.stateofnature.org/locatingTheContemporary.html>

Fran Shor teaches in the History Department at Wayne State University. He is the author of Dying Empire: US Imperialism and Global Resistance (Routledge 2010).

Attributing the debilitation of the U.S. economy to a mortgage crisis or the collapse of the housing market misses the truly epochal crisis in the world economy and, indeed, in capitalism itself. As economist Michael Hudson contends, "the financial 'wealth creation' game is over. Economies emerged from World War II relatively free of debt, but the 60-year global run-up has run its course. Financial capitalism is in a state of collapse, and marginal palliatives cannot revive it." According to Hudson, among those palliatives is an ironic variant of the IMF strategies imposed on developing nations. "The new twist is a variant on the IMF 'stabilization' plans that lend money to central banks to support their currencies - for long enough to enable local oligarchs and foreign investors to move their savings and investments offshore at a good exchange rate." The continuity between these IMF plans and even the Obama administration's fealty to Wall Street can be seen in the person of Lawrence Summers, now the chief economic advisor to Obama. As further noted by Hudson, "the Obama bank bailout is arranged much like an IMF loan to support the exchange rate of foreign currency, but with the Treasury supporting financial asset prices for U.S. banks and other financial institutions ... Private-sector debt will be moved onto the U.S. Government balance sheet, where "taxpayers" will bear losses." [4] So, here we have another variation of the working poor getting sapped by the economic elite! In fact, one estimate of U.S. federal government support to the elite financial institutions is in the range of $10 trillion dollars, a heist of unimaginable proportions. [5] Given the massive indebtedness of the United States, its reliance of foreign support of that debt by countries like China, which has close to $2 trillion tied up in treasury bills and other investments, a long-term crisis of profitability, overproduction, and offshoring of essential manufacturing, it does not appear that the United States and, perhaps, even the capitalist system can avoid collapse. Certainly, there are Marxist economists and world-systems analysts who are convinced that the collapse is inevitable, albeit it may take several generations to complete. The question becomes whether a dying system can be resuscitated or, if something else can be put in its place. One of the most prominent world systems scholars, Immanuel Wallerstein, puts the long-term crisis of capitalism and the alternatives in the following perspective: Because the system we have known for 500 years is no longer able to guarantee long-term prospects of capital accumulation, we have entered a period of world chaos. Wild (and largely uncontrollable) swings in the economic, political, and military situations are leading to a systemic bifurcation, that is, to a world collective choice about the kind of new system the world will construct over the next fifty years. The new system will not be a capitalist system, but it could be one of two kinds: a different system that is equally or more hierarchical and inequalitarian, or one that is substantially democratic and equalitarian. [6] What Wallerstein overlooks is the possibility that a global crisis of capitalism with its continuous overexploitation and maldistribution of essential resources, such as water, could lead to a planetary catastrophe. [7] While Wallerstein and many of the Marxist critics of capitalism correctly identify the long-term structural crisis of capitalism and offer important insights into the need for more democratic and equalitarian systems, they often fail to realize other critical predicaments that have plagued human societies in the past and persist in even more life-threatening ways today. Among those predicaments are the power trips of civilization and environmental destructiveness. Such power trips can be seen through the sedimentation of power-over in the reign of patriarchal systems and an evolutionary selection for that power-over which contaminates society and social relationships. Certainly, many of those predicaments can also be attributed to a 5000 year history of the intersection of empire and civilization. Anthropologist Kajsa Ekholm Friedman analyzes that intersection and its impact in the Bronze Age as an "imperialist project..., dependent upon trade and ultimately upon war." [8] However, over the long rule of empire and especially within the last 500 years of the global aspirations of various empires, "no state or empire," observes historian Eric Hobsbawm, "has been large, rich, or powerful enough to maintain hegemony over the political world, let alone to establish political and military supremacy over the globe." [9] While war and trade still remain key components of the imperial project today and pretensions for global supremacy persist in the United States, what is just as threatening to the world as we know it is the overexploitation and abuse of environmental resources. Jared Diamond brilliantly reveals how habituated attitudes and values precluded the necessary recognition of environmental degradation which, in turn, led to the collapse of vastly different civilizations, societies, and cultures throughout recorded history. [10] He identifies twelve contemporary environmental challenges which pose grave dangers to the planet and its inhabitants. Among these are the destruction of natural habitats (rainforests, wetlands, etc.); species extinction; soil erosion; depletion of fossil fuels and underground water aquifers; toxic pollution; and climate change, especially attributable to the use of fossil fuels. [11] U.S. economic imperialism has played a direct role in environmental degradation, whether in McDonald's resource destruction of rainforests in Latin America, Coca-Cola's exploitation of underground water aquifers in India, or Union Carbide's toxic pollution in India. Beyond the links between empire and environmental destruction, unless we also clearly understand and combat the connections between empire and unending growth with its attendant "accumulation by dispossession", we may very well doom ourselves to extinction. According to James Gustave Speth, Dean of the Yale School of Forestry and Environmental Studies, the macro obsession with growth is also intimately related to our micro habituated ways of living. "Parallel to transcending our growth fetish," Speth argues, "we must move beyond our consumerism and hyperventilating lifestyles ... This reluctance to challenge consumption has been a big mistake, given the mounting environmental and social costs of American "affluenza," extravagance and wastefulness." [12] Of course, there are significant class and ethnic/racial differences in consumerism and lifestyle in the United States. However, even more vast differences and inequities obtain between the U.S. and the developing world. It is those inequities that lead Eduardo Galeano to conclude that "consumer society is a booby trap. Those at the controls feign ignorance, but anybody with eyes in his head can see that the great majority of people necessarily must consume not much, very little, or nothing at all in order to save the bit of nature we have left." [13] Finally, from Vandana Shiva's perspective, "unless worldviews and lifestyles are restructured ecologically, peace and justice will continue to be violated and, ultimately, the very survival of humanity will be threatened." [14] For Shiva and other global agents of resistance, the ecological and peace and justice imperatives require us to act in the here and now. Her vision of "Earth Democracy" with its emphasis on balancing authentic needs with a local ecology provides an essential guidepost to what we all can do to stop the ravaging of the environment and to salvage the planet. As she insists, "Earth Democracy is not just about the next protest or next World Social Forum; it is about what we do in between. It addresses the global in our everyday lives, our everyday realities, and creates change globally by making change locally." [15] The local, national, and transnational struggles and visions of change are further evidence that the imperial project is not only being contested but also being transformed on a daily basis. According to Mark Engler, "The powerful will abandon their strategies of control only when it grows too costly for them to do otherwise. It is the concerted efforts of people coming together in local communities and in movements spanning borders that will raise the costs. Empire becomes unsustainable ... when the people of the world resist." [16] Whether in the rural villages of Brazil or India, the jungles of Mexico or Ecuador, the city squares of Cochabama or Genoa, the streets of Seattle or Soweto, there has been, and continues to be, resistance around the globe to the imperial project. If the ruling elite and many of the citizens of the United States have not yet accepted the fact that the empire is dying and with it the concentric circles of economic, political, environmental, and civilizational crises, the global multitudes have been busy at work, digging its future grave and planting the seeds for another possible world. [17]

## 3

#### Immigration will pass now—Obama’s capital determines success

Bill Keller, NYTimes, 2/3/13, Selling Amnesty, www.nytimes.com/2013/02/04/opinion/keller-selling-amnesty.html?pagewanted=print

Let’s assume that President Obama and the Democrats sincerely want an immigration bill, that this is not a trick to trap Republicans into an anti-immigrant vote that will alienate Hispanic voters and secure Democratic advantage for a generation. The Senate seems to be hospitable territory. Four Republicans — including the ascendant Marco Rubio — have joined four Democrats in embracing the politically difficult principles at the heart of the matter. Some advocates of immigration reform talk confidently of mustering 70 Senate votes, which would represent an astonishing reversal of fortunes for an issue that has long been mired in demagogy. The House, where many Republicans fear getting creamed by Tea Party challengers in a primary next year, is more problematic. The fear is that the House will balk or will break immigration into little pieces, pass the parts that crack down on undocumented workers and kill any effort to legalize the 11 million already here. That pessimism is natural; the House is the place where ideas go to die**. But it needn’t happen this time**. **If** President **Obama** and Congressional leaders play their cards right**, as they are doing** so far, immigration reform — **real immigration reform** — **can** clear Congress **this year**. **Selling the measure to the Republican House will require** close attention to **substance, marketing and** legislative tactics**.**

Plan drains political capital

Holt, President of the Consumer Energy Alliance, 1/7/2013

(David, “Energy in the Next 4 Years,” <http://energy.nationaljournal.com/2013/01/whats-ahead-in-2013-for-energy.php>)

Given the partisan divide in Congress, **enactment of significant energy** or environmental **legislation dealing with key issues such as** energy efficiency, Renewable Fuels Standard reform, and **offshore development**, will be extremely difficult and Congressional oversight of the federal regulatory agencies will be highly partisan and largely ineffective.

#### That kills Obama’s immigration push

Amy Harder, National Journal, 2/6/13, In Washington, Energy and Climate Issues Get Shoved in the Closet, www.nationaljournal.com/columns/power-play/in-washington-energy-and-climate-issues-get-shoved-in-the-closet-20130206

At a news conference where TV cameras in the back were nearly stacked on top of each other, an influential bipartisan group of five senators introduced legislation late last month to overhaul the nation’s immigration system. The room was so crowded that no open seats or standing room could be found. A week later, one senator, Republican Lisa Murkowski of Alaska, was standing at the podium in the same room to unveil her energy-policy blueprint. There were several open seats and just a few cameras. At least one reporter was there to ask the senator about her position on President Obama’s choice for Defense secretary, former Republican Sen. Chuck Hagel. “I’m doing energy right now,” Murkowski responded. “I’m focused on that.” Almost everyone else on Capitol Hill is focused on something else. Aside from the broad fiscal issues, **Congress and the president are** galvanizing around immigration reform. Four years ago, the White House prioritized health care reform above comprehensive climate-change legislation. The former will go down in history as one of Obama’s most significant accomplishments. The latter is in the perpetual position of second fiddle. “**To everything**,” **Murkowski interjected** fervently **when asked** by National Journal Daily **whether energy** and climate policy **was second to other policies** in Washington’s pecking order. Murkowski, ranking member of the Senate's Energy and Natural Resources Committee, said she hoped the Super Bowl blackout would help the public understand the importance of energy policy. “This issue of **immigration**: Why are we all **focused on that**? Well, it’s because the Republicans lost the election because in part we did not have the Hispanic community behind us,” Murkowski said this week. “What is it that brings about that motivation? Maybe it could be something like a gap in the Super Bowl causes the focus on energy that we need to have. I can only hope.” It will take more than hope. Elections have consequences, but so far the only kind of electoral consequence climate and energy policy has instigated is one that helped some lawmakers who supported cap-and-trade legislation to lose their seats in the 2010 midterm elections. For the pendulum to swing the other way—for lawmakers to lose their seats over not acting on climate and energy policy—seems almost unfathomable right now. Billions of dollars are invested in the fossil-fuel power plants, refineries, and pipelines that the country depends on today. The companies that own this infrastructure have a business interest in keeping things the way they are. Immigration reform doesn’t face such formidable interests invested in the status quo. “They [businesses] have employees—real, visible people—who they value and who they want to make legal as soon as possible,” said Chris Miller, who until earlier this year was the top energy and environment adviser to Senate Majority Leader Harry Reid, D-Nev. On energy and climate-change policy, Miller added, “You’re probably never going to have anything like the fence in the Southwest or the border-control issue that **push**es action and debate **on immigration**, because climate-change impacts will likely continue to be more abstract in the public's mind until those impacts are so crystal-clear it’s too late for us to do anything.” Another, tactical reason helps build momentum on immigration and not on other issues. **Obama can capitalize on immigration** as it becomes more of a wedge issue within the GOP. On energy and climate policy, Obama faces a unified Republican Party. “The president has cracked the code on how to push his agenda items through. He learned from his victories on the payroll tax and the fiscal cliff that the key is to stake out the political high ground on issues that poll in his favor while exploiting the divisions within the GOP,” said a former Republican leadership aide who would speak only on the condition of anonymity. “With this in mind, the next logical place for him to go is immigration. Unlike issues like energy or tax reform where the GOP is united, he can claim a big win on immigration reform while striking a political blow to Republicans.”

#### Reform key to remittances

Oppenheimer, writer for the Miami Herald, 1/19/2013

(Andres, “Andres Oppenheimer: Obama may help Latin America - without trying,” <http://www.miamiherald.com/2013/01/19/3189668/obama-may-help-latin-america-without.html#storylink=cpy>)

Let’s start with the obvious: Obama doesn’t have a history of special interest in Latin America.

When I interviewed him for the first time in 2007, he had never set foot in the region. And during his first term, unlike most of his predecessors, he didn’t come up with any grand plan for Latin America — granted, he had to focus on resurrecting the U.S. economy — and instead stated that his top foreign policy priority is Asia’s Pacific rim.

Still, he may end up being great for Latin America, for reasons that have very little to do with Latin America.

First, there are better-than-even chances that — emboldened by his 71-27 victory margin among Latino voters in the 2012 elections — Obama will be able to pass an immigration reform plan that could legalize many of the estimated 11 million undocumented residents in the United States.

That would be a godsend to the economies of Mexico, Central America, the Caribbean, Colombia and Ecuador. **Most experts agree that once undocumented workers get legal status**, **they get better jobs and can send more money to their relatives back home**.

#### Remittances key to global microcredit diffusion

Giuliano, Asst Professor Economics – UCLA, fellow – NBER and IZA, ‘6

(Paola, “Remittances, Financial Development, and Growth,” Institute for the Study of Labor, IZA Discussion Paper No. 2160)

[footnote 3 included]

The relationship between remittances, financial development and growth is a-priori ambiguous. On one hand, well-functioning financial markets, by lowering costs of conducting transactions, may help direct remittances to projects that yield the highest return and therefore enhance growth rates. On the other hand, remittances might become a substitute for inefficient or nonexistent credit markets by helping local entrepreneurs bypass lack of collateral or high lending costs and start productive activities.3

[footnote 3 begins]

Entrepreneurs in developing countries confront much less efficient credit markets, and available evidence indicates that access to credit is among their biggest concerns (Paulson and Towsend, 2000). Several recent papers also suggest that credit constraints play an especially critical role in determining growth prospects in economies characterized by a high level of income inequality (Banerjee and Newman, 1993; Aghion and Bolton, 1997; Aghion, Caroli and Garcia Penalosa, 1999)

[footnote 3 ends]

The empirical analysis finds strong evidence that the second channel works: remittances boost growth in countries with less developed financial systems by providing an alternative way to finance investment and helping overcome liquidity constraint. In contrast, while more developed financial systems seems to attract more remittances (the volumes of remittance inflows increase with lower transaction costs and fewer restrictions on payments), they do not seem to magnify their growth impact.

Although this mechanism has not been studied in a macro context, there is some evidence at the micro-level. Dustmann and Kirchamp (2001) find that the savings of returning migrants may be an important source of startup capital for microenterprises. Similarly, in a study of 30 communities in West-Central Mexico, Massey and Parrado (1998) conclude that earnings from work in the United States provided an important source of startup capital in 21% of the new business formations. Woodruff and Zenteno (2001) also find that remittances are responsible for almost 20% of the capital invested in microenterprises throughout urban Mexico.

#### Key to climate adaptation

Carraro, OECD Environment Directorate, ‘10

(Maëlis, “Assessing the role of microfinance in fostering adaptation to climate change”, *OECD Environmental Working Paper No. 15*)

Core elements of microfinance, a priori, make it attractive for facilitating adaptation by the poor

Microfinance provides access to basic financial services to the poor. Through small loans with compulsory, frequent repayments to groups or individuals, microfinance helps the poor build up their assets, establish or develop a business, and protect against risks. Microfinance institutions (MFIs) are now spread all over the world (including in developed countries), and count over 100 million of the world’s poor among their clients. Almost 90% of the clients of MFIs are women. The scope of microfinance services, meanwhile, not only includes the provision of credit for income generation, but also savings, insurance, money transfer, and educational and health loans. Many MFI’s also provide “credit plus” complementary services such as skills education and training, health and nutrition workshops, and advice on agricultural practices.

These elements of microfinance make it an attractive vehicle for facilitating adaptation. MFI’s already have pre-existing networks of access to the poor – especially women – who are also particularly vulnerable to climate change. Meanwhile, the nature of microfinance lending, consisting of high volume, limited value loans, is also consistent with the fundamental nature of a majority of adaptation actions that will ultimately consist of thousands of decentralised actions by individuals, households and communities, as they continuously seek to internalise climate risks in their activities.

Despite its theoretical potential, very little is actually known about how microfinance interacts with adaptation in practice

Through the provision of credit and other financial services microfinance helps the poor develop alternate livelihood opportunities, build assets and spread risks. These actions would also – in most cases -automatically reduce vulnerability to climate risk even if there is no explicit consideration of such risks. From this perspective climate change might simply be one more reason to scale up microfinance. However, what is perhaps more critical from an adaptation perspective are more specific issues like how microfinance could be tapped for more targeted climate risk reduction and adaptation, for building adaptive capacity for climate change, and for reducing incentives for *mal*-adaptation. Very little is currently known about these latter, more specific, linkages which can only be examined through detailed analysis of actual microfinance portfolios in regions that are also particularly vulnerable to the impacts of climate change. The analysis of Bangladesh and Nepal in this report has been undertaken within this context. Not only are the two countries particularly vulnerable to the impacts of climate change, but they also have a vibrant microfinance industry to make such an examination possible.

Empirical analysis of existing portfolios in Bangladesh and Nepal reveals that close overlaps already exist between ongoing microfinanced activities and key climate change vulnerabilities

Analyses of existing microfinance portfolios of the 22 leading MFIs each in Bangladesh and Nepal reveal that many existing projects are already directed at sectors and activities that would also be vulnerable to climate change. This overlap is particularly strong for Bangladesh where agriculture, disaster relief and preparedness, and water and sanitation – which are all particularly affected by climate change – constitute almost 70% of the existing microfinance portfolio. For Nepal, meanwhile, the degree of overlap between the orientation of existing microfinance programs and climate change vulnerabilities is more limited. The dominant climate change risk in Nepal is in water resources and hydropower, whereas the related category of microfinance programs, water and sanitation, is a relatively small part of the overall portfolio. Collectively, the programs related to water, agriculture, health, and disasters (which are all vulnerable to climate change) constitute slightly less than 47% of the existing portfolio. However, even if programmatic priorities are closely intertwined with sectors and activities that might be vulnerable to climate change, not all microfinance activities within these areas might be relevant for adaptation. A more in-depth analysis of specific loan programs and projects is therefore required for this purpose.

Microfinance is already promoting some adaptation to reduce vulnerability to current climate risks in these countries and, in some isolated cases, also to climate change

A more detailed analysis of the credit programs and projects reveals that a number of existing microfinance lending programs and projects already offer adaptation “win-wins”. In fact, 43% of the portfolio that was examined in Bangladesh and 37% in Nepal could be classified as win-wins1, i.e. synergistic with adaptation. These include, for example, lending programs that support disaster relief and preparedness, crop diversification, improving access to irrigation, and provision of better sanitation facilities that reduce the risks of water borne diseases. They also include at least a few programs that go beyond coping or adapting to current climate risks. For example, lending programs to support construction of weather resistant housing or the adoption of drought and salt tolerant seeds in Bangladesh would also theoretically facilitate adaptation to longer term climate change. These latter examples, however, remain isolated at this stage in the case of Bangladesh, and absent almost entirely in Nepal.

#### Solves extinction from inevitable warming

Romero, 8

[Purple, reporter for ABS-CBN news, 05/17/2008, Climate change and human extinction--are you ready to be fossilized? <http://www.abs-cbnnews.com/nation/05/16/08/climate-change-and-human-extinction-are-you-ready-be-fossilized>

Climate change killed the dinosaurs. Will it kill us as well? Will we let it destroy the human race? This was the grim, depressing message that hung in the background of the Climate Change Forum hosted on Friday by the Philippine National Red Cross at the Manila Hotel. "Not one dinosaur is alive today. Maybe someday it will be our fossils that another race will dig up in the future, " said Roger Bracke of the International Federation of Red Cross and Red Crescent Societies, underscoring his point that no less than extinction is faced by the human race, unless we are able to address global warming and climate change in this generation. Bracke, however, countered the pessimistic mood of the day by saying that the human race still has an opportunity to save itself. This more hopeful view was also presented by the four other speakers in the forum. Bracke pointed out that all peoples of the world must be involved in two types of response to the threat of climate change: mitigation and adaptation. "Prevention" is no longer possible, according to Bracke and the other experts at the forum, since climate change is already happening. Last chance The forum's speakers all noted the increasing number and intensity of devastating typhoons--most recently cyclone Nargis in Myanmar, which killed more than 100,000 people--as evidence that the world's climatic and weather conditions are turning deadly because of climate change. They also reminded the audience that deadly typhoons have also hit the Philippines recently, particularly Milenyo and Reming, which left hundreds of thousands of Filipino families homeless. World Wildlife Fund Climate and Energy Program head Naderev Saño said that "this generation the last chance for the human race" to do something and ensure that humanity stays alive in this planet. According to Saño, while most members of our generation will be dead by the time the worst effects of climate change are felt, our children will be the ones to suffer. How will Filipinos survive climate change? Well, first of all, they have to be made aware that climate change is a problem that threatens their lives. The easiest way to do this – as former Consultant for the Secretariats of the UN Convention on Climate Change Dr. Pak Sum Low told abs-cbnews.com/Newsbreak – is to particularize the disasters that it could cause. Talking in the language of destruction, Pak and other experts paint this portrait of a Philippines hit by climate change: increased typhoons in Visayas, drought in Mindanao, destroyed agricultural areas in Pampanga, and higher incidence rates of dengue and malaria. Sañom said that as polar ice caps melt due to global warming, sea levels will rise, endangering coastal and low-lying areas like Manila. He said Manila Bay would experience a sea level increase of 72 meters over 20 years. This means that from Pampanga to Nueva Ecija, farms and fishponds would be in danger of being would be inundated in saltwater. Sañom added that Albay, which has been marked as a vulnerable area to typhoons, would be the top province at risk. Sañom also pointed out that extreme weather conditions arising from climate change, including typhoons and severe droughts, would have social, economic and political consequences: Ruined farmlands and fishponds would hamper crop growth and reduce food sources, typhoons would displace people, cause diseases, and limit actions in education and employment. Thus, Saño said, while environmental protection should remain at the top of the agenda in fighting climate change, solutions to the phenomenon "must also be economic, social, moral and political." Mitigation Joyceline Goco, Climate Change Coordinator of the Environment Management Bureau of the Department of Environment and Natural Resources, focused her lecture on the programs Philippine government is implementing in order to mitigate the effects of climate change. Goco said that the Philippines is already a signatory to global agreements calling for a reduction in the "greenhouse gasses"--mostly carbon dioxide, chloroflourocarbons and methane--that are responsible for trapping heat inside the planet and raising global temperatures. Goco said the DENR, which is tasked to oversee and activate the Clean Development Mechanism, has registered projects which would reduce methane and carbon dioxide. These projects include landfill and electricity generation initiatives. She also said that the government is also looking at alternative fuel sources in order do reduce the country's dependence on the burning of fossil fuels--oil--which are known culprits behind global warming. Bracke however said that mitigation is not enough. "The ongoing debate about mitigation of climate change effects is highly technical. It involves making fundamental changes in the policies of governments, making costly changes in how industry operates. All of this takes time and, frankly, we're not even sure if such mitigation efforts will be successful. In the meantime, while the debate goes on, the effects of climate change are already happening to us." Adaptation A few nations and communities have already begun adapting their lifestyles to cope with the effects of climate change. In Bangladesh, farmers have switched to raising ducks instead of chickens because the latter easily succumb to weather disturbances and immediate effects, such as floods. In Norway, houses with elevated foundations have been constructed to decrease displacement due to typhoons. In the Philippines main body for fighting climate change, the Presidential Task Force on Climate Change, (PTFCC) headed by Department on Energy Sec. Angelo Reyes, has identified emission reduction measures and has looked into what fuel mix could be both environment and economic friendly. The Department of Health has started work with the World Health Organization in strengthening its surveillance mechanisms for health services. However, bringing information hatched from PTFCC’s studies down to and crafting an action plan for adaptation with the communities in the barangay level remains a challenge. Bracke said that the Red Cross is already at the forefront of efforts to prepare for disasters related to climate change. He pointed out that since the Red Cross was founded in 1919, it has already been helping people beset by natural disasters. "The problems resulting from climate change are not new to the Red Cross. The Red Cross has been facing those challenges for a long time. However, the frequency and magnitude of those problems are unprecedented. This is why the Red Cross can no longer face these problems alone," he said. Using a medieval analogy, Bracke said that the Red Cross can no longer be a "knight in shining armor rescuing a damsel in distress" whenever disaster strikes. He said that disaster preparedness in the face of climate change has to involve people at the grassroots level. "The role of the Red Cross in the era of climate change will be less as a direct actor and increase as a trainor and guide to other partners who will help us adapt to climate change and respond to disasters," said Bracke. PNRC chairman and Senator Richard Gordon gave a picture of how the PNRC plans to take climate change response to the grassroots level, through its project, dubbed "Red Cross 143". Gordon explained how Red Cross 143 will train forty-four volunteers from each community at a barangay level. These volunteers will have training in leading communities in disaster response. Red Cross 143 volunteers will rely on information technology like cellular phones to alert the PNRC about disasters in their localities, mobilize people for evacuation, and lead efforts to get health care, emergency supplies, rescue efforts, etc.

## 4

#### The United States Federal Government should establish that the penalty for violating restrictions on energy production of natural gas in the Outer Continental Shelf is entry into a Supplemental Environmental Project.

#### Implementation of the Supplemental Environmental Program should nullify additional legal penalties from the violating action, and any conflicting federal laws and regulations should be modified to provide a narrow exemption for the above penalty.

The status quo is always an option – proving the CP worse does not justify the plan. Logical decision-making is the most portable skill.

And, presumption remains negative—the counterplan is less change and a tie goes to the runner.

#### Penalties determine regulatory compliance—restrictions are irrelevant if penalties are marginal

Center for Progressive Regulation, 2008, Environmental Enforcement, progressiveregulation.org/perspectives/environEnforce.html

Effective enforcement is key to ensuring that the ambitious goals of our environmental statutes are realized. Enforcement refers to the set of actions that the government can take to promote compliance with environmental law. . Currently, rates of noncompliance with environmental laws remain disturbingly high; experts believe that as many as twenty to forty percent of firms regulated by federal environmental statutes regularly violate the law. Tens of millions of citizens live in areas out of compliance with the health based standards of the Clean Air Act, and close to half of the water bodies in the country fail to meet water quality standards set by the Clean Water Act. In communities burdened by multiple sources of pollution, noncompliance has particularly serious health consequences for affected residents.

As in virtually every other area of government regulation, environmental enforcement traditionally has been based on the theory of deterrence. This theory assumes that persons and businesses act rationally to maximize profits, and will comply with the law where the costs of noncompliance outweigh the benefits of noncompliance. The job of enforcement agencies is to make both penalties and the probability of detection high enough that it becomes irrational– unprofitable-- for regulated firms to violate the law.

EPA’s enforcement policies traditionally have reflected these principles. EPA has emphasized the importance of regular inspections and monitoring activity to detect noncompliance, and has responded to violations with swift and appropriate sanctions. EPA’s policies also mandate that the agency recover the economic benefit firms realize through noncompliance, since if a firm is able to profit from illegal activity, it has little incentive to comply in the first place.

#### The CP’s SEP penalty is just that—it causes the same industry response as the aff, without lifting the restriction

David Dana, Professor of Law, Boston University School of Law, 1998, ARTICLE: THE UNCERTAIN MERITS OF ENVIRONMENTAL ENFORCEMENT REFORM: THE CASE OF SUPPLEMENTAL ENVIRONMENTAL PROJECTS, 1998 Wis. L. Rev. 1181, Lexis

The previous analysis illustrates that the inclusion of SEPs in an enforcement regime may lead to negotiated settlements that cost violators substantially less than the standard monetary penalty. The particular implications of this insight for a deterrence analysis depend on whether the standard monetary penalty represents "an optimal penalty" or instead a sub- or super-optimal penalty. As a preliminary matter, a brief discussion of the concept of optimal penalty (PEN<opt>) thus may be in order. Economists typically regard the goal of an enforcement regime as the achievement of "optimal deterrence." The phrase optimal deterrence, of course, implies that absolute or complete deterrence of regulatory violations should not be the goal of an enforcement regime. Rather, the regime should act to prevent violations which will generate social costs in excess of social benefits. Conversely, of course, the regime should not discourage violations that produce net social benefits. In settings involving perfect detection and prosecution of regulatory violations by government agencies, a penalty equalling the social harm of a violation will produce optimal deterrence. Where detection and prosecution are imperfect, a penalty equalling the harm of a violation will result in underdeterrence because potential violators will discount the nominal penalty to take account of the probability that they will evade detection and/or prosecution. To achieve optimal deterrence, therefore, [\*1206] nominal penalties must equal the social harm divided by the probability of detection and prosecution. The standard monetary penalty for any particular regulatory violation - the penalty that would be imposed in the absence of any SEP settlement options - logically can have only one of three relations to the optimal penalty: The standard monetary penalty can be less than the optimal penalty, equal to the optimal penalty, or greater than the optimal penalty. In all three of these cases, the introduction of SEP settlement options into an enforcement regime is troublesome from an optimal deterrence perspective. Each case will be taken in turn. 1. pen[in'mon.std'] < pen<opt> Where the standard monetary penalty is less than the optimal penalty, regulators' exclusive reliance on monetary penalties will produce underdeterrence. n77 That is, some violations will occur even though the social costs of the violations exceed the social benefits. The introduction of SEPs into such regimes will only make matters worse: SEPs will lower regulated entities' expected penalties for regulatory violations n78 and [\*1207] hence produce more underdeterrence and more socially costly violations. For example, imagine that the harm from a particular regulatory violation has a dollar equivalent value of $ 400, and the perceived probability of detection is 0.1. The optimal penalty thus would be $ 400/0.1 or $ 4000. Assume, however, that the standard monetary penalty is only $ 3000 and regulated entities' expected penalty for violating the regulation is thus only $ 300. Profit-maximizing regulated entities will take the risk of violating the regulation if they expect to gain more than $ 300 by doing so. Now assume that a regulatory agency adds SEP settlements to the enforcement regime. The regulated entity in question now believes that there is a fifty percent probability that it could successfully negotiate a SEP in the event government regulators detect its regulatory noncompliance. n79 Assume also that the regulated entity estimates that the SEP discount or savings off the standard monetary penalty would be thirty-three percent, so that the expected cost of a SEP would be $ 2000. The total expected penalty thus would be 0.1[(0.5)($ 3000) + (0.5)(0.66)($ 3000)], or approximately $ 250. This reduction in the expected penalty from $ 300 to $ 250 could translate into real differences in regulated entities' behavior. Under the pre-SEP regime, regulated entities at least would avoid socially undesirable violations offering them less than $ 300 in savings. The addition of SEPs to the regime eliminates deterrence for violations offering between $ 250 and $ 300 in savings. 2. pen[in'mon.std'] = pen<opt> Where the standard monetary penalty equals the optimal penalty, the enforcement regime will achieve optimal deterrence. Regulated entities will be deterred from committing all of the potential violations that result in greater social loss than social gain, but they will not be deterred from [\*1208] committing any potential violations that are, on net, socially beneficial. The introduction of SEPs into the penalty regime will lower expected penalties and thus produce a shift from this state of optimal deterrence to one of underdeterrence.

## 5

#### Natural gas causes reshoring

IER 12

(Institute of Energy Research, “Abundant Natural Gas Means Low Prices, Increased Trade Potential Natural Gas” April 19, 2012, http://www.instituteforenergyresearch.org/2012/04/19/abundant-natural-gas-means-low-prices-trade-potential/)

The United States ranks number one in the world in natural gas production, out-producing Russia, who ranks second. In 2011, U.S. natural gas production increased 8 percent to over 23 trillion cubic feet.[i] The increase in natural gas production occurred on private and state lands. In contrast, production of natural gas on federal and Indian lands has been decreasing. Between fiscal years 2003 and 2011, it declined 31 percent .[ii] States with the highest natural gas production levels in 2010 were: Texas ( 6,715 billion cubic feet), Wyoming (2,306 billion cubic feet), Louisiana (2,110 billion cubic feet), Oklahoma (1,807 billion cubic feet), Colorado (1,578 billion cubic feet), New Mexico (1,292 billion cubic feet), Arkansas (927 billion cubic feet) and Pennsylvania (573 billion cubic feet).[iii] Pennsylvania’s entrance into the top 10 natural gas producers in the United States is due to production from the Marcellus shale gas formation that extends from New York to Ohio. U.S. Natural Gas Consumption Natural gas consumption rose 2.5 percent in 2011 due to increased industrial and electric power usage. Natural gas increased its share in the electric generation sector to 25 percent in 2011 from 21 percent in 2008, cutting into the coal generation market, whose share declined from 48 percent in 2008 to 42 percent in 2011.[iv] Natural gas consumption in the industrial sector also increased in 2011, by 9.5 percent since 2009.[v] Lower natural gas prices are bringing industry back into the United States for at least two reasons. First, lower natural gas prices reduce energy costs for large industrial users and increase their competitiveness with the rest of the world. Second, chemical companies use natural gas as a feedstock to make petrochemicals, compounds including plastics and fertilizer. Huntsman Corporation, the world’s largest maker of textile dyes, plans to expand chemical production in the United States and may relocate capacity from other countries to take advantage of the low domestic natural gas prices. Dow Chemical Company and Methanex Corporation are also expanding U.S. production due to low natural gas prices. Dow plans to spend $4 billion to increase production of chemicals such as ethylene and propylene in Texas and Louisiana and Methanex plans to move a Chilean methanol plant to Louisiana.[vi] Natural Gas Prices While many companies plan to use more natural gas in the future, consumption is lagging natural gas production. The production increases along with a mild winter has left the United States with more natural gas than it can consume, filling up storage facilities. Natural gas supplies are 61 percent higher than the five-year average. At the end of winter, there is usually about 1.5 trillion cubic feet of gas in storage, but this year, there is 2.5 trillion cubic feet in storage because less was withdrawn for heating due to the mild weather. Storage facilities (underground salt caverns and depleted oil and gas fields) are now at 57.8 percent of capacity with expectations that they will fill by the end of October. The peak storage capacity level historically (98.7 percent) was hit for a short period of time in 2009 before winter usage drew down supplies.[vii] The abundance of domestic natural gas supplies has pushed down the futures price of natural gas by 59 percent since it peaked last summer at $4.85 per thousand cubic feet. Recently, the natural gas futures price dipped below $2 per thousand cubic feet. The last time it went below $2 was January 28, 2002, when it hit $1.91. [viii] As the price of natural gas has plummeted, consumers have benefited from lower electricity rates and the lower cost of manufacturing, creating thousands of jobs. In February, Boston-based utility NSTAR announced to its business customers that it will reduce their retail electricity rates this spring by 34 percent, to 5.5 cents a kilowatt-hour down from 8.5 cents. In May, the company expects to announce rate reductions for residential customers. According to the Energy Information Administration, in New England, wholesale power prices are about half their traditional levels. In February, for example, wholesale power prices in New England were often in the three to four cent range, compared with six to eight cents on average for that month between 2006 and 2011. [ix]

#### Offshoring key to chinese econ

El-Shenawi 11

(Eman, “India and China are reaping the financial benefits produced by wealthy remitters” October 30, 2011, AlArabiya.net)

China, a holder of the world's largest foreign exchange reserves, at $3.2 trillion, has recently become a major player in the European debt crisis talks; the region's European Financial Stability Facility bailout fund has been trying to win help from Beijing. This is because China's GDP is set to grow to almost 9 percent in 2011. Compare that with the United States and the eurozone (growth forecasted at a joint 1.6 percent), and China's economic charm is clear. Indeed, the main reasons behind Chinese and Indian economic growth remain: their relatively cheap labor force and a thriving domestic market that has fed well into the global manufacturing supply chain. But their wealthy on- and offshore communities have cranked up their economic caliber and their global appeal for investors. India appears in the top five countries where the offshore affluent now have more than $1 million investable assets on average, according to the Global Affluent Investor study conducted by research company TNS. "India and China have already surpassed major European markets like Germany and France. It's interesting to see that the entrepreneurial spirit of people in these markets is already paying off in terms of personal wealth," Reg van Steen, director of business and finance, TNS, said, according to Reuters. Such emerging markets paint a cheery picture of wealth and how it can leverage economies in the wake of the 2008 global recession and amid the continuing fiscal crises.

#### Chinese economic decline causes Asian instability and nuclear war

Tom **Plate**, East Asia Expert, Adjunct. Prof. Communications @ UCLA, 6/28/**’3**

(Neo-cons a bigger risk to Bush than China, Strait Times, l/n)

But imagine a China disintegrating- on its own, without neo-conservative or Central Intelligence Agency prompting, much less outright military invasion because the economy (against all predictions) suddenly collapses. That would knock Asia into chaos. A massive flood of refugees would head for Indonesia and other places with poor border controls, which don’t’ want them and cant handle them; some in Japan might lick their lips at the prospect of World War II revisited and look to annex a slice of China. That would send Singapore and Malaysia- once occupied by Japan- into nervous breakdowns. Meanwhile, India might make a grab for Tibet, and Pakistan for Kashmir. Then you can say hello to World War III, Asia style. That’s why wise policy encourages Chinese stability, security and economic growth – the very direction the White House now seems to prefer.

## russia

Exports impossible—no infrastructure

NYT, 1/4/’13

(“Exports of American Natural Gas May Fall Short of High Hopes”)

Resistance from environmental groups like the Sierra Club could help stop some export projects, especially outside the Gulf of Mexico region, which has long been comfortable with the oil and gas industry. And manufacturers like Dow Chemical are campaigning against unfettered exports to keep their costs down.

Over all, these factors will make it challenging for export projects to raise enough financing. L.N.G. terminal developers note that more than 20 import terminals proposed a decade ago were never built because of local opposition or lack of government permits and financing.

“Can all these projects get financed? That’s a good question,” said Marvin Odum, president of Shell Oil Company, which is looking at various possible L.N.G. terminal sites to invest in. “**The outcome of this is not likely to be unlimited L.N.G. exports.”**

Russia gas leverage already gone

Schulz and Bidder, Russia reporters – Der Spiegel, 2/1/’13

(Stefan and Benjamin, “Under Pressure: Once Mighty Gazprom Loses Its Clout,” Spiegel English Online)

The principle at stake is "take or pay." According to a long-standing clause in Gazprom's supply agreement, customers are obligated to accept a contractually-agreed minimum quantity of natural gas, and even if the customer uses less, Moscow gets paid the full sum. It's a common practice in the energy business and indicative of Russia's energy clout. But now Ukraine is digging in its heels and there is a good chance it won't have to pay up.

The dispute is symptomatic of the Russian energy giant's current plight. Technological progress is threatening its business model and the company that has long monopolized the market has failed to adjust in time. "Eat or be eaten" has been its general operating principle when it comes to prices. For decades, many countries, including Ukraine, relied on Gazprom for its gas supply, but the market is becoming increasingly global. With the supply of natural gas growing and prices falling, Gazprom is beginning to lose its grip on the market.

Three-Fold Pressure

There are three primary risks that are threatening the country. For one, rivals in the Middle East are constructing facilities for liquefied natural gas (LNG) and developing a fleet of special tankers that will be able to transport LNG to destinations thousands of kilometers away -- further than any pipeline and with far more flexible trade routes. In Europe and Asia, LNG is increasingly competing with Gazprom. Qatar in particular has massively boosted its LNG supply to Europe: In 2011, the emirate exported 44 billion cubic meters, compared to 5 billion cubic meters in 2006.

Secondly, Norway is expanding its gas exploration and wresting market share from Russia in Europe. According to Eurostat, the European Union's statistical authority, Norway's gas sales in Europe rose by 16 percent in 2012, while Gazprom's fell by 8 percent.

And thirdly, thanks to new drilling methods, it has become easier to extract natural gas trapped in permafrost, dense clay and, especially, shale, allowing for gas production in previously untapped regions. In the US particularly, fracking, as it known, has triggered a gas bonanza, making it hard for Russia to get a foothold in the market. Gazprom was aiming to secure 10 percent of the US market, but this goal now seems decidedly out of reach.

The Kremlin is feeling the effects of these developments in the gas market. In coming years, EU countries such as Poland are planning to concentrate on unconventional gas extraction in order to reduce reliance of Russia. With gas and oil accounting for 50 percent of state revenue, a drop in Russian exports will hit Moscow hard. In addition, it will lose leverage over countries such as Poland, Ukraine, Lithuania and other states that used belong to the Soviet sphere of influence. The German intelligence service Bundesnachrichtendienst (BND) predicts that the erstwhile energy giant will soon begin to lose power.

Reality Catches Up

Gazprom, as a result, has devolved from being one of the Kremlin's biggest political assets to becoming a problem child. Decades of market domination have made the company lazy and it is now failing to adapt. The company continues trying to impose costly, long-term supply contracts on its customers, even though gas prices on the spot market have long since begun undercutting Gazprom. Furthermore, it remains inefficient, often spending up to three times as much as its rivals on similar projects.

Now, reality is quickly catching up with the company -- and it has been brutal. Gazprom has beem forced to concede discounts to its customers with increasing frequency. Recently, Polish company PGNiG beat the supply price of Russian natural gas down from $500 to $450 per 1,000 cubic meters. German market leader E.on Ruhrgas, meanwhile, negotiated a price reduction of over €1 billion for 2012 alone. Customers are also buying more from Gazprom's rivals.

Gazprom is feeling the pinch. Between January and September, 2012, the company saw profits of some €20.2 billion, down 12 percent on the same period in 2011. Its turnover from gas exports dropped 8 percent to €44.9 billion. According to the former Deputy Energy Minister Vladimir Milov, now an opposition politician, the company's gas production fell by 6.7 percent to 478 billion cubic meters last year.

Gazprom blames the crisis in the key European market, which usually is responsible for two-thirds of the company's profits. Yet demand for Gazprom natural gas has dropped more steeply than demand for gas in general. In Italy, for example, general demand for natural gas declined in the first three quarter of 2012 by 2.6 percent, but Gazprom supplied 11 percent less in the same period. In the Netherlands, meanwhile, total sales dropped by 9 percent, with Gazprom's supply to the country dropping by 42.6 percent. Polish demand for gas actually rose by 6.2 percent, but imported 11.5 percent less from Gazprom.

As the company loses its market share, the European Commission is preparing to clip its wings even further. In early September, regulators launched an investigation into whether Gazprom might be hindering competition in Central and Eastern European gas markets, in breach of EU anti-trust rules. The investigation strikes at the heart of the Russian business model, and will examine several of its practices, such as whether it has imposed unfair prices on its customers by linking the price of natural gas to that of oil.

Changing Paradigms

Gazprom is also under pressure outside the EU. Ukraine, a chronically cash-strapped key customer of the Russian company, is cutting down on gas imports. The "take or pay" contracts signed in 2009 foresaw annual deliveries of 41.6 billion cubic meters, but Kiev imported just 25.9 billion cubic meters in 2012. In 2013, it expects to import only 20 billion cubic meters.

High energy costs are threatening to derail the Ukrainian economy. For the time being, the country pays an extortionate $425 per 1,000 cubic meters of gas, with Russia tying any potential reductions to political demands. Moscow has let Kiev know that it can only expect a discount if Ukraine joins the Russian-led Customs Union. Belarus has already caved in and now pays just $185 per 1,000 cubic meters of gas.

But Ukraine is working on ways to get by the blackmail. A terminal for LNG tankers is planned in Odessa, and just days before Gazprom presented the $7 billion invoice, Kiev signed a shale gas production sharing agreement with Shell. Further deals with Chevron and Exxon are also in the cards.

US drilling solves now

**Jaffe 11** (Amy Myers Jaffe is director of the Baker Institute Energy Forum at Rice University and co-author of Oil, Dollars, Debt, and Crises: The Global Curse of Black Gold. , Sept/Oct, "The Americas, Not the Middle East, Will Be the World Capital of Energy", www.foreignpolicy.com/articles/2011/08/15/the\_americas\_not\_the\_middle\_east\_will\_be\_the\_world\_capital\_of\_energy)

This hydrocarbon-driven reordering of geopolitics is already taking place. The petropower of Iran, Russia, and Venezuela has faltered on the back of plentiful American natural gas supply: A surplus of resources in the Americas is sending other foreign suppliers scrambling to line up buyers in Europe and Asia, making it more difficult for such exporters to assert themselves via heavy-handed energy "diplomacy." The U.S. energy industry may also be able to provide the technical assistance necessary for Europe and China to tap unconventional resources of their own, scuttling their need to kowtow to Moscow or the Persian Gulf. So watch this space: America may be back in the energy leadership saddle again.

No impact to gas control—countermeasures empirically prevent Russian leverage

Stegen, professor of Renewable Energy and Environmental Politics – School of Humanities & Social Sciences @ Jacobs University, ‘11

(Karen Smith, “Deconstructing the “energy weapon”: Russia's threat to Europe as case study,” Energy Policy Vol. 39, Issue 10, p. 6505–6513)

In some cases, Russia does seem to have implemented its energy weapon successfully. Without control over natural gas and important energy transit routes, for example, Russia could well have lost control over the symbolically significant Black Sea Fleet. However, the evidence for the consistently successful implementation of the energy weapon by Russia is less than overwhelming. Client states, even weak and highly dependent states such as the Baltic countries and Georgia, were able to resist changing their policies to appease Russia, often through the use of strategic alliances. This raises the question: why would Germany and other European countries not be able to resist similar pressure?

This more sanguine reading of Russia–European energy relations is, of course, grounded in the present. Twenty-five years ago, few would have believed that the Soviet Union and Warsaw Bloc would one day voluntarily dissolve themselves; what worries some policy makers and others are the long-term scenarios of world events that, from today's perspective, seem improbable. In one such scenario, a Russia led by the Siloviki (the Kremlin's hardliners) engages the West in a hot war and diverts Europe's supplies to China or elsewhere (Hill, 2006). The assumptions underlying such scenarios, from an energy standpoint, are that Europe's current dependency on Russia will continue and that European states will remain “helpless”.

As the response of western states to the 1970s OPEC oil embargo—the first use of the energy weapon—demonstrated, consumer states can develop countermeasures to supplier state manipulation. In the 1970s, these measures included the establishment of the International Energy Agency, through which oil importers can coordinate and limit supply shocks; creation of 90-day strategic oil reserves; significant reductions in the oil intensity of Western economies as well as the emergence of a strategic alliance between the U.S. and Saudi Arabia, which further limited OPEC's effectiveness. Thanks to these protections, plus the rise of non-OPEC oil production, the Middle East oil weapon lost some of its leverage (Perovic, 2009).

Similar to the countermeasures of the 1970s, the EU—after the January 2009 Russia–Ukraine gas crisis—also implemented protective measures against gas disruptions. The EU now requires all Member States to adopt and regularly update preventive action plans (the first action plans should be adopted by December 3, 2012) and to identify energy security threats—for which the insights of this article are pertinent—and mitigation measures. Unsurprisingly, suggested measures in Annex II of this regulation include diversifying gas suppliers and gas routes; investing into network infrastructure; increasing the share of renewable gas as a supply side measure; and increasing energy efficiency and fuel-switching as demand side measures (EU, 2010).

Even prior to legislating the above protective measures, the EU was pursuing the establishment of a single European gas market, which is expected to significantly contribute to European energy security as it would increase gas flows within the entire European Union and moderate the consequences of disruptions, no matter what their cause (for example, natural hazard or political manipulation). The recent implementation of the “third energy package”—the unbundling of energy producers from the network—will further enhance energy security as suppliers such as Gazprom will have to relinquish their transportation infrastructure. As one would expect, Putin has vociferously protested the third energy package (Socor, 2011b). Unbundling could stop a producer from being able to enact the energy weapon, but many questions remain over how the regulation will actually be enforced. Moreover, a supplier with shared borders could still own its domestic infrastructure and could still cause a disruption on its side of the border.

No relations impact

**Leonard 12** (Mark Leonard is co-founder and director of the European Council on Foreign Relations, the first pan-European think tank., 7/24/2012, "The End of the Affair", www.foreignpolicy.com/articles/2012/07/24/the\_end\_of\_the\_affair)

But Obama's stellar personal ratings in Europe hide the fact that the Western alliance has never loomed smaller in the imagination of policymakers on either side of the Atlantic. Seen from Washington, there is not a single problem in the world to be looked at primarily through a transatlantic prism. Although the administration looks first to Europeans as partners in any of its global endeavors -- from dealing with Iran's nuclear program to stopping genocide in Syria -- it no longer sees the European theater as its core problem or seeks a partnership of equals with Europeans. It was not until the eurozone looked like it might collapse -- threatening to bring down the global economy and with it Obama's chances of reelection -- that the president became truly interested in Europe. Conversely, Europeans have never cared less about what the United States thinks. Germany, traditionally among the most Atlanticist of European countries, has led the pack. Many German foreign-policy makers think it was simply a tactical error for Berlin to line up with Moscow and Beijing against Washington on Libya. But there is nothing accidental about the way Berlin has systematically refused even to engage with American concerns over German policy on the euro. During the Bush years, Europeans who were unable to influence the strategy of the White House would give a running commentary on American actions in lieu of a substantive policy. They had no influence in Washington, so they complained. But now, the tables are turned, with Obama passing continual judgment on German policy while Chancellor Angela Merkel stoically refuses to heed his advice. Europeans who for many years were infantilized by the transatlantic alliance, either using sycophancy and self-delusion about a "special relationship" to advance their goals or, in the case of Jacques Chirac's France, pursuing the even more futile goal of balancing American power, have finally come to realize that they can no longer outsource their security or their prosperity to Uncle Sam. On both sides of the Atlantic, the ties that held the alliance together are weakening. On the American side, Obama's biography links him to the Pacific and Africa but not to the old continent. His personal story echoes the demographic changes in the United States that have reduced the influence of Americans of European origin. Meanwhile, on the European side, the depth of the euro crisis has crowded out almost all foreign policy from the agenda of Europe's top decision-makers. The end of the Cold War means that Europeans no longer need American protection, and the U.S. financial crisis has led to a fall in American demand for European products (although U.S. exports to Europe are at an all-time high). What's more, Obama's lack of warmth has precluded him from establishing the sorts of human relationships with European leaders that animate alliances. When asked to name his closest allies, Obama mentions non-European leaders such as Recep Tayyip Erdogan of Turkey and Lee Myung-bak of South Korea. And his transactional nature has led to a neglect of countries that he feels will not contribute more to the relationship -- within a year of being elected, Obama had managed to alienate the leaders of most of Europe's big states, from Gordon Brown to Nicolas Sarkozy to Jose Luis Rodriguez Zapatero. Americans hardly remember, but Europe's collective nose was put out of joint by Obama's refusal to make the trip to Europe for the 2010 EU-U.S. summit. More recently, Obama has reached out to allies to counteract the impression that the only way to get a friendly reception in Washington is to be a problem nation -- but far too late to erase the sense that Europe matters little to this American president. Underlying these superficial issues is a more fundamental divergence in the way Europe and the United States are coping with their respective declines. As the EU's role shrinks in the world, Europeans have sought to help build a multilateral, rule-based world. That is why it is they, rather than the Chinese or the Americans, that have pushed for the creation of institutionalized global responses to climate change, genocide, or various trade disputes. To the extent that today's world has not collapsed into the deadlocked chaos of a "G-zero," it is often due to European efforts to create a functioning institutional order. To Washington's eternal frustration, however, Europeans have not put their energies into becoming a full partner on global issues. For all the existential angst of the euro crisis, Europe is not as weak as people think it is. It still has the world's largest market and represents 17 percent of world trade, compared with 12 percent for the United States. Even in military terms, the EU is the world's No. 2 military power, with 21 percent of the world's military spending, versus 5 percent for China, 3 percent for Russia, 2 percent for India, and 1.5 percent for Brazil, according to Harvard scholar Joseph Nye. But, ironically for a people who have embraced multilateralism more than any other on Earth, Europeans have not pooled their impressive economic, political, and military resources. And with the eurozone's need to resolve the euro crisis, the EU may split into two or more tiers -- making concerted action even more difficult. As a result, European power is too diffuse to be much of a help or a hindrance on many issues. On the other hand, Obama's United States -- although equally committed to liberal values -- thinks that the best way to safeguard American interests and values is to craft a multipartner world. On the one hand, Obama continues to believe that he can transform rising powers by integrating them into existing institutions (despite much evidence to the contrary). On the other, he thinks that Europe's overrepresentation in existing institutions like the World Bank and the International Monetary Fund is a threat to the consolidation of that order. This is leading a declining America to increasingly turn against Europe on issues ranging from climate change to currencies. The most striking example came at the 2009 G-20 in Pittsburgh, when Obama worked together with the emerging powers to pressure Europeans to give up their voting power at the IMF. As Walter Russell Mead, the U.S. international relations scholar, has written, "[I]ncreasingly it will be in the American interest to help Asian powers rebalance the world power structure in ways that redistribute power from the former great powers of Europe to the rising great powers of Asia today." But the long-term consequence of the cooling of this unique alliance could be the hollowing out of the world order that the Atlantic powers have made. The big unwritten story of the last few decades is the way that a European-inspired liberal economic and political order has been crafted in the shell of the American security order. It is an order that limits the powers of states and markets and puts the protection of individuals at its core. If the United States was the sheriff of this order, the EU was its constitutional court. And now it is being challenged by the emerging powers. Countries like Brazil, China, and India are all relatively new states forged by movements of national liberation whose experience of globalization has been bound up with their new sense of nationhood. While globalization is destroying sovereignty for the West, these former colonies are enjoying it on a scale never experienced before. As a result, they are not about to invite their former colonial masters to interfere in their internal affairs. Just look at the dynamics of the United Nations Security Council on issues from Sudan to Syria. Even in the General Assembly, the balance of power is shifting: 10 years ago, China won 43 percent of the votes on human rights in the United Nations, far behind Europe's 78 percent. But in 2010-11, the EU won less than 50 percent to China's nearly 60 percent, according to research by the European Council on Foreign Relations. Rather than being transformed by global institutions, China's sophisticated multilateral diplomacy is changing the global order itself. As relative power flows Eastward, it is perhaps inevitable that the Western alliance that kept liberty's flame alight during the Cold War and then sought to construct a liberal order in its aftermath is fading fast. It was perhaps inevitable that both Europeans and Americans should fail to live up to each other's expectations of their respective roles in a post-Cold War world. After all, America is still too powerful to happily commit to a multilateral world order (as evidenced by Congress's reluctance to ratify treaties). And Europe is too physically safe to be willing to match U.S. defense spending or pool its resources. What is surprising is that the passing of this alliance has not been mourned by many on either side. The legacy of Barack Obama is that the transatlantic relationship is at its most harmonious and yet least relevant in 50 years. Ironically, it may take the election of someone who is less naturally popular on the European stage for both sides to wake up and realize just what is at stake.

#### Or Central Asia

Collins, prof poli sci – Notre Dame, and Wohlforth, prof govt – Dartmouth, ‘4

(Kathleen and William, <http://www.dartmouth.edu/~govt/docs/15-Central%20Asia-press.pdf>)

While cautious realism must remain the watchword concerning an impoverished and potentially unstable region comprised of fragile and authoritarian states, our analysis yields at least conditional and relative optimism. Given the confluence of their chief strategic interests, the major powers are in a better position to serve as a stabilizing force than analogies to the Great Game or the Cold War would suggest. It is important to stress that the region’s response to the profoundly destabilizing shock of coordinated terror attacks was increased cooperation between local governments and China and Russia, and—multipolar rhetoric notwithstanding—between both of them and the United States. If this trend is nurtured and if the initial signals about potential SCO-CSTO-NATO cooperation are pursued, another destabilizing shock might generate more rather than less cooperation among the major powers.

Uzbekistan, Kyrgyzstan, Tajikistan, and Kazakhstan are clearly on a trajectory that portends longer-term cooperation with each of the great powers. As military and economic security interests become more entwined, there are sound reasons to conclude that “great game” politics will not shape Central Asia’s future in the same competitive and destabilizing way as they have controlled its past. To the contrary, mutual interests in Central Asia may reinforce the broader positive developments in the great powers’ relations that have taken place since September 11, as well as reinforce regional and domestic stability in Central Asia.

No Russia impact

Graham 7 (Thomas Graham, senior advisor on Russia in the US National Security Council staff 2002-2007, 2007, "Russia in Global Affairs” The Dialectics of Strength and Weakness http://eng.globalaffairs.ru/numbers/20/1129.html)

An astute historian of Russia, Martin Malia, wrote several years ago that “Russia has at different times been demonized or divinized by Western opinion less because of her real role in Europe than because of the fears and frustrations, or hopes and aspirations, generated within European society by its own domestic problems.” Such is the case today. To be sure, mounting Western concerns about Russia are a consequence of Russian policies that appear to undermine Western interests, but they are also a reflection of declining confidence in our own abilities and the efficacy of our own policies. Ironically, this growing fear and distrust of Russia come at a time when Russia is arguably less threatening to the West, and the United States in particular, than it has been at any time since the end of the Second World War. Russia does not champion a totalitarian ideology intent on our destruction, its military poses no threat to sweep across Europe, its economic growth depends on constructive commercial relations with Europe, and its strategic arsenal – while still capable of annihilating the United States – is under more reliable control than it has been in the past fifteen years and the threat of a strategic strike approaches zero probability. Political gridlock in key Western countries, however, precludes the creativity, risk-taking, and subtlety needed to advance our interests on issues over which we are at odds with Russia while laying the basis for more constructive long-term relations with Russia.

## navy

Massive production increases now—new drilling areas unnecessary—throw out old aff evidence

Tammy Klein, Hart Energy Downstream Research Senior VP, 1/15/13, A Refined Strategy: To Market, To Market, energy.nationaljournal.com/2013/01/should-america-exploit-energy.php

Recent technological advancements in the drilling of horizontal wells with multiple hydraulic fractures to extract oil and gas from shale and other tight formations have fundamentally altered petroleum supplies in the U.S. (and Canada). Production of these new, unconventional tight oils is growing rapidly. According to new estimates in Hart Energy’s Global Crude, Refining & Clean Transportation Fuels Outlook study, U.S. tight oil production rose to 1.70 million barrels per day in the last quarter of 2012 and is expected to approach 4.0 million b/d by 2020.

The increased supply of tight oil and oil sands crude will displace crude oil imports into the U.S. Gulf and Midcontinent by 2020. Considering the projected surplus production of U.S. refined products and the crude oil supply-and-demand balance, North America will become self-sufficient with respect to petroleum sometime between 2020 and 2025. Moreover, the growth in North American production will create the market need for crude exports by the end of this decade.

Those exports should be permitted and encouraged.

Recently, supplies of tight oil (and crude pricing discounts), and low natural gas prices have bolstered the competitive position of U.S. refiners. Contrary to popular belief, the refining industry has had a difficult time as a result of the economic downturn, spiking crude oil prices and the impact of new fuel programs and other environmental regulations. Low crude and natural gas prices, coupled with increased opportunities to export refined product, are sorely needed good news for an industry which has struggled through in recent years.

The U.S. supply and demand of refined products has experienced dramatic changes over the past three years. This country changed from being a net product importer of nearly 1.4 million b/d in 2007 to a net exporter of 0.8 million b/d in 2011. Gasoline imports fell as a result of declining demand and increased domestic supply provided by additional volumes of ethanol blended into the fuel. This shift in supply and demand will be magnified further when new fuel economy standards take effect.

Our study forecasts that exports of refined product will expand through 2015, at least. Progress in legislative activity on energy issues this year is unlikely, but Congress should do what it can to remove all barriers to accessing the export market. Let’s let the market – the experts as it were – determine how to best utilize and rationalize our crude, natural gas and refined product supplies.

Industry ‘insiders’ and natural pessimists are wrong—prefer our evidence

Entine, visiting scholar – AEI, 7/1/’11

(Jon, “Natural Gas "bubble" report: market tinkering or shoddy reporting?” AEI)

The New York Times rattled energy markets this week with a Sunday front page story asserting that many "insiders" in the natural gas industry harbor serious doubts about the long-term viability of the natural gas market. They are keeping mum, determined to cash in on the short-term exuberance over recent reports of sizable shale gas reserves, reporter Ian Urbina wrote.

"[W]e have a big problem," he quoted Deborah Rogers -- portrayed in the story as a "member of the advisory committee of the Federal Reserve Bank of Dallas" -- as saying.

It's one of 10 quotes deployed by the Times sharply criticizing the prospects for natural gas production from shale. Eight of them are from anonymous sources. The only other critic who is named, Houston geologist Art Berman, said the energy data suggests that gas fields contain far less reserves than claimed. It's "harder and harder to deny that the shale gas revolution is being oversold," he told Urbina.

The explosive article was re-posted literally thousands of times. It was echoed on TV and radio reports earlier this week and was the talk of the markets in the United States and Canada, where natural gas competes with oil, tar oil and coal investments. "Times' Nat Gas Slam Affects Markets," opined The Street.com. "Natural Gas Stocks Fall," headlined Bloomberg BusinessWeek. (Stories on RealClearMarkets and RealClearEnergy, however, subsequently questioned the Times' reporting in the article.)

Just as importantly, the sharply critical narrative has emboldened a faction of the environmental movement that is campaigning against fracking, the technique used to extract shale gas that some environmentalists claim makes this form of natural gas dirtier than coal.

Anti-natural gas members of Congress jumped on the bandwagon. "I urge the S.E.C. to quickly investigate whether investors have been intentionally misled," wrote Rep. Maurice Hinchey, D-N.Y., in one of three letters sent to the commission by four federal lawmakers, all Democrats. Indeed, Hinchey might be on to something. But in a twist, investigators might end up targeting the New York Times and the key sources for its report.

From the Fringe to the Mainstream

The Times has a venerable history of taking stories that other news outlets have ignored or under-appreciated and, with enterprising reporting, turning them into causes célèbre. Perhaps that was the case here; otherwise this topic choice is puzzling. After all, the "shale gas is a bubble" story has been knocking around the fringes of cyberspace for years.

Almost two years ago, the AP headlined its story on the phenomenon "Analyst: Gas shale may be the next bubble to burst," quoting Berman, who laid out the issues in a way that Urbina would later mimic almost point for point.

The two major promoters of the sky-is-falling thesis are Berman, who runs Labyrinth Consulting Services, and Henry Groppe, an octogenarian patriarch of Texas petroleum industry analysts Groppe, Long & Little. They have been pushing this view for years to wide skepticism and even ridicule from mainstream analysts.

For reasons never explained, the Times determined that Berman and Groppe were less Chicken Little and more banking analyst Meredith Whitney, for their fingerprints are all over its story. But even a cursory background check of the cited sources raises serious ethical issues, some of which may have resulted in market manipulations that could yet raise the ire of regulators in Canada and the U.S.

Financial Conflicts of Interest

Times' editors present this story as an independent investigation, as blowing the top off a conspiracy of silence from natural gas "insiders." It brags in a special section headlined "Industry Privately Skeptical of Shale Gas" of reviewing, over six months, "thousands of pages of documents related to shale gas, including hundreds of industry e-mails, internal agency documents and reports by analysts."

The Times posted some of the emails, although they are heavily redacted "to protect the confidentiality of sources." Readers are left with hyperbolic but anonymous fragments of criticism, many years out of date, sprinkled with derisive comments from Berman and Rogers.

Berman is described as a "geologist who worked two decades at Amoco and has been one of the most vocal skeptics of shale gas economics." There is no reason to begrudge Berman (or Groppe) from holding strong beliefs and trying to profit from them by selling their investment advice to hedge funds or other investors. But the responsibility of the Times is different. Context is the difference between truth and manipulation. Disclosure is a central canon of journalism ethics.

What didn't the Times disclose? Berman has direct and indirect financial ties to a range of critics of shale gas. For example, In January, Berman testified as a paid expert witness before the Indiana Utility Regulatory Commission in support of Indiana Gasification, a unit of Leucadia National Corp., detailing the benefits of buying natural gas made from coal instead of hydraulic fracturing. The coal industry fears getting crushed by the cleaner, natural gas movement, and Berman backed coal.

Berman not only has an indirect financial interest playing the role of shale gas skeptic, he has a direct conflict of interest: He (and Groppe) are "strategic partners" and "consultants" to Middlefield Capital in Toronto, according to Dean Orico, its president. They are both on retainer and are prominently featured on the company's website. Middlefield offers more than 30 funds and limited partnerships, including the Groppe Tactical Energy fund, which follow the two advisers' anti-shale gas investment outlook. It has sizable investments in key competitors to shale gas drillers, most prominently Canadian tar oil producers, an industry with far more environmental questions than the natural gas industry.

Berman was a paid speaker at an event sponsored by the Canadian Imperial Bank of Commerce, according to both CIBC and Berman. Both Middlefield and CIBC World Markets have clients who would profit from Berman taking an aggressive public stance. Moreover, if any of their clients, or indeed the fund managers at Middlefield, knew that the Times story was coming out, they could face charges of market manipulation under Canadian and U.S. securities law. (Orico said that Middlefield was never contacted by the Times and only found out about the story after it appeared. Berman claims he told no one at CIBC or Middlefield that he would be featured in a Times story challenging the financial feasibility of the shale gas market.)

Did Berman tell his strategic partners and clients, and directly profit from the Times story? Did Middlefield's funds or clients or CIBC's clients with knowledge of the Times' piece hold short interest in shale stocks or long interest in competitors' stocks? Did the Canadian oil sands industry, which includes Middlefield Capital, seek to influence the U.S. fracking debate, which could be a potential violation of the Foreign Agents Registration Act? Did Middlefield's funds or clients or CIBC's clients have short interest in shale stocks ahead of the Times report? Is the Times' key source dealing in inside information? Recall that Martha Stewart went to jail after being accused by the government of conspiracy, obstruction of justice, securities fraud and insider trading for getting advance word on market-moving news.

One also wonders whether Berman disclosed his relationships to the New York Times. Only Urbina and his editors know for sure. Berman states in an email that he has never profited indirectly or directly from his advice and specifically never gave any "information" to Middleton in his role as strategic partner and paid consultant on natural gas about the shale gas debate. I attempted to contact the reporter, the Times' executive editor, managing editor, business desk, news desk and public editor by phone and email for comment on the issues raised by the story. Eileen Murphy of paper's corporate communications office responded, writing that "the facts of the story are not in question and we fully stand by it," refusing to address the ethical issues raised by Urbina's reporting.

The Curious Case of the Federal Reserve "Adviser"

The Times' story rehashes criticism of the shale gas industry that has been rattling around the Internet for years. The only new identifiable voice is that of Deborah Rogers. She is described by Urbina as "a member of the advisory committee of the Federal Reserve Bank of Dallas" and later as a "commissioner" at the bank. She portrays herself as having begun her "financial career in Europe where she worked in Corporate Finance in London, specifically venture capital."

That sounds like someone with genuine credibility. And that's how she was treated on Monday, when she made the media rounds. CNBC, for example, featured her in an interview as a "retired financial consultant" now with the Federal Reserve.

In a telephone interview, Rogers said that she was once a model with the Ford agency, and left the job to join a one-person firm in London as an assistant. She returned to the U.S. and was briefly a stockbroker for Merrill Lynch. Now she's raises goats and is the founder of Farmstead, a dairy that makes artisanal cheeses.

Urbina also did not disclose that Rogers has been fighting the natural gas industry -- and Chesapeake Energy in particular -- tooth and nail for years. She is on the steering committee of the Oil and Gas Accountability Project at Earthworks, an anti-shale-gas advocacy group, and lectures around the country. In Urbina's story, in her public appearances, including on CNBC, and in her interview with me, she indicated she became an activist by accident. Urbina quoted her as "studying well data from shale companies in October 2009 after attending a speech by the chief executive of Chesapeake [Energy]," the central target of the Times' piece.

What's not reported is that this was hardly a serendipitous event. Throughout 2009, Rogers had tangled with Chesapeake, which has a well near her Texas farm. That spring, she commissioned a study by Wolf Eagle Environmental Engineers and Consultants that tried to prove that gas production was causing air pollution, endangering her farm.

In response to the complaint, the city of Fort Worth commissioned its own study, released that August. It dismissed her allegations, saying Wolf's study was "rudimentary in scope and design," adding, "Discussions of chemical hazards in the documents reviewed were generally exaggerated and speculative, not representative of the hazards posed by the actual concentrations of compounds detected." Ironically, a year later Rogers was cited for failing to conduct bacterial testing of well water at her farm, paid a fine and received 12 months' probation.

When I emailed the Federal Reserve Bank in Dallas about the Times' representation that she was on an "advisory committee" and was a "commissioner," spokesperson James Hoard corrected the record: She is an unpaid volunteer member of the "small business and agriculture advisory council (not 'committee'), which is composed of professionals primarily representing small business and agriculture . . . local citizens who provide input into regional business conditions. (Ms. Rogers is a cheese producer.)," he wrote. Hoard added that she has no "governance or policy responsibilities." The two former chairs instrumental in appointing her are executives in the oil industry: Jim Hackett at Anadarko Petroleum and Ray Hunt at Hunt Consolidated.

I asked Rogers whether she had discussed her ongoing battle with Chesapeake with the Times. She paused. "Call Urbina, call the New York Times." When pressed, she went silent. "Thanks," she said, and hung up.

Where were the Times' fact-checkers? Imagine how the reader of the Times' "investigation" would have assessed Rogers' credibility if Urbina had revealed key contextual details. Would she have been seen as credible, or even featured in the piece, if she had been introduced as "Deborah Rogers, a goat farmer, cheesemaker and activist who has tangled repeatedly with Chesapeake Energy and lectures for anti-fracking NGOs"? That would have been a one-sided caricature -- but no less deceptive than the résumé details cherry-picked by Urbina.

I spoke with representatives of two companies that are portrayed in the Times' piece as peddling to their customers the "bubble lie" that shale gas has a rosy future. PNC Wealth Management said it was not contacted by the reporter. IHS Drilling Data spokesperson David Pendery, quoted in the Times story, was irked at the paper. "I got a bizarre call from the New York Times reporter, who wanted me to respond to sections of an email that he read to me, but he wouldn't supply us with the actual email so we could read it in context," he said. "He wasn't very professional."

The Times' readers were never informed that the key named sources in a market-shaking investigative report are activists with personal stakes in the debate or with direct financial conflicts. By running this piece, the Times chose to endow with credibility what other responsible news outlets had determined was less than newsworthy. Issues large and small have been raised by the newspaper's reporting. Hopefully, the paper's editors or its public editor, Arthur Brisbane, will address the matter.

Drilling doesn’t decrease prices

Conathan 12 (Michael Conathan is the Director of Ocean Policy at American Progress. His work focuses on driving progressive solutions to the multitude of problems facing the world’s oceans. Prior to joining American Progress, Mike spent five years staffing the Senate Committee on Commerce, Science, and Transportation’s Subcommittee on Oceans, Atmosphere, Fisheries, and Coast Guard—initially serving a one-year appointment as a Dean John Knauss Marine Policy Fellow before joining the committee full-time as a professional staff member in 2007. In that capacity Mike worked primarily for Subcommittee Ranking Member Sen. Olympia Snowe (R-ME), as well as the Ranking Members of the full committee, Sen. Ted Stevens (R-AK) and Kay Bailey Hutchison (R-TX). He oversaw enactment of multiple key pieces of ocean legislation, including the Magnuson-Stevens Fishery Conservation and Management Reauthorization Act, the Integrated Coastal and Ocean Observing Act, the Federal Ocean Acidification Research and Monitoring Act, and the Shark Conservation Act. A native Cape Codder, Mike received a master’s degree in marine affairs from the University of Rhode Island in 2005 and also holds a Bachelor of Arts in English literature from Georgetown University., 2/29/2012, "More Drilling Won’t Lower Gas Prices", [www.americanprogress.org/issues/green/news/2012/02/29/11091/more-drilling-wont-lower-gas-prices/](http://www.americanprogress.org/issues/green/news/2012/02/29/11091/more-drilling-wont-lower-gas-prices/))

This fundamental concept is widely understood by anyone who has sat through those Econ 101 lectures, and anyone who’s ever noticed a parking lot near a major sports venue jack up its prices on game day can easily relate. The concept is also the driving force behind the 2012 conservative reincarnation of Michael Steele and Sarah Palin’s favorite 2008 campaign slogan: “drill, baby, drill.” If the solution were so simple, then the problem of rising gasoline prices wouldn’t exist—we’re already drilling like crazy in the United States. And yet prices have continued to spike. As my colleague Daniel J. Weiss explains, the reasons for the recent price increase are myriad and include political instability in the Persian Gulf, the influence of financial speculators, and increasing worldwide demand as economies recover. Yet many conservatives are dusting off their old bumper stickers and touting more drilling as the sole solution to high prices at the pump. One Republican presidential contender, former Speaker of the House Newt Gingrich, is on the campaign trail promising that if elected he’ll get the price of gasoline back to a nationwide average of $2.50 per gallon. Yet even in a 29-minute infomercial-style speech, he couldn’t find the time to address any of the reasons why more drilling will not lead to lower prices. Gingrich simply trumpets the misguided talking points of building the Keystone XL pipeline, tapping shale oil in the upper Midwest, and of course opening more areas to offshore drilling. He then leaves it to his audience to make the assumption that supply-side economics will work its voodoo magic, and presto-change-o, we’ll all be able to drive Hummers and have enough cash left over to put a latte in every cupholder. By contrast, President Barack Obama delivered an address on energy last Thursday in which he made the less politically expedient but actually realistic proclamation that “there is no silver bullet” that will solve our energy problem. He further suggested anyone who pitches the idea that drilling alone will lower gas prices “doesn’t know what they’re talking about or just isn’t telling you the truth.” If increasing oil drilling lowered gas prices, we’d know it already. When President Obama took office in 2009, there were fewer than 400 drilling rigs operating in the United States, a number that dwindled to fewer than 200 by April 2009. Since then, even as his administration conducted a wholesale review of drilling regulations in the aftermath of the worst offshore oil spill in the nation’s history—the BP Deepwater Horizon oil catastrophe in the Gulf of Mexico—the number of oil rigs operating in the United States has quadrupled. But that massive influx of supply has done nothing to reduce the price we pay to top up our tanks. As fundamental as the law of supply and demand might be to macroeconomic theory, the on-the-ground reality is that more drilling will not lower gas prices. Here’s why: It hasn’t worked yet. There are currently more oil rigs operating on U.S. lands and waters than in the rest of the world combined, production is at an eight-year high, and the most recent “Short-Term Energy Outlook” from the Energy Information Administration projects production to continue growing at least through 2013 based on current activity. By the end of President Obama’s recently issued five-year drilling plan, fully 75 percent of our undiscovered, technically recoverable offshore reserves will be open to drilling. All that additional activity hasn’t stemmed the recent gas price spike. If oil companies wanted to increase production, they could. In March 2011 the Department of the Interior released a report revealing two-thirds of oil-and-gas companies’ offshore leases and more than half of their onshore leases are not being produced. Pumping oil takes time. Opening new offshore areas will take seven years to produce any new oil, and the Arctic National Wildlife Refuge will take 10 years to produce a single drop of oil. Even if more production would lower prices, it wouldn’t happen tomorrow. And the Energy Information Administration finds that even if we wave the green flag for our entire exclusive economic zone, it will do nothing more than reduce the cost of gasoline by two cents, and not until 2030. You can’t put crude oil in your tank. Ultimately, gasoline supply is constrained not by oil production but by refining capacity. More than half of the nation’s refineries are controlled by five companies, and last spring, as gas prices surged close to $4 per gallon, the Los Angeles Times reported domestic refineries were “operating at about 81 percent of their production capacity,” and that exports of refined products such as gasoline were increasing because foreign buyers were “willing to pay a premium.” Take one look at gas prices in Europe and you’ll understand why. Supply is global too. As U.S. production increased, other oil-producing countries actually reduced their output to ensure the price didn’t fluctuate. Remember, there are two ways to make money—increase volume, or increase price. Countries such as Saudi Arabia, whose reserves are reportedly on the decline, have every motive to ration their golden geese’s eggs.

Tons of idle leases—expanding available land fails

Weiss, director – Climate Strategy @ Center for American Progress Action Fund, 5/15/’12

(Daniel J., “Dept. Of Interior Finds 72 Percent Of Offshore Acreage Leased By The Oil Industry Is ‘Idle’,” <http://thinkprogress.org/climate/2012/05/15/484558/dept-of-interior-finds-nearly-two-thirds-of-acreage-leased-by-the-oil-industry-lies-idle/>)

The Department of Interior released an updated analysis of fossil fuel leases today, finding that more than two thirds of offshore leases and half of onshore leases are sitting idle — “neither producing nor under active exploration.”

The report, “Oil and Gas Lease Utilization, Onshore and Offshore Updated Report to the President,” explained that oil and gas companies hold **thousands of undeveloped leases.** Despite holding these inactive leases, the oil industry continues to demand the opening of new, previously protected federal lands and waters areas to drilling.

The report found that:

More than 70 percent of the tens of millions of offshore acres currently under lease are inactive, neither producing nor currently subject to approved or pending exploration or development plans. Out of nearly 36 million acres leased offshore, only about 10 million acres are active – leaving nearly 72 percent of the offshore leased area idle.

In the lower 48 states, an additional 20.8 million acres, or 56 percent of onshore leased acres, remain idle. Furthermore, there are approximately 7,000 approved permits for drilling on federal and Indian lands that have not yet been drilled by companies.

According to the Energy Information Administration, total federal oil production (offshore and onshore) has increased by 13 percent during the first three years of the Obama administration combined, compared with the last three years of the previous administration. According to independent analysis, the total number of active rigs operating on the U.S. outer continental shelf was higher in January 2012 than any time since May 2010.

The American Petroleum Institute – Big Oil’s lobbying arm — claims that the Department of Interior ignores exploratory work on leases; however, **that is clearly included in DOI’s assessment above.**

API recently demanded that the Obama Administration open up the North Atlantic to “seismic exploration” for oil. This is an area that supports vital American fisheries.

In addition to holding thousands of undeveloped leases while lobbying to drill in the Arctic National Wildlife Refuge, off the New England Coast, and in the Eastern Gulf of Mexico, the big five oil companies produced 12 percent less oil in 2011 than in 2006 — all while making record profits.

Takes at least five years to begin and has no impact on prices

CFAP 8 (Center for American Progress, 9/15/2008, "Ten Reasons Not to Expand Offshore Drilling", [www.americanprogress.org/issues/green/news/2008/09/15/4894/ten-reasons-not-to-expand-offshore-drilling/](http://www.americanprogress.org/issues/green/news/2008/09/15/4894/ten-reasons-not-to-expand-offshore-drilling/))

6. Production would be expensive, would not start for a long time, and would have no short-term effect on oil prices. The average oil field size in the OCS is smaller than the average in the Gulf of Mexico, which is already being developed. As a result, much of the oil in the OCS would be expensive to extract, and is only becoming attractive now as a result of high oil prices. According the Energy Information Administration, it would take at least five years for oil production to begin. EIA predicted that there would be no significant effect on oil production or price until nearly 20 years after leasing begins.

Doesn't solve shipbuilding

Kavalov et al 09

B. Kavalov, H. Petri´c, A. Georgakaki, JRC Reference Reports, 2009, "Liquefied Natural Gas for Europe – Some Important Issues for Consideration", http://ec.europa.eu/dgs/jrc/downloads/jrc\_reference\_report\_200907\_liquefied\_natural\_gas.pdf

Shipbuilding and repair activity: The expansion of the LNG carrier sector is likely to have only a marginal impact on world shipbuilding and ship repair activity. Shipbuilding will take place mainly in low-cost shipbuilding countries, possibly in the Far East and Turkey. The anticipated increase in European voyages is likely to lead to increased levels of repair activity. This may open up opportunities for European yards, especially in Southern Europe, where significant experience has been gained in the past.

#### Data disproves hegemony impacts

Fettweis, 11

Christopher J. Fettweis, Department of Political Science, Tulane University, 9/26/11, Free Riding or Restraint? Examining European Grand Strategy, Comparative Strategy, 30:316–332, EBSCO

It is perhaps worth noting that there is no evidence to support a direct relationship between the relative level of U.S. activism and international stability. In fact, the limited data we do have suggest the opposite may be true. During the 1990s, the United States cut back on its defense spending fairly substantially. By 1998, the United States was spending $100 billion less on defense in real terms than it had in 1990.51 To internationalists, defense hawks and believers in hegemonic stability, this irresponsible “peace dividend” endangered both national and global security. “No serious analyst of American military capabilities,” argued Kristol and Kagan, “doubts that the defense budget has been cut much too far to meet America’s responsibilities to itself and to world peace.”52 On the other hand, if the pacific trends were not based upon U.S. hegemony but a strengthening norm against interstate war, one would not have expected an increase in global instability and violence.

The verdict from the past two decades is fairly plain: The world grew more peaceful while the United States cut its forces. No state seemed to believe that its security was endangered by a less-capable United States military, or at least none took any action that would suggest such a belief. No militaries were enhanced to address power vacuums, no security dilemmas drove insecurity or arms races, and no regional balancing occurred once the stabilizing presence of the U.S. military was diminished. The rest of the world acted as if the threat of international war was not a pressing concern, despite the reduction in U.S. capabilities. Most of all, the United States and its allies were no less safe. The incidence and magnitude of global conflict declined while the United States cut its military spending under President Clinton, and kept declining as the Bush Administration ramped the spending back up. No complex statistical analysis should be necessary to reach the conclusion that the two are unrelated.

Military spending figures by themselves are insufficient to disprove a connection between overall U.S. actions and international stability. Once again, one could presumably argue that spending is not the only or even the best indication of hegemony, and that it is instead U.S. foreign political and security commitments that maintain stability. Since neither was significantly altered during this period, instability should not have been expected. Alternately, advocates of hegemonic stability could believe that relative rather than absolute spending is decisive in bringing peace. Although the United States cut back on its spending during the 1990s, its relative advantage never wavered.

However, even if it is true that either U.S. commitments or relative spending account for global pacific trends, then at the very least stability can evidently be maintained at drastically lower levels of both. In other words, even if one can be allowed to argue in the alternative for a moment and suppose that there is in fact a level of engagement below which the United States cannot drop without increasing international disorder, a rational grand strategist would still recommend cutting back on engagement and spending until that level is determined. Grand strategic decisions are never final; continual adjustments can and must be made as time goes on. Basic logic suggests that the United States ought to spend the minimum amount of its blood and treasure while seeking the maximum return on its investment. And if the current era of stability is as stable as many believe it to be, no increase in conflict would ever occur irrespective of U.S. spending, which would save untold trillions for an increasingly debt-ridden nation.

It is also perhaps worth noting that if opposite trends had unfolded, if other states had reacted to news of cuts in U.S. defense spending with more aggressive or insecure behavior, then internationalists would surely argue that their expectations had been fulfilled. If increases in conflict would have been interpreted as proof of the wisdom of internationalist strategies, then logical consistency demands that the lack thereof should at least pose a problem. As it stands, the only evidence we have regarding the likely systemic reaction to a more restrained United States suggests that the current peaceful trends are unrelated to U.S. military spending. Evidently the rest of the world can operate quite effectively without the presence of a global policeman. Those who think otherwise base their view on faith alone.

#### No impact to naval power

Tillman 9 (Barrett Tillman, Historian specializing in naval and aviation topics, 2009. U.S. Naval Institute Proceedings Magazine, “Fear and Loathing in the Post-Naval Era,” http://www.usni.org/magazines/proceedings/story.asp?STORY\_ID=1896)

In attempting to justify a Cold War force structure, many military pundits cling to the military stature of China as proof of a possible large conventional-war scenario against a pseudo-peer rival. Since only China possesses anything remotely approaching the prospect of challenging American hegemony—and only in Asian waters—Beijing ergo becomes the "threat" that justifies maintaining the Cold War force structure. China's development of the DF-21 long-range antiship ballistic missile, presumably intended for American carriers, has drawn much attention. Yet even granting the perfection of such a weapon, the most obvious question goes begging: why would China use it? Why would Beijing start a war with its number-two trading partner—a war that would ruin both economies?10 Furthermore, the U.S. Navy owns nearly as many major combatants as Russia and China combined. In tonnage, we hold a 2.6 to 1 advantage over them. No other coalition—actual or imagined—even comes close. But we need to ask ourselves: does that matter? In today's world the most urgent naval threat consists not of ships, subs, or aircraft, but of mines-and pirates.11

# 2NC

## at: we meet—OCS moratorium

#### Other parts of the T debate irrelevant if we win no ban on OCS drilling—the moratorium was LIFTED

Kathleen Gramp and Jeff LaFave, CBO Budget Analysis Division, August 2012, http://www.cbo.gov/sites/default/files/cbofiles/attachments/08-09-12\_Oil-and-Gas\_Leasing.pdf

Other than the temporary ban on leasing in the eastern Gulf of Mexico, there currently are no statutory restrictions on OCS leasing. Decisions about leasing are made administratively—in consultation with industry and the states—for five-year periods. Leases cannot be offered for areas that are not included in a five-year plan, but the available regions may change whenever a new plan is adopted. The next plan is expected to go into effect in August 2012 and will extend for five years unless a future Administration chooses to restart the process before that plan expires.

The new leasing strategy opens up OCS drilling

Adam Fetcher, Dept of Interior, 6/28/12, Interior Finalizes Plan to Make All Highest-Resource Areas in the U.S. Offshore Available for Oil & Gas Leasing, www.doi.gov/news/pressreleases/Interior-Finalizes-Plan-to-Make-All-Highest-Resource-Areas-in-the-US-Offshore-Available-for-Oil-and-Gas-Leasing.cfm

As part of the Obama administration’s all-of-the-above energy strategy to expand safe and responsible domestic energy production, Secretary of the Interior Ken Salazar and Bureau of Ocean Energy Management (BOEM) Director Tommy Beaudreau today announced the release of a proposed final offshore oil and gas leasing program for 2012-2017 that makes all areas with the highest-known resource potential – including frontier areas in the Alaska Arctic – available for oil and gas leasing in order to further reduce America’s dependence on foreign oil.

Consistent with the President’s direction, the Obama administration’s Proposed Final U.S. Outer Continental Shelf Oil and Gas Leasing Program makes available areas focused on the most likely recoverable oil and gas resources that the U.S. Outer Continental Shelf is estimated to hold. It schedules 15 potential lease sales for the five-year period, including 12 in the Gulf of Mexico and three off the coast of Alaska.

“Put simply, this program opens the vast majority of known offshore oil and gas resources for development over the next five years and includes a cautious but forward-looking leasing strategy for the Alaska Arctic,” said Secretary Salazar. “President Obama has made clear his commitment to expanding responsible domestic oil and gas production in America as part of this all-of-the-above energy strategy, and with comprehensive safety standards in place, this plan will help us to continue to grow America’s energy economy and further reduce our dependence on foreign oil, while protecting marine, costal and human health.”

Today’s announcement builds on a series of actions taken by the Obama administration to meet President Obama’s directive to continue to expand safe and responsible production of America’s important domestic resources. Successful offshore lease sales held by the Department of the Interior in the Western and Central Gulf of Mexico in recent months have made available approximately 60 million acres of resource-rich areas for industry leasing that will bring additional domestic resources to market.

This includes the aff

Adam Fetcher, Dept of Interior, 6/28/12, Interior Finalizes Plan to Make All Highest-Resource Areas in the U.S. Offshore Available for Oil & Gas Leasing, www.doi.gov/news/pressreleases/Interior-Finalizes-Plan-to-Make-All-Highest-Resource-Areas-in-the-US-Offshore-Available-for-Oil-and-Gas-Leasing.cfm

The 15 scheduled potential lease sales contained in the plan will occur in six planning areas – the Western and Central Gulf of Mexico, the portion of the Eastern Gulf Of Mexico not currently under Congressional moratorium, and the Chukchi Sea, Beaufort Sea and Cook Inlet Planning Areas offshore Alaska.

In the Central and Western Gulf of Mexico Planning Areas, which have the most abundant proven and estimated oil and gas resources as well as broad industry interest and mature infrastructure, the Proposed Final Program includes annual area-wide sales of all available, unleased acreage, as has been the typical practice in the Central and Western Gulf of Mexico. Additionally, within the portion of the Eastern Gulf of Mexico Planning Area made available for leasing under the Gulf of Mexico Energy Security Act, there are two scheduled sales there.

For offshore Alaska, the Proposed Final Program schedules three potential sales – one each in the Chukchi Sea and Beaufort Sea Planning Areas that span the Alaska Arctic, and one in the Cook Inlet Planning Area off of south-central Alaska.

#### Lack of lease sales is not a restriction

**CBO 12** (Congressional Budget Office, August 2012, "Potential Budgetary Effects of Immediately Opening Most Federal Lands to Oil and Gas Leasing", [www.cbo.gov/sites/default/files/cbofiles/attachments/08-09-12\_Oil-and-Gas\_Leasing.pdf](http://www.cbo.gov/sites/default/files/cbofiles/attachments/08-09-12_Oil-and-Gas_Leasing.pdf))

Leasing Offshore Federal Lands The geographic scope of leasing on the Outer Continental Shelf has changed often over the past few decades.3 CBO anticipates that, under current law, **DOI will offer leases for** most of the acreage in the OCS **over the next several decades**. Until the early 1980s, DOI offered leases in all of the OCS, including the areas off the Atlantic, Pacific, and Florida coasts. In 1990, after the Congress imposed a series of temporary restrictions, President George H.W. Bush withdrew large portions of the OCS in the Atlantic and Pacific Oceans and the eastern Gulf of Mexico from the leasing program. Those restricted areas were subsequently expanded by President Clinton. Then, in 2008, President George W. Bush narrowed the restrictions to include only areas that had been designated as National Marine Sanctuaries. In 2010, President Obama removed Alaska’s Bristol Bay area from the leasing program until the end of June 2017. Since 2008, policies on leasing in the Atlantic and Pacific OCS have varied, reflecting differences between the two most recent Administrations. In January 2009, DOI issued a proposed five-year plan that included lease sales in the Atlantic and Pacific OCS for the 2010–2015 period. The program proposed in June 2012 does not include an option for sales in those areas between 2012 and 2017. Neither plan involved the areas in the Gulf of Mexico adjacent to the Florida coast in which leasing is now prohibited until the end of June 2022.4 Other than the temporary ban on leasing in the eastern Gulf of Mexico, there currently are no statutory restrictions on OCS leasing. Decisions about leasing are made administratively—in consultation with industry and the states—for five-year periods. Leases cannot be offered for areas that are not included in a five-year plan, but the available regions may change whenever a new plan is adopted. The next plan is expected to go into effect in August 2012 and will extend for five years unless a future Administration chooses to restart the process before that plan expires. Historical experience suggests that only a fraction of the leases awarded in the OCS will eventually be brought into production. Almost 60 percent of the OCS leases issued in the Gulf of Mexico through 2007 either expired or were relinquished without producing any oil or natural gas.5 CBO estimates that almost 90 percent of the 2011 OCS production was from leases issued before 2001, reflecting the long lead times associated with exploring and developing oil and gas fields. 6

## at: ci—financial inducment

#### Economic inducements and conditions are unlimited

Thompson Trott and Tallman 3

TOPA EQUITIES LTD v. CITY OF LOS ANGELES TOPA EQUITIES, LTD., Plaintiff-Appellant, v. CITY OF LOS ANGELES, Defendant-Appellee, Coalition for Economic Survival;  Maria Lourdes Lara;  Tai Park, Intervenors-Appellees. No. 02-56034. Argued and Submitted June 4, 2003. -- September 08, 2003 Before THOMPSON, TROTT, and TALLMAN, Circuit Judges. Susan S. Azad and Kathryn M. Davis, Latham & Watkins, Los Angeles, CA, for the plaintiff-appellant.Harry J. Kelly, Nixon Peabody, Washington, DC, for the amici curiae in support of plaintiff-appellant.Kenneth T. Fong, Los Angeles City Attorney's Office, Los Angeles, CA, for the defendant-appellee.Kenyon F. Dobberteen, Legal Aid Foundation of Los Angeles, Los Angeles, CA, for the intervenors-appellees.David Pallack and Min Chang, Neighborhood Legal Services of Los Angeles County, Pacoima, CA, James R. Grow and Craig Castellanet, National Housing Law Project, Oakland, CA, Deanna Kitamura, Western Center on Law and Poverty, Los Angeles, CA, for the amici curiae in support of defendant-appellee. OPINION

<http://caselaw.findlaw.com/us-9th-circuit/1371163.html>

The terms “restrict or inhibit” which appear in § 4122(a) are not defined by the statute;  therefore, we construe them “in accordance with [their] ordinary or natural meaning.”  United States v. Velte, 331 F.3d 673, 677 (9th Cir.2003) (internal quotation marks omitted).   The Fourth Edition of Webster's New World College Dictionary (2002) defines “restrict” as to “put certain limitations on;” it defines “inhibit” as “to hold back or keep from some action” and “to prohibit;  forbid.” LARSO neither prohibits nor limits TOPA's ability to prepay its federally subsidized mortgage.   TOPA is free to prepay its subsidized mortgage and leave the federal program if it wishes.   If it does so, it becomes subject to the 1990 LARSO amendments the same as any other apartment owner with existing tenants.   If TOPA chooses to prepay its subsidized mortgage and replace it, the interest rate it will pay on its replacement mortgage will no doubt exceed the interest rate it was paying on its subsidized mortgage.   But this is an economic choice TOPA is free to make.

## at: reasonability

#### Reasonability is impossible – it’s arbitrary and undermines research and preparation

Resnick, assistant professor of political science – Yeshiva University, ‘1

(Evan, “Defining Engagement,” Journal of International Affairs, Vol. 54, Iss. 2)

In matters of national security, establishing a clear definition of terms is a precondition for effective policymaking. Decisionmakers who invoke critical terms in an erratic, ad hoc fashion risk alienating their constituencies. They also risk exacerbating misperceptions and hostility among those the policies target. Scholars who commit the same error undercut their ability to conduct valuable empirical research. Hence, if scholars and policymakers fail rigorously to define "engagement," they undermine the ability to build an effective foreign policy.

## 2nc squo solves

New Texas plays

Tracy, energy reporter – Street Authority, 1/29/’13

(Chad, “The Latest Major Energy Discovery Could "Dwarf North Dakota",” <http://www.streetauthority.com/energy-commodities/latest-major-energy-discovery-could-dwarf-north-dakota-460380>)

The American Energy Renaissance has gotten a lot of press. And it should. The prediction that the United States will surpass Saudi Arabia as the world's largest oil and gas producer by 2020 is big news.

But what's truly amazing about this story is that the headlines just keep coming.

Regular readers of StreetAuthority are by now probably familiar with the enormous and expanding reserves of oil and gas that have been discovered in the Bakken Shale of North Dakota, the Marcellus Shale in the Mid-Atlantic region and the Eagle Ford Shale in Texas.

In fact, Scarcity and Real Wealth Editor Nathan Slaughter just gave his subscribers an in-depth analysis of a new discovery in his home state of Louisiana: the Tuscaloosa Shale Formation.

And now another play is ramping up in the West Texas region, a find with so much potential that John Breyer, a geologist and technical consultant for Marathon Oil Corp. (NYSE: MRO), has said **it could "dwarf" the reserves already discovered in North Dakota.**

"It's like the Eagle Ford on steroids. They haven't even begun. We're just in the toe of this thing," Ken Morgan, director of the Texas Christian University Energy Institute, has said.

It may be hard to imagine that new discoveries are still being made in Texas. After all, the state is practically synonymous with oil barons and energy riches. Companies like ConocoPhillips (NYSE: COP) and Exxon Mobil (NYSE: XOM) are based in Texas, and the first Texas oil well was drilled in 1866.

But with new hydraulic fracturing (fracking) technology, reserves once deemed unreachable are now being recovered.

The latest region undergoing horizontal exploration is known as the Permian Basin in West Texas. This region is home to the well-known Spraberry Field, from which 10 billion barrels have been recovered since drilling began in the 1950s.

Though there are a number of promising new plays inside the 300-mile-long Basin, today I'd like to focus on the Cline Shale play.

Two companies, Devon Energy Corp. (NYSE: DVN) and Chesapeake Energy (NYSE: CHK), recently reported **impressive test results** in the region. Devon's wells show that the formation contains 3.6 million recoverable barrels of oil per square mile. As the Cline is roughly 9,800 square miles in size, this works out to estimated reserves in excess of 30 billion barrels.

**These reserves could easily eclipse** the **Bakken** (4.3 billion barrels according to conservative government estimates) **and** the **Eagle Ford** (3 billion barrels).

Something I should point out here is that the numbers quoted above are subject to change, have changed often in the past and can vary wildly depending on your source.

Still, Devon's total proved reserves stand at 3 billion barrels of oil equivalent. And if Devon's estimations about the Cline play **come anywhere close** to being accurate, then energy investors should be taking a long, hard look at the stocks.

Err neg—companies underreport

Cline, BS geological science – Penn State, MS and PhD petroleum engineering – University of Oklahoma, MBA, geophysicist, geologist, petroleum engineer, and senior manager – Chevron, independent oil/gas consultant, subject matter expert on well construction and hydraulic fracturing – EPA, testified before the NY State Assembly Energy and Environmental Committees on hydraulic fracturing, 4/4/’12

(Scott, “Deborah Rogers: Mother of All Natural Gas Spin,” <http://eidmarcellus.org/marcellus-shale/deborah-rogers-mother-of-all-natural-gas-spin/7734/>)

And, let’s be clear. The greatest fear for a CEO, and top management in general, is the impairment charge where reserve values are written down and charges against income occur. Therefore, companies tend to be very conservative with their volume estimates to avoid such an embarrassment. As the natural gas prices plummeted from an average of $7.97 in 2008 to $4.48 in 2010, or almost 44%, wouldn’t it be natural for impairments to have occurred that often had nothing to do with reserve volumes? If gas prices remain at ten-year lows there may be more impairments, **but it may not be related to reserves**; that is to say the volumes of oil and gas economically extractable.

## 2nc author indicts

Framing argument---skeptics’ method is wrong—using general trends of production is key because well characteristics are site-specific

Cline, BS geological science – Penn State, MS and PhD petroleum engineering – University of Oklahoma, MBA, geophysicist, geologist, petroleum engineer, and senior manager – Chevron, independent oil/gas consultant, subject matter expert on well construction and hydraulic fracturing – EPA, testified before the NY State Assembly Energy and Environmental Committees on hydraulic fracturing, 4/1/’12

(Scott, “Where Is That Natural Gas Treadmill?,” <http://eidmarcellus.org/marcellus-shale/natural-gas-treadmill/7596/>)

I addressed some of Deborah Rogers “resource economics” in my last post entitled “Natural Gas Critic Refuses to See What’s Before Her Eyes,” but that was just the beginning, as she next turned to shale gas micro-economics with the theme that, even if the resource potential is enormous, the wells must be uneconomical. She argues continued exploration and development of natural gas from shale is just a scam to defraud investors by keep production artificially high enough to service debt while individual wells are “falling on their face.”

Really? Well, no that’s just not correct.

One Gas Well Is Not an Industry

Rogers begins this particular argument by claiming that, Dr. John Lee, a legendary petroleum engineer now at the University of Houston, told her in an email exchange that only 20% of shale gas wells will be economic and the other 80% are uneconomic. And she says her “friend” Arthur Berman, a peak oil theory geologist, says it’s more like 90%. Now, what does that really mean?

What Dr. Lee is more likely trying to say, and Ms. Rogers is misinterpreting through inexperience, is that there is considerable variation in the quality of natural gas shale wells, as is also the case with conventional wells, especially when you add in the large “dry hole” risk in conventional well drilling that is not present in shale gas drilling.

With natural gas from shale we do find that a certain percentage, that varies by play, can be very prolific and would probably be economic at almost any natural gas price. Some Marcellus wells are so prolific, in fact, they “payout” in less than a year even at low gas prices.

To know the ultimate economics of the remaining percent (she says 80%, an oversimplified estimate that, in reality, varies by area and time) would require knowledge of when each well was drilled, the product price over time for each unit of production sold, the operating cost structure, the lease cost, the operator’s royalty burden, the actual well cost and many other factors that are often operator specific. Just labeling individual wells uneconomic because somebody has extrapolated a decline curve, slapped an assumed gas price on the production, assumed a general operating cost profile and royalty rate is not sufficient.

And, indeed, the more relevant measure is whether or not a play or portfolio of oil and gas properties has value in excess of its costs. So, let’s look at some actual transactions between buyers and sellers of shale gas properties to better measure the value and economics. The IRS definition of fair market value:

“ fair market value is the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.”

Significant transactions have confirmed enormous reserve and economic potential. Just a few examples include last month’s sale of PetroHawk to BHP Billiton for $12.1 billion or a 61% premium to its pre-sale announcement share price and an all time high.

Apparently, PetroHawk, who Ms. Rogers portrayed as a poster child of reserve inflation, wasn’t viewed that way by other experienced natural gas investors.

In fact BHP, a sophisticated company, uses among others, the third party independent professional engineering Netherland Sewall to do its due diligence. Netherland Sewall was one of the companies that Ms. Rogers claimed were skeptical of shale gas reserve estimates!

Other recent transactions worth noting include ExxonMobil’s purchase of XTO for a 25% premium (more on this later), Chevron’s acquisition of Atlas for a 37% premium over market value, and other transactions such as Shell’s purchase of East Resources (whose owner, incidentally, went on to buy the Buffalo Sabers hockey team). **These significant premiums cannot be explained by synergies and SEC rule changes** alone.

Clearly, large oil and gas companies have been interested in buying shale assets because they perceive the resource to be vast, profitable in the long run and very likely to exhibit reserve increases over time with continued technology advances. Development and exploration activity and economics will ebb and flow with costs and product prices, but transactions will show the actual value. Simply looking at individual well economics as a snapshot in time does not!

Isn’t “Putting Money Where Your Mouth Is” a Good Thing?

Ms. Rogers then opines that industry simply hypes the initial potentials (IP) in order to fool investors into believing this translates into higher reserves. She says “friends” (perhaps Chip Northrup who makes similar arguments and describes her as ”a great speaker and accomplished analyst of fracking”) colloquially call this the “Drilling for High IP Releases” phenomenon.

Again, this is ridiculous. No knowledgeable banker, engineer or company would blindly invest in a project simply because of high initial potential news releases. There is sometimes correlation between IP and ultimate reserves in shale gas development, but nobody would use this metric alone for major investments.

Bankers and investors making decisions either use their own engineers or hire third party engineers to make independent judgments during any loan process based on all data including well logs, production history, pressure data, reservoir simulation, fracture architecture studies and many other types of data. And, it’s doubtful individual stock investors would react to this kind of news either given that it has not been shown to move stock prices over any reasonable period of time.

Ms. Rogers correctly noted Chesapeake Energy, and others, had announced they would reduce rigs drilling for natural gas and shut in natural gas production in an effort to raise prices. Nevertheless, Rogers says this is somehow a lie, the actual game plan being only to shut in wells that are poor performers to mask the bad exploration results, while continuing to develop and produce because they have to service debt, thus putting them on a development treadmill. In this way, she surmises, their loans won’t appear in default. She says many of those wells will never be put in production because they are so poor, the land is trashed and the mineral owners will be left with no money and the environmental consequences.

Wow, that’s quite an accusation. The rig count for natural gas development has dropped and production has been curtailed but it certainly hasn’t dropped off the chart as Ms. Rogers seems to suggest. Maybe she isn’t satisfied the natural gas development rig count hasn’t gone down fast enough, but that has more to do with long term contract commitments, expiring lease protections and commitments to development partners than it does with debt service. And, besides, do any consumers care if prices remain low as a result of abundance? I don’t think so.

Ms. Rogers simultaneously says gas companies continue to develop new wells simply to service debt payments and, yet, the Fayetteville, Haynesville and Barnett shale plays are already “exhausted” and in decline after only 5-7 years. It can hardly be that both are true. Even Art Berman, the almost solitary geologist and shale gas reserve skeptic, who Rogers is always happy to quote, said in a June, 2011, New York Times article:

“the data suggest that if the wells’ production continues to decline in the current manner, many will become financially unviable within 10 to 15 years.”

Hmm, that’s already twice what Ms. Rogers said in her presentations and even then who would be able to predict the gas price, or operating costs, that far out to confidently predict the economic life? Even so, does this mean a given well was not economic over its life? No, of course not!

And, even if a natural gas play is in production decline it does not necessarily mean the play is “over” as Ms. Rogers keeps suggesting. It simply means the well development rate is not keeping up with the current production decline. Contrary to what Ms. Rogers says, the gas-directed rig count slid this month to 652, its lowest since May, 2002, when there were 640 gas rigs operating. So where is that treadmill?

Moreover, reduced development activity level is not only related to price but to the fact companies are able to increase reserves and production per well through better development, completion and production methods over time. Ms. Rogers is skeptical of this idea, but it is a fact. I confronted her with an article in the February, 2012, issue of “World Oil” stating the Barnett rig count dropped to a 7-year low with only 50 rigs running (1/4 that of 2008), yet 2011 was a record production year and has continued to increase for two years, which was in stark contrast to her spin. The article attributes this primarily to increasingly better exploration and development practices and I agree.

Ms. Rogers, however, clumsily excuses her bad prediction by saying the record production is simply from delayed pipeline connections of wells drilled in the past. But, all one has to do is look at the evidence I showed in Part I of this series, where the ultimate recoveries of wells are increasing each year through better technology and production management, to see the truth she is intent on denying.

Skeptics wrong, not qualled

Cline, BS geological science – Penn State, MS and PhD petroleum engineering – University of Oklahoma, MBA, geophysicist, geologist, petroleum engineer, and senior manager – Chevron, independent oil/gas consultant, subject matter expert on well construction and hydraulic fracturing – EPA, testified before the NY State Assembly Energy and Environmental Committees on hydraulic fracturing, 3/31/’12

(Scott, “Natural Gas Critic Refuses to See What’s Before Her Eyes,” <http://eidmarcellus.org/marcellus-shale/natural-gas-critic-refuses-to-see-whats-before-her-eyes/7584/>)

One of my pet peeves in the shale gas debate is people going around lecturing on topics in which they have no expertise and the media blindly labeling them as experts without checking their “facts”. I see this time and again: where a PhD biologist, as part of the lecture, begins talking about fracture stimulation and theorizes how it could open pathways to the surface to communicate with groundwater, chemistry professors lecturing on horizontal drilling and fracture stimulation technology even lawyers speaking to communities about well construction cementing and casing! Good grief, apparently having a PhD in anything, gathering non-expert information at anti-natural gas meetings and surfing the Internet now makes a subject matter expert. In this ways myths and falsehoods are endlessly spread and perpetuated.We can all debate the local benefits vs. the risks and inconveniences of natural gas development, and we do so vigorously here in New York, but we should not mask our “feelings”, or in this case apparently “hurt feelings”, under the guise of expertise meant to misinform the public. This distracts from making important decisions with the best possible information. A Lack of Understanding Disguised as Expertise When a media proclaimed “expert” visited the NY Finger Lakes area, and was billed by a local newspaper as “Expert to Discuss Fracking Economics,” I suspected another snookering. So, I attended two of Deborah Rogers “expert” lectures. They were different, but both factually flawed. Within the first minute of each, I was aghast at the total lack of understanding on her primary topic of oil and gas reserves and economics as well as the anti-natural gas bias and falsehoods. The day of her first lecture I found this piece which explained a lot. I wondered why someone would go out into the public so often to speak on a subject they likely knew nothing about. Well, the speaker gave us the answer at the end of the question and answer session. She stated she had an ongoing feud with an Oklahoma City based oil and gas company regarding their shale gas activities adjacent to her 45 acre farm in the Fort Worth, Texas area. She said her experience “turned me into an activist!” Now that might be a story worth sharing as long as both sides of the story was told. But, instead, she inexplicably concentrated on natural gas reserves and economics. She embarrassed herself in front of those who knew better and likely deceived many in the audience who didn’t. Her presentation can best be characterized as a collection of out-of-context, unexplained and incomplete clips from the news and her own misunderstood conversations with some in the industry. It was all very much in the style of, and often taken from the outrageously inaccurate New York Times article entitled “Insiders Sound an Alarm Amid a Natural Gas Rush” which has been thoroughly discredited.It seemed her dominant, and underlying, theme is that there is a conspiracy to scam investors by lying about natural gas abundance and making America dependent on natural gas by driving down prices temporarily and coercing us to convert new uses for natural gas. She supposes then, when the overestimated wells “fall on their face,” prices will rise and we will all have to pay up to the evil companies and be left with an environmental wasteland. She never addresses the conflict this presents with her other idea that exports, which would require vast abundance to justify infrastructure, have always been the gas company’s “end game.” Ms Rogers complained bitterly at the first meeting that she has been unfairly discredited by many in the oil and gas industry and such unfair accusations were more an attack on her character, and background, than they were substantive criticisms of her work. I don’t think that’s true but, in the spirit of fairness, let me examine Ms. Rogers’s presentation content and comment based on my 30 years of experience in the oil and gas business as a **geologist, geophysicist, petroleum engineer, finance professor, financial analyst and valuation professional.** There are just so many things to correct in what she had to say. Falling Prices or Failing Facts? There is no doubt natural gas prices dipping to $2.20 per thousand cubic feet (mcf), have limited the pace of new exploration in many shale plays. **But, to infer prior exploration was a scam** of some sort **is disingenuous** at best. I don’t know of anyone that could have predicted this price collapse and it does not infer anything about wells developed in the past during higher gas prices or the overstating the resource abundance. Ms. Rogers starts out by saying recent USGS and EIA resource estimates show the industry is inflating reserves and points to the fact the Energy Information Administration (EIA) lowered its Marcellus resource estimates to 141 trillion cubic feet (TCF) based on an August, 2011, announcement that USGS Marcellus resource estimates were 84 trillion cubic feet TCF. She claims this means that industry Marcellus estimates of 400+ TCF are overinflated. This may sound good on the surface but it’s not the whole story and someone experienced would know that. First of all, USGS resource estimates, although less than EIA and industry, were increased from their prior estimates of only 1.9 TCF. Furthermore, it is commonly accepted that USGS resource estimates are far too low. I wrote a criticism and explanation of this in the Independent Oil and Gas Association of New York’s spring newsletter pointing out that **USGS just doesn’t have sufficient data to work with** and is always using data that is already out-of-date by the time they publish their results. Dr. Terry Engelder, Penn State professor and widely recognized as the most knowledgeable Marcellus scientist was also quoted in the January 28, 2012 New York Times editorial entitled “New Report by Agency Lowers Estimates of Natural Gas” as saying he stood behind his previous 489 TCF P-50 estimates. And, just this past week, two studies were released at a Penn State conference confirming resource estimates far above USGS amounts. I think it is fair to say **the natural gas industry doesn’t take USGS estimates seriously** and is moving forward with plans based on its own assessment of the enormous resource potential and ever improving extraction technology. All the Gas Down There? It doesn’t appear Ms. Rogers even understands what a resource estimate means. When talking about the difference between reserves and resource estimates, she stated, at the first meeting I attended, that resource estimates were “all of the gas down there.” This is totally false and I corrected her. When USGS spoke about resource estimates they were talking about recoverable natural gas with **existing technology.** In fact, shale gas resource estimates typically back into volumetric calculations of only 10-20% of gas in place. This is a very conservative assessment and it is virtually certain to increase dramatically over time with increasing technology. Extraction ability is continually increasing and a primary reason the reservoir engineering profession coined the term “reserve creep” or the prevalent tendency for reserves to increase over time. When I mentioned this to Ms. Rogers she simply dismissed it by saying industry “always says that.” Well, they say it because it’s true! One simply needs to compare the decline curves for shale gas wells drilled a few years ago to the ones drilled today! I’ve seen the evidence myself and it’s clear that dramatic increases in ultimate recoveries over time are occurring. Readers can see some examples for themselves by visiting the websites of many companies that have published decline curves showing this increasing reserve trend over time. For an example, here’s an illustration of the dramatic year-over-year increase in productivity of Range’s shale gas wells from 2006-2010. This is remarkable and getting better all the time!

## at: berman

Berman’s studies are wrong

Bloomberg, 11/17/’12

(<http://www.bloomberg.com/apps/news?pid=newsarchive&sid=asEUlpJcuZB4>)

Nov. 17 (Bloomberg) -- Arthur Berman runs a one-man energy consulting firm out of his home near Houston, producing research that says forecasts for natural-gas production in the U.S. are flawed. He’s won the industry’s attention and its anger.

Since last month, Chesapeake Energy Corp. and Devon Energy Corp., two of the five largest gas producers in the U.S., attacked Berman’s claims. Berman, 59, had his monthly column pulled from the November issue of World Oil after gas companies complained, prompting him to quit the trade journal.

Oil geologist Berman, who worked two decades for Amoco Corp., says company production projections for so-called shale gas in the U.S. are at least double what drill results justify. At issue are the rates of production decline in shale wells, where water, sand and other materials are injected to fracture rock and make gas flow.

“I think that the wells decline at a much higher rate than the operators think they do,” Berman said in an interview in Houston. “They’re being overly optimistic.”

Companies such as Chesapeake, which had climbed 55 percent this year before today in New York stock trading, say their shale wells will produce for four or more decades. In an Oct. 12 speech at a conference in Denver, Berman said data he’s seen filed with the Texas Railroad Commission suggests the life of shale-gas wells is 10 to 20 years.

Credentials Challenged

“There’s a huge vested interest in the status quo because if these wells do not work, there’s going to be hell to pay,” said John E. Olson, who manages $50 million at Houston Energy Partners. Olson left his analyst job at Merrill Lynch & Co. in 1998, after being told he was too critical of Enron Corp., which collapsed in 2001.

Chesapeake fell 84 cents, or 3.3 percent, to $24.30 today on the New York Stock Exchange. Devon dropped 37 cents to $70.62.

Questions about Berman’s research were so frequent that investment bank Tudor Pickering Holt & Co. in Houston put out an e-mail to clients rejecting claims by shale skeptics, said Dave Pursell, a managing director at the firm.

“If you read his stuff, he’s basically said there’s fraud being committed by Wall Street, E&P companies and reserve engineers all in collusion,” Pursell said. “When you start calling companies out by name and you start insinuating and implying very strongly that there’s a degree of fraud going on, you get our attention.”

Berman said he’s not alleging fraud; rather, he disagrees with how producers are interpreting well data.

‘Game Changer’

Berman doesn’t have the experience in unconventional gas projects to validate his assertions, Pursell said. U.S. shale- gas output will climb to about 22 billion cubic feet a day at the end of 2013 from 8 billion at the end of last year, Tudor Pickering said in August.

If exploited properly, shale formations will be a “game changer” to boost U.S. energy supplies and help cut carbon emissions, said Porter Bennett, chief executive officer at consulting firm Bentek Energy LLC near Denver.

“There’s a preponderance of evidence that suggests that those shale plays are very real,” Bennett said in an interview.

David Hager, exploration chief at Oklahoma City-based Devon, took on Berman’s claims with an Oct. 19 op-ed piece in the Oklahoman newspaper. Hager likened shale-gas development to a home run to win the World Series and said Berman “is in the stands speculating on whether the slugger is on steroids.”

## at: berman—OCS fails\*

Berman doesn’t think the aff solves---price spike inevitable, more drilling bad

Berman, aff author, 2/8/’12

(<http://www.theoildrum.com/node/8914>)

Texas, Louisiana, Wyoming, Oklahoma, Gulf of Mexico Outer Continental Shelf, and New Mexico account for roughly 75% of U.S. natural gas supply and, therefore, provide a useful proxy for total U.S gas production. Exhibits 12 through 17 show natural gas production for these regions.

All of these major gas-producing areas except Louisiana are in decline. This is largely because non-shale production is declining rapidly since little new drilling in these reservoirs in recent years has occurred. While shale production volumes and initial rates are impressive (Exhibit 18), much of this new production is merely substituting for depleting conventional gas reserves.

With the shift to more oil-prone or "liquids-rich" shale plays, many observers have suggested that associated gas production from these plays is or will be a major contributor to the present over-supply of gas. Approximately 3% of total U.S. gas supply is from shale associated gas so, while this is a factor, it is not the cause of over-supply. Details of this analysis may be found in an earlier post. Overall, U.S. natural gas production using state-level data appears to have reached an undulating plateau (Exhibit 19).

Conclusions

A secular shift has occurred in the U.S. domestic gas supply by drilling mostly shale formations, formerly considered source rocks too costly to develop. The tremendous number of wells drilled in the last several years has contributed to an over-supply of gas. The shale revolution did not begin because producing oil and gas from shale was a good idea but because more attractive opportunities were **largely exhausted.** Initial production rates from shale are high but expensive drilling and completion costs make economics challenging. The gold rush mentality taken by companies to enter shale plays has added expensive leases and new pipelines to those costs, further complicating shale gas economics.

In the decades before shale plays, the exploration and production emphasis was on discipline. Science was used to identify the most prospective areas in order to limit the amount of acreage to be acquired and its cost. Shale plays have produced a land grab business model in which hundreds of thousands of acres are acquired by each company. Unprecedented lease costs have become the norm often based on limited information and science.

Operators have indulged in over-drilling these plays for many reasons but adding reserves, holding leases and company growth are among the main factors particularly with the low cost of capital. The inevitable result has been the collapse of prices as supply exceeded demand. Most analysts forecast that the future will be much like the present, and that natural gas will be abundant and cheap for decades to come. There are, however, strong and consistent indicators that natural gas supply may be less certain than most observers believe and require a higher price to be developed economically. Natural gas demand is growing as fuel switching for electric power generation continues, and will be increased by environmental regulation in the coming years. The U.S. will shift more of its future energy needs to natural gas in many sectors of the economy. The best justification, in fact, for the land grab and over-drilling spree is expectation of higher prices. Those companies that grabbed the land and held it by production will profit greatly once the true supply and cost of shale gas is recognized.

The financial survival of all companies in this position is not, however, certain. Price matters, and there is finally some response from shale gas producers with recent announcements to curtail drilling. While price was cited as the main reason for reduced drilling, it is likely that some companies now have financial constraints. The shale gas phenomenon has been funded mostly by debt and equity offerings. At this point, further debt and share dilution are less feasible for many companies. Joint ventures have provided a way for some to prolong spending but that now seems like a less likely source of funding. **Capital availability in the near term will likely be tighter** than is has until now. Acquisition and consolidation may become more attractive to companies with cash as producers become more extended.

Some of the shale gas plays may be at or near peak production at least at the current price of gas and technology. All major producing areas except Louisiana are in decline. Some doubt the accuracy of public data compared with EIA data, but it seems unlikely that the trends it shows are erroneous. In any case, the data the EIA makes available does not have sufficient resolution to evaluate individual plays or state-level trends.

Intermediate-term shale well performance is poorer than assumed previously . Continuous treadmill drilling masks this issue so play decline rates are not recognized. High decline rates are, however, a salient issue meaning that and most of a shale gas well's reserve is produced in the first few years. Well life appears to be shorter than initial expectations. This means that an increasing number of wells must be drilled in order to maintain supply. Now, it appears that fewer wells may be drilled until price recovers to commercial levels. The argument for improved efficiency that cites increasing production with lower rig count is suspect. It is mostly because of the large backlog of previously drilled wells that are just now being connected to sales. This spare capacity provides a boost to supply during a period of falling gas-directed rig count.

The gold rush is over at least for now for the less commercial shale plays. The money and activity have moved to more oil-prone shale plays such as the Eagle Ford and Bakken or to higher potential gas plays such as the Marcellus. Improbable stories that great profits can be made at increasingly lower prices have intersected with reality. A painful adjustment is underway in the natural gas exploration and production industry. Fewer jobs will be created and projects may develop more slowly. This development may expose the notion of long-term natural gas abundance and cheap gas as an illusion. The good news is that this adjustment will lead to higher gas prices in a future less distant than most believe. Higher prices coupled with greater discipline in drilling will allow operators to earn a suitable return and offer the best opportunity for supply to grow to meet future needs.

Thinks the OCS fails

Rapier, Business Insider, 7/29/’10

(Robert, <http://articles.businessinsider.com/2010-07-29/news/30089729_1_blowout-preventer-oil-plumes-simmons-first/2>)

Oil Drum contributor Arthur Berman (aeberman) has compiled data from the MMS that summarizes all Outer Continental Shelf (OCS) well maximum flow rates. The spreadsheet can be accessed here. The data show that the average well in the OCS had a maximum flow rate of 11,800 barrels per day (bpd) and the maximum flow of any well was 46,500 bpd. Thus, the flow rates Simmons postulates are far beyond any well seen to date in the OCS.

It should be noted, though, that the flow in these wells is typically constrained so as to prevent damage to the wellbore. Indeed, the flow from MC-252 (the one seen on the ROV videos) is likely constrained within the BOP and possibly in the wellbore. Given this, it is possible that an uncased well (if it existed) would support this high flow rate if the reservoir pressure was as high as Simmons suggests. However, Macondo reservoir pressures of 40-50 thousand pounds per square inch are not supported by any data.

## 2nc bias—pyle

Pyle’s an industry hack

Demelle 10 (Brendan DeMelle is Executive Director and Managing Editor of DeSmogBlog.com. He is also a freelance writer and researcher specializing in new media, politics, climate change and clean energy. He has served as research associate for Robert F. Kennedy, Jr., researcher for Ring of Fire Radio, researcher for Laurie David and StopGlobalWarming.org, law and policy analyst for Environmental Working Group, campus organizer for Connecticut Public Interest Research Group, environmental justice associate for EPA Region 10, among other positions in his career. DeMelle has provided writing and communications services on a wide range of topics, with a demonstrated ability to simplify complex and technical issues into concise, accessible language for general public consumption. His work has appeared in Vanity Fair, The Huffington Post, Grist, EnergyBoom, The Washington Times and other outlets, including a peer-reviewed article in the Journal of Rural History about the social and ecological impacts of the St. Lawrence Seaway and Power Project. He graduated from St. Lawrence University with a BA in Sociology and Environmental Studies in 1998, 3/22/2010, "Institute for Energy Research Admits It Was Behind Anti-Wind Study", www.desmogblog.com/institute-energy-research-admits-it-was-behind-anti-wind-study)

That American think tank is the Institute for Energy Research, which has received $307,000 from ExxonMobil since 1998 and unknown additional sums from other oil and coal industry sources. The Guardian reported last year that the Institute for Energy Research has received recent funding from KBR and trusts set up by Koch Industries, which has multiple ties to IER and its sister organization American Energy Alliance.

IER's President Thomas J. Pyle previously worked as a lobbyist for Koch Industries, while IER’s CEO Robert L. Bradley was formerly Director of Public Relations Policy at Enron, where he served as speechwriter for Enron CEO Kenneth Lay.

Pyle, Bradley **and IER have direct and indirect ties to a laundry list of dirty energy industry front groups**, including the Competitive Enterprise Institute, TASSC, the Cato Institute, the Heritage Foundation and the Mackinac Center for Public Policy. Bradley and the IER have argued that supplies of fossil fuels are virtually limitless, and that American dependence on oil imports from Middle Eastern dictatorships “pose no threat to national security.”

## at: OCS—solvency

Not enough refineries

CFAP 8 (Center for American Progress, 9/15/2008, "Ten Reasons Not to Expand Offshore Drilling", [www.americanprogress.org/issues/green/news/2008/09/15/4894/ten-reasons-not-to-expand-offshore-drilling/](http://www.americanprogress.org/issues/green/news/2008/09/15/4894/ten-reasons-not-to-expand-offshore-drilling/))

8. We can’t refine the oil we would extract. In a June speech, President George W. Bush noted that, “Refineries are the critical link between crude oil and the gasoline and diesel fuel that drivers put in their tanks.” Yet refineries are already so stretched that last year, the United States had to import almost 150 million barrels of gasoline. The Wall Street Journal reported oil companies are not building new refineries because it would be bad for their bottom line: “Building a new refinery from scratch, Exxon believes, would be bad for long-term business.”

## at: shipbuilding

Steel industry strong now-rising demand

RNCOS 11-5-12

RNCOS specializes in Industry intelligence and creative solutions for contemporary business segments. Our professionals analyze the industry and its various components, with a comprehensive study of the changing market behavior. Our accuracy and data precision proves beneficial in terms of pricing and time management that assist the intending consultants in meeting their objectives in a cost-effective and timely manner.

http://beforeitsnews.com/business/2012/11/consumption-of-long-products-to-boost-us-steel-industry-2465718.html

The US steel industry is one of the world’s largest steel industries, both in terms of production and consumption. In the US, consumption of long products is expected to gain share in the coming years backed by rising demand from the construction industry. By the end of 2015, it is expected that long products will account for more than one-fourth share in total apparent steel consumption. In addition, the demand for flat steel is also growing in the country. In future, with a rising demand for steel in various application areas, apparent steel consumption is projected to grow at a CAGR of 6% during 2012-2015. According to our new research report, “US Steel Industry Outlook to 2015”, the US steel industry has been playing an important role in the overall economic development. This can be attributed to the increased production and consumption level in 2011 with respect to the previous year. The consumption section in the report covers the consumption by type of product, which represents long products that account for a majority share in total steel consumption in the country. Further, the report covers information about finished steel consumption by product including stainless steel sheet or strip, plate, bar, rod, and wire.

## naval power

#### Their trade internal link is dependent on another rising great power---completely infeasible

Harris 8 (Stuart, BEc (Sydney) and PhD (The Australian National University), is Professor in the Department of International Relations at the Australian National University, “China's "new" diplomacy: tactical or fundamental change?”, Google Books, pg 20)

The United States also keeps a close eye on Chinas military modernization. It believes that by 2020 "China will be, by any measure, a first rate military power."6 It will therefore take whatever steps it sees as necessary to maintain its military superiority, notably in the seas in and around the region. Nor is this superiority being challenged directly by China. That Chinas concept for sea-denial capability is limited to the seas around Taiwan and against Chinas eastern coast has been acknowledged by the United States.7 Outside of that, although President Hu Jintao has spoken of the need to develop Chinas naval capabilities, overwhelming U.S. naval superiority will remain for a long time.

#### Trade doesn’t solve war

Martin et. al. 8(Phillipe, University of Paris 1 Pantheon—Sorbonne, Paris School of Economics, and Centre for Economic Policy Research; Thierry MAYER, University of Paris 1 Pantheon—Sorbonne, Paris School of Economics, CEPII, and Centre for Economic Policy Research, Mathias THOENIG, University of Geneva and Paris School of Economics, The Review of Economic Studies 75)

Does globalization pacify international relations? The “liberal” view in political science argues that increasing trade flows and the spread of free markets and democracy should limit the incentive to use military force in interstate relations. This vision, which can partly be traced back to Kant’s Essay on Perpetual Peace (1795), has been very influential: The main objective of the European trade integration process was to prevent the killing and destruction of the two World Wars from ever happening again.1 Figure 1 suggests2 however, that during the 1870–2001 period, the correlation between trade openness and military conflicts is not a clear cut one. The first era of globalization, at the end of the 19th century, was a period of rising trade openness and multiple military conflicts, culminating with World War I. Then, the interwar period was characterized by a simultaneous collapse of world trade and conflicts. After World War II, world trade increased rapidly, while the number of conflicts decreased (although the risk of a global conflict was obviously high). There is no clear evidence that the 1990s, during which trade flows increased dramatically, was a period of lower prevalence of military conflicts, even taking into account the increase in the number of sovereign states.

## 2nc no solvency

Crew shortages and congestion

Kavalov et al 09

B. Kavalov, H. Petri´c, A. Georgakaki, JRC Reference Reports, 2009, "Liquefied Natural Gas for Europe – Some Important Issues for Consideration", http://ec.europa.eu/dgs/jrc/downloads/jrc\_reference\_report\_200907\_liquefied\_natural\_gas.pdf

5. LNG Shipping: Shipping is the most volatile cost parameter in the whole LNG chain. It may define the relative competitiveness of LNG supply options against each other and with respect to other gas and non-gas energy alternatives. Unlike LNG production, the ownership structure of the LNG fleet is rather dispersed, at least at the present time. Although significant growth in LNG trade by sea is expected by 2020-2030, its impact on the overall traffic by sea, including in the main "choke points" of the English Channel, Dardanelles, Bosphorus and Suez Canal, will be negligible. While new LNG carriers are unlikely to be built in Europe, the anticipated growth in voyages to Europe may offer more ship repair opportunities to European shipyards, especially in Southern Europe. The main challenges facing LNG shipping appear to be the growing crew shortages (with potential negative implications for the safety records of the vessels operating) and traffic delays and related congestion risks in specific zones where there are more stringent safety and security rules for handling LNG carriers.

## 2nc squo solves

#### Aff article agrees

Adnan Vatansever, Carnegie Endowment, 6/17/2010, EU-Russia Energy Relations: A Pause or Fast Forward?, carnegieendowment.org/2010/06/17/eu-russia-energy-relations-pause-or-fast-forward/21mf

Finally, the gas market, which was at the center of European–Russian tensions in the past few years, **looks very different now**. Europe may well find itself in a relatively stronger negotiating position against is principal external gas supplier—Gazprom. Market fundamentals have suddenly shifted as a major decline in Europe’s gas demand has coincided with a substantial growth in gas traded on spot markets. As a sign of readjusting itself to this condition, Gazprom has agreed to index some of its gas deliveries to spot market prices—a major step back from its traditionally firm commitment to long-term contracts. What probably further weakens Gazprom’s hand over the next few years is that it is largely captive to the European market. A decade of negotiations with potential Asian buyers of pipeline gas is still far from reaching a conclusion. Likewise, Gazprom entered the liquefied natural gas (LNG) business only recently and its ability to compete in this segment of the gas market will remain modest at most for some time.

#### More aff authors

Sharples 2012 (Jack. D. Sharples, Central and East European Studies Graduate Student at the University of Glasgow, “Russia-EU gas relations: the Russian perspective,” British Association for Slavonic and East European Studies Conference Paper, http://www.academia.edu/1534968/Russia-EU\_Gas\_Relations\_The\_Russian\_Perspective)

From the Russian perspective the period 2001-2008 represented a ‘golden era’ for Russian gas exports to the EU, with prices and demand rising, and Russia’s international status and economic growth following suit. However, despite the quicker than expected recovery of international energy markets, the period of 2008-2012 may be interpreted as the beginning of a transition period in the Russia-EU energy relationship. The development of the EU into a more liquid, competitive gas market will continue. Gazprom must adapt to these changing conditions through a combination of competitive pricing, more flexible contracts (regarding contract duration and offtake volumes) and asset-swaps of minority shareholdings in partnership with downstream European energy companies, in order to retain market share and export volumes. Russia’s domestic gas market is expected to become more profitable and competitive, dueto the gradual increase in state regulated prices and the liberalisation of gas sales. As independent Russian gas producers and Russian oil companies supply an increasing share of the Russian market, the need for Gazprom to use export revenues to subsidise domestic saleswill be reduced. In the long term, post-2020 period, it is possible that increased Russian gas exports to theAsia-Pacific region in line with projections in Russia’s Energy Strategy to 2030 (MinEnergo,2009, pg. ) could further reduce Russia’s dependence on the EU as an export market.Finally, 2012 should see both the completion of the second line of Nord Stream and thelaunch of the construction of the South Stream gas pipeline. If both projects are completed as planned, Ukraine’s share of the transit of Russian gas to the EU will be reduced from around80 percent in mid-2011 to below 50 percent. Even if these projects do not reduce the propensity for Russo-Ukrainian disputes, they will reduce the impact of such disputes on deliveries of Russian gas to the EU. Therefore, there is the distinct possibility that Russia’s gas exports to the EU will undergo a ‘de-securitisation’ over the next decade as Russia and the EU reduce their ‘negative interdependence’. If this is the case, there remains the hope that Russia and the EU will be able to overcome the difficulties of the past decade and renew their mutually-beneficial energy relationship.

EU independence inevitable---domestic production

Grealy, director – No Hot Air energy consultancy, 1/2/’13

(Nick, “Predictions for 13,14,15,” <http://www.nohotair.co.uk/117-content/current-affairs19/2725-predictions-for-13-14-15>)

But outside of North America,  even with North American crude exports by the end of this decade being an absolute certainty (and I'll take any bet going on that), Saudi Arabia can still impact world oil prices by modulating production. The issue will be not only be the subtraction of US demand leading to price pressure, we also see the emergence of Iraq as globally significant supplier.

 The UK will kick start shale gas in Europe, which in turn will hurry shale up in Germany, France and Spain. It will also surprise Poland into action not words, but I remain hopeful that some actual flow figures from Poland will help there too.

The UK NBP pricing will also be key for Japanese LNG pricing. We will see some hybrid of Henry Hub and NBP start to influence Japanese gas pricing as we go towards what should be a world gas price evolving in the last half of this decade.That raises an interesting point: Should Japanese invest in European shale to lower domestic prices?

What ever luck, or not, we have in the UK, it's in France that shale will happen and it will happen big. I know that goes against all conventional wisdom, but the same "experts" never predicted shale in the first place. France and the rest of Europe will embrace shale because there is going to be no other choice. When both the UK and European economies are catastrophes without shale, to actively reject shale is not shooting oneself in the foot. It's putting the gun in the mouth by giving a huge and permanent advantage to the US , China, Australia, and anywhere else outside of Europe.

The key political shift in Europe will be that the rest of governments, faced with financial disaster at best, are going to take energy policy away from Greens. We already see this not only in the UK, but at the EU  level and from them to Germany and even France.  Greens are making a fatal mistake in overestimating their influence if they continue, as in France, making shale a make or break issue. No one is going to win national elections on an anti shale platform. Anywhere.

EU independence now—Azerbaijan

Petersen, PhD, adviser – European Energy Security Initiative @ the Woodrow Wilson International Center for Scholars, 1/30/’13

(Alexandros, “A New Energy Partner for Europe,” The National Interest)

The energy security of America's European allies is set to receive a boost by an agreement made thousands of kilometers away in the Caspian.

The Shah Deniz consortium, responsible for one of the world’s largest natural gas fields in Azerbaijan, will soon announce that its partners, including BP, Statoil and Total, are buying into the main Trans-Anatolian Pipeline (TANAP) planned to bring gas to the European Union through Turkey. This non-Russian gas, not flowing through dispute-prone Ukraine, will ensure diversification of routes and supply. The direct beneficiaries will be consumers in southern and central Europe who suffered the most during Russian gas cut-offs in winters past.

Why is this particular agreement so important? It **ensures** that the gas will get to consumers. For more than a decade, gas distributors in central and southern Europe knew that immense gas reserves were to be found in Azerbaijan that could offset the market-dominance held by Moscow’s Gazprom. The problem was how to bring the gas to market. Who would pay for the transit infrastructure? What companies would be willing to contend with Turkey as a transit country that wanted much of the gas for itself? Who would dare take on Russia, which sought to undermine any projects that threatened its stranglehold on captive European markets?

The plan on the table for more than a decade was Nabucco. Named after a grand Verdi opera, the equally grand pipeline project was supposed to bring 30 billion cubic meters (bcm) a year to Austria’s Baumgarten natural gas terminal. But Shah Deniz in Azerbaijan did not anticipate ever having that much gas to spare, and Nabucco as proposed was impossibly expensive and included a number of pygmy investors that could never realistically fund the project. Thus, the gas in Azerbaijan stayed put, and distributors in Europe focused on the temporary stopgap of building interconnector pipelines amongst themselves to mitigate against Russian gas cut-offs.

Finally, Azerbaijan itself came up with a solution. Instead of waiting for European companies to build an export route, Azerbaijan’s state energy company, SOCAR, decided it would finance and operate its own pipeline through Turkey to southeastern Europe. The Trans-Anatolian Pipeline proposal was much more realistic. At 16 bcm a year, it aligned with Shah Deniz production estimates and crucially did not break the bank. It is now well on its way to beginning construction, with a commissioning date announced for 2018. This is farther than Nabucco ever got in over ten years.

The upcoming announcement of BP, Statoil and Total buying into TANAP together with SOCAR and Turkish state companies BOTAS and TPAO will signal that there is no turning back on the project. TANAP may still partner with the Nabucco team in connecting with a smaller version called Nabucco West in central Europe. But, the days of European consumers waiting for a connection to Azerbaijan are over.

The holders of the gas are now set to bring it to market as well, an extraordinary, if not entirely unexpected, breakthrough for the region. This is just one aspect of SOCAR’s blooming as a major energy player, with plans for refineries in Turkey and maybe Italy, retail operations in Western Europe and international offices as far flung as Washington, DC. In fact, Azerbaijan was best placed to realize the connection between its gas and the people who need it in Europe. Speaking the same language and with much history of collaboration, Azerbaijani decision makers turned out to be much more savvy negotiators with Turkey than European companies. The transit deal between the two countries includes concessions of which even supermajors like BP could only dream. SOCAR will control 51 percent of the dedicated transit pipeline within Turkey, with Turkish companies at a combined 20 percent or less.

Some feared Russian interference. But Moscow has very little leverage over Azerbaijan. As a gas producer, it is subjected to offers of money from Gazprom, not threats of cut-offs. In fact, as TANAP is underway, Russia will be leaving its only military facility on Azerbaijani territory: the radar station at Gabala. Moscow’s own competing pipeline proposal, Southstream, is quickly losing steam amongst European investors and EU transit states.

## at: modernization

#### Status quo solves – electoral reform law by March 1

Voice of Russia 1/15/2013

The electoral reform should be drafted with the help of experts and the public, Civic Initiative Committee’s chair Alexei Kudrin has told journalists, adding the Committee could serve as a platform for debates on the State Duma election law. President Vladimir **Putin** previously **ordered for the law to be outlined by spring**.

“We believe the Committee was set up to discuss political reform and election reform, and we are intent to go ahead with it. We need a system that would **ensure social modernization**, help us move on with the times instead of dropping behind the rest of civilization in our development,” he said.

The Civic Initiative Committee is going to consider all expert opinions before submitting its recommendations on an Electoral Code, a framework law on electoral rights, to the Russian parliament.

“MPs will sign and put it forth as a legislative proposal. An Electoral Code was already submitted some time ago. Now we are going to debate the Code once more and rally around it. There’s been a demand for such a Code, so we will try to file it again. We are talking about adopting a new law here, because all election procedures – be it gubernatorial or Duma elections – are very inconsistent, with rules differing from vote to vote. So, what we need is a framework law on electoral rights,” he explained.

On December 31, President Vladimir Putin tasked Administration’s chief Sergei Ivanov and Central Election Committee’s head Vladimir Churov with **mapping out a Duma elections law by March 1**, **2013**. The law will reinstate a mixed vote system and electoral blocs banned in 2005.

## impacts—russia econ

No impact to Russia econ

Blackwill 9 – former associate dean of the Kennedy School of Government and Deputy Assistant to the President and Deputy National Security Advisor for Strategic Planning (Robert, RAND, “The Geopolitical Consequences of the World Economic Recession—A Caution”, http://www.rand.org/pubs/occasional\_papers/2009/RAND\_OP275.pdf)

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 eff orts 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.

## impacts—russia

No accidents or miscalculation

Ball 6 (Desmond, Special Professor at the Strategic and Defence Studies Centre at the Australian National University, “The Probabilities of ‘On the Beach,’” May, rspas.anu.edu.au/papers/sdsc/wp/wp\_sdsc\_401.pdf)

The prospects of a nuclear war between the United States and Russia must now be deemed fairly remote. There are now no geostrategic issues that warrant nuclear competition and no inclination in either Washington or Moscow to provoke such issues. US and Russian strategic forces have been taken off day-to-day alert and their ICBMs ‘de-targeted’, greatly reducing the possibilities of war by accident, inadvertence or miscalculation. On the other hand, while the US-Russia strategic competition is in abeyance, there are several aspects of current US nuclear weapons policy which are profoundly disturbing. In December 2001 President George W. Bush officially announced that the United States was withdrawing from the Anti-Ballistic Missile (ABM) Treaty of 1972, one of the mainstays of strategic nuclear arms control during the Cold War, with effect from June 2002, and was proceeding to develop and deploy an extensive range of both theatre missile defence and national missile defence (NMD) systems. The first anti-missile missile in the NMD system, designed initially to defend against limited missile attacks from China and North Korea, was installed at Fort Greely in Alaska in July 2004. The initial system, consisting of sixteen interceptor missiles at Fort Greely and four at Vandenberg Air Force in California, is expected to be operational by the end of 2005. The Bush Administration is also considering withdrawal from the Comprehensive Test Ban Treaty and resuming nuclear testing. (The last US nuclear test was on 23 September 1992). In particular, some key Administration officials believe that testing is necessary to develop a ‘new generation’ of nuclear weapons, including low-yield, ‘bunker-busting’, earth-penetrating weapons specifically designed to destroy very hard and deeply buried targets (such as underground command and control centres and leadership bunkers).

# 1NR

## impact ov

#### Informal lending tanks growth including Russia

Farrell, director – McKinsey Global Institute, ‘4

(Diana, <http://mkqpreview1.qdweb.net/PDFDownload.aspx?ar=1448>)

Research by the McKinsey Global Institute (MGI) has found these beliefs to be untrue. Rather than getting smaller, the informal economy is growing in many countries. Over the past ten years, MGI has studied informality within a variety of industries in a range of different countries, including Brazil, India, Poland, Portugal, Russia, and Turkey. MGI found that the substantial cost advantage that informal companies gain by avoiding taxes and regulations more than offsets their low productivity and small scale. Competition is therefore distorted because inefficient informal players stay in business and prevent more productive, formal companies from gaining market share. Any short-term employment benefits of informality are thus greatly outweighed by its long-term negative impact on economic growth and job creation.

Operating in the gray

Informality is among the most seriously misunderstood of all economic issues. Informal companies evade fiscal and regulatory obligations, including value-added taxes, income taxes, labor market obligations (such as social-security taxes and minimum-wage requirements), and product market regu-lations (including quality standards, copyrights, and intellectual-property laws). Evasion varies by sector and by the nature of the business: informal retailers tend to avoid paying value-added taxes, informal food processors to ignore product quality and health regulations, and informal construction firms to underreport the number of employees and hours worked.

For many people, the informal economy means street vendors and tiny businesses, and it is true that informality is pervasive among small, tradi-tional concerns with low levels of technology, scale, and standardization. But it is hardly unknown among larger, modern enterprises in developing countries (Exhibit 1), where MGI has found informal supermarket chains, auto parts suppliers, consumer electronics assemblers, and even large-scale industrial operations.

The extent of informality varies from industry to industry. It is greatest in service businesses such as retailing and construction (Exhibit 2), in which companies are often small in scale and geographically dispersed, making it easier to avoid detection. Revenues come from individual con-sumers and are difficult for auditors to verify. Labor costs are a significant share of total expenses, so companies are tempted to underreport employ-ment. In one country, MGI found that construction workers ran away from sites when government inspectors appeared.

For similar reasons, informality in manufacturing industries is more prevalent in labor-intensive sectors such as apparel and food processing than in capital-intensive ones such as automotive assembly, cement, oil, steel, and telecommunications. Even so, some very large industrial and manufacturing companies operate informally. In India and Russia, for instance, local governments force local power companies to provide free energy to some businesses; subsidies such as these allow informal businesses to continue operating.

Three factors contribute to informality. The most obvious is limited enforcement of legal obligations—a result of poorly staffed and organized government enforcement agencies, weak penalties for noncompliance, and ineffective judicial systems. A second factor is the cost of operating formally: red tape, high tax burdens, and costly product quality and worker-safety regulations all prompt businesses to operate in the gray market. Finally, social norms contribute to the problem. In many developing countries, there is little social pressure to comply with the law. In some, many people see evading taxes and regulations as a legitimate way for small businesses to counteract the advantages of large, modern players.

Thus the informal economy is actually growing larger in many places. In Sweden, for instance, it is reported to be on the rise as some companies seek to avoid high taxes and restrictive employment laws. In Brazil, it now employs 50 percent of nonagricultural workers, up from 40 percent a decade ago. Its growth in many emerging markets stems from higher tax burdens and cuts in government enforcement budgets—sometimes the result of fiscal-austerity measures demanded by the International Monetary Fund and other international lenders.

Informality’s deleterious effects

Informality stifles economic growth and productivity in two ways. First, the powerful incentives and dynamics that tie companies to the gray economy keep them subscale and unproductive. Second, the cost advan-tages of avoiding taxes and regulations help informal companies take market share from bigger, more productive formal competitors. Moreover, the adverse consequences of informality aren’t solely economic; they are social as well.

#### US remittances key to Mexican economy

Newland, Director and co-founder – Migration Policy Institute, frmr Senior Associate – Carnegie Endowment for International Peace, lecturer – LSE, ‘4

(Kathleen, “Beyond Remittances: The Role of Diaspora in Poverty Reduction in their Countries of Origin,” <http://www.migrationpolicy.org/pubs/Beyond_Remittances_0704.pdf>)

Mexico is the second-largest recipient of remittances in the world. Its Diaspora is unusual in that, compared to others discussed in this paper, it is so heavily concentrated in one country, the United States. (Of course, many US citizens of Mexican origin live in parts of the country that were once part of Mexico; in that sense, they are not a community of migrant origin). Like India, the government of Mexico for decades had an attitude toward Mexicans who had left the homeland that was ambivalent at best. Formal programs for Mexicans abroad began only in 1990. Two federal programs, the Paisano Program and the Program for Mexican Communities Living Abroad (PCMLA) focused on improving the treatment of returning migrants at the hands of Mexican border and customs officials and on improving services to Mexicans in the United States. The PCMLA, which also helps channel remittances to local development projects in Mexico, is implemented by the Foreign Ministry through Mexican consulates and cultural centers in the United States.

Since 2000, the government has escalated its outreach to the Diaspora, with President Vicente Fox referring to Mexican migrants as “heroes”. In 2001, his administration established the Presidential Office for Mexicans Abroad, which was designed to strengthen ties between Mexican emigrants and their communities of origin. The Fox Administration also introduced legislative changes to allow Mexicans living abroad to hold US dollar accounts in Mexico and to maintain dual nationality (although without voting rights). The government’s new activism has a two-fold emphasis: to expand the opportunities for Mexicans abroad, and to facilitate remittances.

#### Mexican decline causes U.S. isolationism

Haddick, MBA – U. Illinois, managing editor – Small Wars Journal, ‘8

(Robert, <http://westhawk.blogspot.com/2008/12/now-that-would-change-everything.html>)

There is one dynamic in the literature of weak and failing states that has received relatively little attention, namely the phenomenon of “rapid collapse.” For the most part, weak and failing states represent chronic, long-term problems that allow for management over sustained periods. The collapse of a state usually comes as a surprise, has a rapid onset, and poses acute problems. The collapse of Yugoslavia into a chaotic tangle of warring nationalities in 1990 suggests how suddenly and catastrophically state collapse can happen - in this case, a state which had hosted the 1984 Winter Olympics at Sarajevo, and which then quickly became the epicenter of the ensuing civil war. In terms of worst-case scenarios for the Joint Force and indeed the world, two large and important states bear consideration for a rapid and sudden collapse: Pakistan and Mexico. Some forms of collapse in Pakistan would carry with it the likelihood of a sustained violent and bloody civil and sectarian war, an even bigger haven for violent extremists, and the question of what would happen to its nuclear weapons. That “perfect storm” of uncertainty alone might require the engagement of U.S. and coalition forces into a situation of immense complexity and danger with no guarantee they could gain control of the weapons and with the real possibility that a nuclear weapon might be used. The Mexican possibility may seem less likely, but the government, its politicians, police, and judicial infrastructure are all under sustained assault and pressure by criminal gangs and drug cartels. How that internal conflict turns out over the next several years will have a major impact on the stability of the Mexican state. Any descent by the Mexico into chaos would demand an American response based on the serious implications for homeland security alone. Yes, the “rapid collapse” of Mexico would change everything with respect to the global security environment. Such a collapse would have enormous humanitarian, constitutional, economic, cultural, and security implications for the U.S. It would seem the U.S. federal government, indeed American society at large, would have little ability to focus serious attention on much else in the world. The hypothetical collapse of Pakistan is a scenario that has already been well discussed. In the worst case, the U.S. would be able to isolate itself from most effects emanating from south Asia. However, there would be no running from a Mexican collapse.

#### Mexican declines causes oil shocks – crashes the global economy.

Moran, policy analyst – CFR, 7/31/’9

(Michael, “Six Crises, 2009: A Half-Dozen Ways Geopolitics Could Upset Global Recovery”)

Risk 2: Mexico Drug Violence: At Stake: Oil prices, refugee flows, NAFTA, U.S. economic stability A story receiving more attention in the American media than Iraq these days is the horrific drug-related violence across the northern states of Mexico, where Felipe Calderon has deployed the national army to combat two thriving drug cartels, which have compromised the national police beyond redemption. The tales of carnage are horrific, to be sure: 30 people were killed in a 48 hour period last week in Cuidad Juarez alone, a city located directly across the Rio Grande from El Paso, Texas. So far, the impact on the United States and beyond has been minimal. But there also isn’t much sign that the army is winning, either, and that raises a disturbing question: What if Calderon loses? The CIA’s worst nightmare during the Cold War (outside of an administration which forced transparency on it, of course) was the radicalization or collapse of Mexico. The template then was communism, but narco-capitalism doesn’t look much better. The prospect of a wholesale collapse that sent millions upon millions of Mexican refugees fleeing across the northern border so far seems remote. But Mexico’s army has its own problems with corruption, and a sizeable number of Mexicans regard Calderon’s razor-thin 2006 electoral victory over a leftist rival as illegitimate. With Mexico’s economy reeling and the traditional safety valve of illegal immigration to America dwindling, the potential for serious trouble exists. Meanwhile, Mexico ranks with Saudi Arabia and Canada as the three suppliers of oil the United States could not do without. Should things come unglued there and Pemex production shut down even temporarily, the shock on oil markets could be profound, again, sending its waves throughout the global economy. Long-term, PEMEX production has been sliding anyway, thanks to oil fields well-beyond their peak and restrictions on foreign investment. Domestically in the U.S., any trouble involving Mexico invariably will cause a bipartisan demand for more security on the southern border, inflame anti-immigrant sentiment and possibly force Obama to remember his campaign promise to “renegotiate NAFTA,” a pledge he deftly sidestepped once in office.

## hirsch

#### PC key to balance Dems and GOP and force a vote

Ronald Brownstein, National Jouranl, 1/31/13, On Immigration, What Obama Can Learn From Bush's Failed Efforts, www.nationaljournal.com/columns/political-connections/on-immigration-what-obama-can-learn-from-bush-s-failed-efforts-20130131

The prospects for major immigration reform are now the brightest in years, but for key players in Washington, a shadow still looms: the ghost of 2006. That was the last time the stars were aligned for a breakthrough. Immigration reform that included a path to citizenship for those in the United States illegally had the support of President Bush, a broad labor-business-faith coalition, and a bipartisan Senate majority. Yet that armada ultimately splintered against the stony refusal of House Republican leaders to consider a bill opposed by a majority of their majority. Any of that sound familiar? Already many of the same dynamics are developing, with President Obama stamping immigration reform as a top priority, a bipartisan Senate coalition reassembling, a broad outside alliance of support groups coalescing—and most House Republicans rejecting anything that hints at “amnesty” for illegal immigrants. Yet the contrasts between now and 2006, particularly in the political climate, are also significant. Understanding both the similarities and the differences will be critical for reform advocates if they are to avoid replicating the disappointment they suffered under Bush. Presidential interest was then, as it is now, critical in elevating immigration reform. Since his days as Texas governor, Bush had courted Hispanics, and—even during the 2000 GOP presidential primary campaign—he strikingly defended illegal immigrants as “moms and dads” trying to make a better life for their children. Together with his political “architect,” Karl Rove, Bush saw comprehensive reform that coupled a path to citizenship with tougher enforcement as an opportunity to consolidate the beachhead that allowed him to capture more than 40 percent of Hispanic voters in his 2004 reelection. But Bush largely looked away when Republicans who controlled the House channeled that impulse in a very different direction. In December 2005, they passed an enforcement-only bill drafted by Judiciary Committee Chairman Jim Sensenbrenner of Wisconsin, that, for the first time, designated all undocumented immigrants as felons. (Previously, illegal presence in the U.S. had been a civil, not criminal, violation.) Initially, debate in the GOP-controlled Senate drifted. Majority Leader Bill Frist, considering a 2008 presidential bid, pushed his own enforcement-only bill. But amid the backdrop of huge public rallies against Sensenbrenner’s proposal, Sen. Arlen Specter unexpectedly joined with three other Republicans and all eight Judiciary Committee Democrats in late March to approve a comprehensive plan, including a path to citizenship, that followed a blueprint negotiated by Sens. Edward Kennedy and John McCain. When broader Senate agreement teetered over the terms of legalization, Republican Sens. Chuck Hagel and Mel Martinez devised a compromise that divided illegal immigrants into three categories, requiring those here less than two years to leave but allowing those with deeper roots to eventually earn citizenship by paying fines and learning English. After Bush finally delivered a national address on immigration, a bill embodying that plan cleared the Senate with 62 votes, including support from 23 Republicans. House Republicans immediately signaled their disinterest by refusing to appoint a conference committee and instead scheduled hearings in border communities to highlight security lapses. “Border security reigned supreme,” recalls Ron Bonjean, the communications director for then-Speaker Dennis Hastert. “I remember being in a meeting with … the leadership where pollsters came in and said border security was the key to our reelection.” Even in 2006, something like the Senate plan likely could have attracted 218 votes in the House—but not a majority of Republicans. Faced with a collision between his two political imperatives—courting Hispanics and mobilizing conservatives—Bush blinked**, allowing House leaders to replace the Senate bill with enforcement-only legislation**, which he signed that fall. These choices began the GOP’s slide among Hispanics that continues unabated: Hispanic support for Republican House candidates plummeted from 44 percent in 2004 to just 29 percent in 2006, presaging Mitt Romney’s disastrous 27 percent showing among those voters in 2012. That slippage is one of the two most important differences in the political environment around immigration between 2006 and today. Back then, as Bonjean notes, hardly any House Republicans argued that the GOP needed to pass a plan attractive to minorities. But many GOP leaders now see that as self-preservation. “The political imperative has shifted the tectonic plates,” says Frank Sharry, a key player in the 2006 debate who remains central as executive director of America’s Voice, which backs full citizenship for immigrants. “Immigration was viewed as a wedge issue for Republicans in 2006. Now it’s viewed as a wedge issue for Democrats.” The “Gang of Eight” proposal released this week makes it likely that, as in 2006, the Senate will eventually pass a bipartisan immigration bill. Once again, there are probably 218 House votes for such a plan, but not a majority of the majority Republicans. **That raises a**nother **key difference** from 2006: Hastert faced little pressure to consider the Senate bill, because Bush bit his tongue when the speaker buried it**.** If House Republicans shelve another bipartisan Senate plan in 2013, they should expect much more public heat, because Obama won’t be as deferential.

#### Obama capital key to lobbying pressure—it’s empirically successful

David Nakamura, WaPo, 2/4/13, Obama to meet with labor, business leaders on immigration, www.washingtonpost.com/blogs/post-politics/wp/2013/02/04/obama-to-meet-with-labor-business-leaders-on-immigration/?wprss=rss\_politics

President Obama will meet separately Tuesday with labor and business leaders on immigration reform, as the White House seeks to enlist the often at-odds interest groups in a common push toward a comprehensive legislative package. Obama has invited 16 labor and progressive leaders, including the heads of the AFL-CIO and NAACP, to the White House at 11 a.m., and a dozen big business chief executives, including the heads of Coca Cola, Goldman Sachs and Yahoo, at 3:20 p.m. The president “will continue his dialogue with outside leaders on a number of issues – including immigration reform and how it fits into his broader economic agenda, and his efforts to achieve balanced deficit reduction,” the White House announced. The lobbying strategy is similar to the script Obama followed in the recent negotiations over the fiscal cliff, when he also met with labor and business groups. The White House believes that increasing pressure on Congress from different interest groups with large networks outside Washington will help Obama in his pursuit of an ambitious second-term agenda, including stricter gun-control laws and immigration reform.

#### Bipart is premised on pressure

John Dickerson, 1/31/13, Bipartisan Baloney, www.slate.com/articles/news\_and\_politics/politics/2013/01/gang\_of\_eight\_immigration\_reform\_why\_republicans\_and\_democrats\_agreeing.html

Amateur meteorologists claim to have spotted other flickers of the bipartisan phenomena. President Obama and Republican leaders reached a deal on a three-month extension of the debt limit and a bill to aid the victims of Hurricane Sandy. These are not historic acts, but why not raise a glass in tribute if for no other reason than to break the monotony of having to constantly raise a glass to drown our frustration. But let's not mistake this for genuine bipartisanship. Or, if this is the new standard for bipartisanship, then we should change our definition of it. These examples of ghost bipartisanship are born from pressure, not cooperation. Lawmakers aren't reasoning together; one side is crying uncle. **That will** almost **certainly be true of any immigration reform measure that passes** (if the reform effort doesn’t break down under the weight of the partisanship itself). The folk story of bipartisanship goes like this: The two parties tackle a common problem, they fight like hell, but both sides ultimately give up something to get a deal. In 1983, Ronald Reagan and Tip O'Neill negotiated a compromise over Social Security. In 1990, George H.W. Bush forged a deal to reduce the deficit with Democratic leaders. In 1997, Bill Clinton and Newt Gingrich hammered out a balanced budget agreement. These bipartisan moments were not simply the product of reason divorced from acrimony and politics. As President Truman said, "There was never a nonpartisan in politics. A man cannot be a nonpartisan and be effective in a political party." But today’s droplets of bipartisanship are distinct from that tradition. They come not from shared sacrifice but from one side giving in. Charles Krauthammer says Republicans got rolled on the fiscal cliff talks. The Weekly Standard and Sen. Rand Paul say Republicans blinked on the debt limit fight. On the issue of immigration, the bipartisan opportunities exist not because wise men from both parties have decided to solve one of the nation's most pressing issues, but because Republicans are giving in to the pressure created by the last election. This fact is clear by the host of Republicans who once opposed or were skeptical of any immigration-reform package that included “amnesty” but who are now supporting it. It’s not about policy; it’s about politics. Similarly, on the question of gun control, there is an emerging consensus that Congress will support background checks for gun purchases. This too could be called bipartisanship, except that it’s an emergency event brought on by the Newtown, Conn., massacre, which means it tells us nothing about the baseline health of bipartisanship. If recent cooperation shouldn’t be confused with new bipartisan vigor, there’s another new reason to be skeptical: history. Barack Obama's re-election marks only the second time that three consecutive presidents have served consecutive two-year terms. The last time was Jefferson, Madison, and Monroe. This gives us three modern examples of the presidential learning curve. After re-election, presidents of both parties draw the same conclusion: Bipartisanship is a pipe dream. In Bill Clinton's second inaugural address, he declared his election would bring about a new bipartisan era. "The American people returned to office a president of one party and a Congress of another. Surely they did not do this to advance the politics of petty bickering and extreme partisanship they plainly deplore." This was true long enough for the president to reach a budget deal with Republicans—just before his second term devolved into impeachment hearings. When Republicans pursued him for lying to a grand jury and obstructing justice, Clinton interpreted it as nothing more than blind partisanship. In 2004, after George W. Bush was re-elected, the man who once promised to unite and not divide entered his second term with a far dimmer view of compromise. "I've got the will of the people at my back," he said despite his narrow victory. Bush’s definition of bipartisanship meant other people falling in line: "I'll reach out to everyone who shares our goals." Bush later admitted that when giving his State of the Union address, he relished the partisan reaction it provoked. "Sometimes I look through that teleprompter and see reactions. I'm not going to characterize what the reactions are, but nevertheless it causes me to want to lean a little more forward into the prompter, if you know what I mean. Maybe it's the mother in me." Like Clinton, President Obama faces the prospect of hammering out deals with a divided government, but he reached the opposite conclusion. The president’s aggressive second-term trajectory was evident even before he gave his inauguration speech, but the speech set the emotional tone for a second term full of conflicts. When Obama’s top political adviser argues that Democrats don’t have “an opposition party worthy of the opportunity,” it cemented the proof. There may be bipartisan progress in the months to come, but it will be of a tougher kind. Members of the two parties may join arms and make a deal, but it won’t be the result of fellow feeling, conciliation, or understanding. If there’s going to be gang-like behavior that achieves bipartisanship, it’s more likely to come through a headlock than a hug.

#### Momentum critical to passage

David Freedlander, Daily Beast, 1/29/13, Culture Warriors Gearing Up for New Battle Against Immigration Reform, www.thedailybeast.com/articles/2013/01/29/culture-warriors-gearing-up-for-new-battle-against-immigration-reform.html

Opponents concede that they have their work cut out for them this time around, but say they are ready for the fight. “They have lined up their ducks more effectively. The last time they just assumed they were going to win, and this time they are clearly more prepared,” said Mark Krikorian, director of the Center for Immigration Studies, which opposes more relaxed immigration. “They have an evangelical effort that basically says that you will be damned to hell if you oppose amnesty. Nonetheless, I think those attempts to get conservatives to agree with them will end up hurting those making the argument, those like Republican senators, and evangelical leaders, more than it will succeed in persuading people.” Opponents say time is on their side. **The longer it takes for Congress to get a bill on the floor and voted on, the more time they will have to marshal their forces and pull out odious aspects of a bill to a full airing.** The conservative media sphere already took a couple of bites out of the announcement on Monday, with Rush Limbaugh declaring, “I don’t think there’s any Republican opposition to this of any majority consequence or size. We’ll have to wait and see and find out. But this is one of those, just keep plugging away, plugging away, plugging away until you finally beat down the opposition.” And the conservative blog Red State warned that the bill could create “a permanent Democratic majority.”

#### That’s key

Bill Keller, NYTimes, 2/3/13, Selling Amnesty, www.nytimes.com/2013/02/04/opinion/keller-selling-amnesty.html?pagewanted=print

The good news is that the anti-immigration side has no lobbying equivalent of the National Rifle Association, no group with its hands so firmly on the throats of Congress that it can override public opinion. But the bill will face a reservoir of popular fear, resentment and misunderstanding. President **Obama** and the indefatigable Senator Charles Schumer **will work the Democratic constituencies and rally public support**, but the hard sell is up to a few key Republicans who understand that this is their party’s best hope of redemption with the surging Latino electorate. So far the most effective antidote to right-wing opposition has been Senator Rubio. In the days after the Gang of Eight unveiled its proposal the Floridian made the rounds of the shouting heads on the conservative media circuit, arguing the case. By the time Rubio was done, Rush Limbaugh was unconvinced but muted, and Sean Hannity, who announced after the November election that he had “evolved” on the issue, was calling it “the most thoughtful proposal that I’ve heard.” Karl Rove, another Fox talker, who tried unsuccessfully to sell immigration reform when he was President George W. Bush’s right arm, called the Senate principles “a huge step forward.” Fox pundits, perhaps mindful that their owner, Rupert Murdoch, recently came out for a path to citizenship, have avoided using the A-word to describe the latest proposals. Rubio could bolster the case for legalizing undocumented immigrants by making more of the economics. My conservative colleague David Brooks has spelled out the rosiest economic case for increased immigration, including legalization of the undocumented. I would add a point made by Gordon Hanson, who studies immigration economics at the University of California, San Diego. Hanson points out that giving the 11 million undocumented immigrants provisional legal status would greatly improve the odds that their children would become educated, productive, taxpaying members of society rather than drains on the economy. **Supporters of reform are moving with unusual speed, hoping to** build up momentum that will carry over to the House. They aim to get a bill through the Senate this summer, leaving much of 2013 for the House to act before representatives are completely immersed in midterm electoral politics.

#### Hirsh concedes PC is real

Michael Hirsh, National Journal, 2/7/13, There’s No Such Thing as Political Capital, www.nationaljournal.com/magazine/there-s-no-such-thing-as-political-capital-20130207

The point is not that “political capital” is a meaningless term. Often it is a synonym for “mandate” or “momentum” in the aftermath of a decisive election—and just about every politician ever elected has tried to claim more of a mandate than he actually has. Certainly, Obama can say that because he was elected and Romney wasn’t, he has a better claim on the country’s mood and direction. Many pundits still defend political capital as a useful metaphor at least. “**It’s an unquantifiable but meaningful concept,” says** Norman **Ornstein** of the American Enterprise Institute. “You can’t really look at a president and say he’s got 37 ounces of political capital. But the fact is, it’s a concept that matters, if you have popularity and some momentum on your side.”

#### Regardless of general capital, the plan pushes immigration off the agenda—Hirsch concedes this matters even if capital isn’t true

Michael Hirsh, National Journal, 2/7/13, There’s No Such Thing as Political Capital, www.nationaljournal.com/magazine/there-s-no-such-thing-as-political-capital-20130207

**Presidents are limited in what they can do by time and attention span, of course**, just as much as they are by electoral balances in the House and Senate. But this, too, has nothing to do with political capital. Another well-worn meme of recent years was that Obama used up too much political capital passing the health care law in his first term. But **the real problem was that the plan was** unpopular, the economy was bad, and the president didn’t realize that the national mood (yes, again, the national mood) was at a tipping point against big-government intervention, with the tea-party revolt about to burst on the scene. For Americans in 2009 and 2010—haunted by too many rounds of layoffs, appalled by the Wall Street bailout, aghast at the amount of federal spending that never seemed to find its way into their pockets—government-imposed health care coverage was simply an intervention too far. So was the idea of another economic stimulus. Cue the tea party and what ensued: two titanic fights over the debt ceiling. Obama, like Bush, had **settled on pushing an issue that was out of sync with the country’s mood**.

Unlike Bush, Obama did ultimately get his idea passed. But the bigger political problem with health care reform was that it **distracted the government’s attention** from other issues that people cared about more urgently, such as the need to jump-start the economy and financial reform. Various congressional staffers told me at the time that their bosses didn’t really have the time to understand how the Wall Street lobby was riddling the Dodd-Frank financial-reform legislation with loopholes. Health care was sucking all the oxygen out of the room, the aides said.

#### Studies go our way

**Schier 9**, Professor of Poliitcal Science at Carleton, (Steven, "Understanding the Obama Presidency," The Forum: Vol. 7: Iss. 1, Berkely Electronic Press, <http://www.bepress.com/forum/vol7/iss1/art10>)

In additional to formal powers, a president’s informal power is situationally derived and highly variable. Informal power is a function of the “political capital” presidents amass and deplete as they operate in office. Paul Light defines several components of political capital: party support of the president in Congress, public approval of the presidential conduct of his job, the President’s electoral margin and patronage appointments (Light 1983, 15). Richard Neustadt’s concept of a president’s “professional reputation” likewise figures into his political capital. Neustadt defines this as the “impressions in the Washington community about the skill and will with which he puts [his formal powers] to use” (Neustadt 1990, 185). In the wake of 9/11, George W. Bush’s political capital surged, and both the public and Washington elites granted him a broad ability to prosecute the war on terror. By the later stages of Bush’s troubled second term, beset by a lengthy and unpopular occupation of Iraq and an aggressive Democratic Congress, he found that his political capital had shrunk. Obama’s informal powers will prove variable, not stable, as is always the case for presidents. Nevertheless, he entered office with a formidable store of political capital. His solid electoral victory means he initially will receive high public support and strong backing from fellow Congressional partisans, a combination that will allow him much leeway in his presidential appointments and with his policy agenda. Obama probably enjoys the prospect of a happier honeymoon during his first year than did George W. Bush, who entered office amidst continuing controversy over the 2000 election outcome. Presidents usually employ power to disrupt the political order they inherit in order to reshape it according to their own agendas. Stephen Skowronek argues that “presidents disrupt systems, reshape political landscapes, and pass to successors leadership challenges that are different from the ones just faced” (Skowronek 1997, 6). Given their limited time in office and the hostile political alignments often present in Washington policymaking networks and among the electorate, presidents must force political change if they are to enact their agendas. In recent decades, Washington power structures have become more entrenched and elaborate (Drucker 1995) while presidential powers – through increased use of executive orders and legislative delegation (Howell 2003) –have also grown. The presidency has more powers in the early 21st century but also faces more entrenched coalitions of interests, lawmakers, and bureaucrats whose agendas often differ from that of the president. This is an invitation for an energetic president – and that seems to describe Barack Obama – to engage in major ongoing battles to impose his preferences.

## at: pc bad

#### PC is key to the Senate bill

John Avlon, Daily Beast, 1/31/13, Immigration Reform Proposal Shows Similar Ideas Betweeen Bush and Obama, www.thedailybeast.com/articles/2013/01/31/immigration-reform-proposal-shows-similar-ideas-betweeen-bush-and-obama.html

Wehner’s comments cut to the heart of the lessons learned. After essentially ignoring immigration reform in its first term, the Obama administration is front-loading the ambitious effort and—for the time, at least—**deferring to the Gang of Eight in hopes that it might be** less polarizing if the president’s name isn’t on the bill when senators from the opposing party try to sell it to their base. The death of the Bush bill came largely at the hands of a right-wing talk-radio revolt that attacked any path to citizenship as “amnesty.” The fact that then–presidential candidate John McCain was sponsoring the bill with none other than Ted Kennedy created an opening for competitors like Mitt Romney to try to get to McCain’s right in a play to the primary’s conservative populist cheap seats. But the other hostile front came from resurgent House Democrats who frankly did not want to give the polarizing lame-duck incumbent named Bush a political win. Fast-forward six years, and the right-wing talk-radio crowd is weakened. The evangelical, law-enforcement, and business communities are now united behind comprehensive immigration reform. Responsible Republicans know they cannot afford to alienate Hispanics any longer. And the presence of Florida Sen. Marco Rubio—a onetime Jeb Bush protégé—is an essential addition to the coalition. “Senator Rubio, a Tea Party choice, is well respected and well liked and trusted,” adds Wehner. “With him as the lead in these negotiations, conservatives are more willing to consider immigration reform than in the past. You’re not seeing the explosion of opposition now that we saw in 2007. That doesn’t mean it won’t happen; but for now, it hasn’t.” Long story short: it’s much easier for Marco Rubio to make the case for the Senate’s bipartisan path to citizenship than to argue on behalf of President Obama’s bill, which would be a nonstarter to much of the base. And so the president wisely held off from offering his specific policy vision in the much-hyped Las Vegas speech earlier this week. It’s not unlike the reason Harry Truman gave for naming the postwar European-aid bill after his secretary of state, George Marshall: “Anything that is sent up to the Senate and House with my name on it will quiver a couple of times and then turn over and die.” Unlike Truman and George W. Bush, however, Obama is pushing for this bill at a time of maximum political capital and national popularity, **with polls showing his approval rating at nearing 60 percent**. To truly depolarize this policy debate, it’s tempting to imagine Obama enlisting President Bush to make the sale to the nation. But W. has made a determined effort to stay out of political and policy debates since leaving 1600. The first post-election policy event of the Bush Center was a conference on immigration reform, in which the former president let himself wax poetic on his unfinished legacy: “America can be a lawful society and a welcoming society at the same time,” he said. “As our nation debates the proper course of action relating to immigration, I hope we do so with a benevolent spirit and keep in mind the spirit of immigrants.” A lead researcher the Bush Center, Matthew Denhart, hails Washington’s full circle. “It’s funny how politics work sometimes—the details of immigration reform announced this week by the Senate and White House are virtually indistinguishable from what was advanced by President Bush and other leaders in 2007 ... While it’s unfortunate immigration reform failed to pass Congress five years ago and has languished ever since, the current plan holds promise to boost economic growth, which should be our country’s top priority.” Other Bush allies, like the Goldwater Institute’s Clint Bolick, who co-authored a recent Wall Street Journal op-ed on immigration reform with Jeb Bush, are balancing optimism with skepticism as they look at the current proposal: “It is a step forward with some excellent features,” says Bolick. “But entering the country has to have a consequence, and providing a path to citizenship rather than permanent residency will encourage future illegal immigration, just as the 1986 law did. It also fails to confront preferences for distant-family members that crowd out work-based immigration. But it is great to see Republicans and Democrats coming to grips with immigration issues.” The renewed atmosphere of something like bipartisanship is refreshing—and, of course, needed, to get anything done in a divided government. But one final irony is worth noting. The current Gang of Eight plan learns the lesson of opposition to the 2007 proposal by front-loading border security before any progress toward a pathway to citizenship is made. The trigger mechanism and metrics for establishing this success are still unclear. But the fact is that border security dramatically increased during the Obama administration’s first term, with officials almost doubling the number of agents patrolling the border from what was in place when Bush made his speech to the nation. The walls have continued to be built, and criminal deportations have hit record highs. Combined with the effects of the Great Recession, which reduced demand for undocumented workers, the Obama administration has quietly accumulated a record of success on a front usually considered a conservative policy priority. And so the stars seem to be aligning into one of those moments where, as Seamus Heaney once wrote, “hope and history rhyme.” **Make no mistake—there is still plenty of time for Washington to screw this up. But there is urgency to the effort,** rooted in the parties’ individual self-interest as well as the national interest. After all, if President Obama and President Bush can agree on the substance of something as contentious as immigration reform, surely it isn’t too much to hope that our divided Congress can find a way to reason together on this issue.

#### The squo is goldilocks but the plan means Obama goes it alone

Zeke Miller, Buzzfeed Politics, 1/29/13, Immigration Tests Fraught Relationship Between Obama And Congress, www.buzzfeed.com/zekejmiller/immigration-tests-fraught-relationship-between-oba

"The president is handling this perfectly," said Sen. Chuck Schumer, one of the architects of the Senate deal. "He is using the bully pulpit to focus the nation's attention **on the urgency of immigration reform and set goals for action on this issue. But he is also giving lawmakers on both sides the** space **to form a bipartisan coalition."** Obama encouraged lawmakers to work quickly to pass legislation, warning — as he has at many times throughout his presidency to limited effect — that if Congress doesn't act, he will introduce his own bill. White House Senior Adviser Dan Pfeiffer told BuzzFeed that Obama's threat only applies if Congress abandons negotiations, adding that the administration is "very encouraged" by the efforts on both sides to reach an agreement.

## link

Gop hates it cause it’s not enough

Hobson 12 (Margaret, Writer for E&E, the leading source for comprehensive, daily coverage of environmental and energy politics and policy., "Obama's development plans gain little political traction in years since Gulf spill", [www.eenews.net/public/energywire/2012/04/18/1](http://www.eenews.net/public/energywire/2012/04/18/1))

President Obama is embracing the offshore oil and gas development policies he proposed in early 2010 but were sidelined in the shadow of the Deepwater Horizon oil spill. Two years after the BP PLC oil rig exploded, killing 11 people and causing the worst oil spill in U.S. history, Obama's "all of the above" energy policy includes offshore drilling provisions that are nearly identical to his aggressive March 2010 drilling plan. Since the moratorium on offshore oil drilling ended in late 2010, the administration expanded oil and gas development in the western and central Gulf of Mexico and announced plans for lease sales in the eastern Gulf. The White House appears poised to allow Royal Dutch Shell PLC to begin exploring for oil this summer in Alaska's Beaufort and Chukchi seas and to open oil industry access to the Cook Inlet, south of Anchorage. The administration is also paving the way for oil and gas seismic studies along the mid- and south Atlantic coasts, the first such survey in 30 years. While opening more offshore lands to oil and gas development, the Obama administration has also taken steps to make offshore oil drilling safer, according to a report card issued yesterday by Oil Spill Commission Action, an oversight panel formed by seven members of President Obama's oil spill commission. That report criticized Congress for failing to adopt new oil spill safety laws but praised the Interior Department and industry for making progress in improving offshore oil development safety, environmental protection and oil spill preparation. An environmental group was less complimentary. A report yesterday by Oceana charged that the measures adopted by government and industry are "woefully inadequate." As the 2012 presidential campaign heats up and gasoline prices remain stuck near $4 per gallon, Obama's offshore oil development policies aren't winning him any political capital. The environmental community hates the drilling proposals. The Republicans and oil industry officials complain that the White House hasn't gone far enough. And independent voters are confused by the president's rhetoric. According to the GOP political firm Resurgent Republic, independent voters in Colorado and Virginia don't understand what Obama's "all of the above" energy mantra means. The report said, however, that once the policy was "described as oil, gas, coal, nuclear power, solar and other alternative energies, participants became enthusiastic and view such a strategy as credible and necessary to becoming more energy independent." A recent Gallup poll indicated that American voters are polarized on energy issues. The survey found that 47 percent of the public believes energy development is more important than environmental protection, while 41 percent of the public ranks protecting the environment as a bigger priority. In that political climate, Obama's offshore oil development policies are not likely to affect the nation's most conservative or liberal voters, noted Larry Sabato, director of the University of Virginia's Center for Politics. "The environmentalists have no place to go except Obama, and Obama isn't going to convince any conservatives or Republicans to back him" based on his oil and gas proposals, Sabato said. "He's obviously aiming at swing independents," Sabato added. "He's trying to show that he's pursuing a middle path, the one many independents like. Maybe it will work." Back to the original plan, minus 2 pieces Obama's all-of-the-above energy policy is in keeping with his pre-oil-spill offshore oil and gas development proposal. After the Deepwater Horizon disaster, the White House slapped a six-month moratorium on all new oil and gas development. Since the moratorium ended, Obama has systematically reintroduced most of the early oil development proposals. Two pieces of the old plan are missing. Obama backtracked on his proposal to allow oil exploration off Virginia's coast. The new East Coast offshore plan lays the groundwork for seismic studies, but not drilling, along the mid- and south Atlantic. The White House also dropped a proposal to allow exploration in the eastern Gulf of Mexico within 125 miles of Florida, an area off limits due to a congressional moratorium. During 2010 negotiations, the administration offered to allow oil leasing in the region if Congress lifted the moratorium and passed a global warming bill. When the climate change legislation died, however, the drilling provision lost White House favor. Since the Republicans took control of the House in 2011, GOP leaders have advanced a series of bills that would go far beyond Obama's offshore oil drilling policies, essentially allowing development along all U.S. shores. But those measures have been thwarted by the Democrat-controlled Senate.

Plan causes backlash from Dems

VBJ 12

Vail Business Journal, Colorado House Dems blast oversight of oil and gas drilling

http://www.vailbusinessjournal.com/article.php?id=6749

A new report compiled by the Democratic minority membership of the House Natural Resources Committee suggests that the oil and gas drilling industry has run amok, primarily due to spotty enforcement of health and safety regulations. Committee Democrats said the Department of Interior must reform its oversight of drilling on public lands. Some companies started drilling before they had their final permits from the government. About 20 percent of the violations involved casing and cementing procedures intended to prevent leaks. In a letter accompanying the report, Reps. Edward Markey and Rush Holt asked Interior Secretary Ken Salazar to respond my March 9. The report highlights numerous violations during the past few years that posed risks to the health and safety of workers and the environment, including a 2008 well blowout in North Dakota that wasn't reported to authorities immediately; an operator in Mississippi who did not install a blowout preventer or any other safety equipment to control the well in the event of a blowout; and an improper casing and cement job in Wyoming that led to leaks of water and gas through the cement of the well. The Interior Department collected less than $300,000 in fines during a 13-year period starting in the mid-1990s — a mere drop in the bucket compared to the enormous profits reported by oil and gas companies during that span. "It would be an overstatement to even call these fines a slap on the wrist. For oil and gas companies making billions from drilling on America's public lands, this kind of inadequate oversight and enforcement is little more than a pin prick," said Rep. Ed Markey, ranking Democrat on the House Natural Resources Committee. "This report indicates that confidence in the oversight of drilling on public lands should be limited, at best."

#### Democratic unity key to immigration

AP, 2/6/13, Obama presses Senate Democrats on strategy for tough fights ahead at annual retreat, www.washingtonpost.com/business/obama-trying-to-sell-senate-democrats-at-annual-retreat-on-a-strategy-for-tough-fights-ahead/2013/02/06/c6f7ace8-7034-11e2-b3f3-b263d708ca37\_story.html

With a big to-do list at the start of his second term, President Barack Obama is trying to sell Democrats on his strategy for tackling immigration, gun control and a host of fiscal dilemmas. Obama met behind closed doors for more than two hours Wednesday with lawmakers from his own party at the Senate Democrats’ annual retreat at a hotel in Annapolis, Md. House Democrats will hear from Obama at their annual retreat Thursday in Leesburg, Va. Senate Democratic unity will be critical to Obama’s prospects for enacting the ambitious agenda he’s laid out for the start of his second term. Almost all the items he’s seeking face opposition from Senate Republicans — not to mention the even stronger opposition Obama is likely to run up against if and when the GOP-controlled House takes up those items. The White House said Obama spoke briefly, took questions from 10 of the senators assembled, then spent an hour chatting with them in smaller groups. Obama’s spokesman, Jay Carney said the session was focused on coordinating what Democratic senators are doing with the administration’s own efforts to promote Obama’s priorities. High on the agenda was immigration, where Carney said Obama would note the “significant progress” made toward a bipartisan deal. Obama is letting the Senate take the lead on crafting comprehensive immigration legislation, including a path to citizenship for 11 million illegal immigrants. But he is using all the power that the presidency affords to implore lawmakers to act without delay. A bipartisan Senate group has reached agreement on the broad outlines of such an overhaul, but a few thorny issues remain, including a possible guest-worker program and whether to delay steps toward citizenship until certain border-security measures are in place.

## microcredit

#### Remittances solve sustainable growth

Giuliano, Asst Professor Economics – UCLA, fellow – NBER and IZA, ‘6

(Paola, “Remittances, Financial Development, and Growth,” Institute for the Study of Labor, IZA Discussion Paper No. 2160)

What is the macroeconomic impact of remittances? Is there evidence that remittances foster productive investment? How does financial development influence the growth effects of remittances? To shed some light on these important questions, in this paper we analyzed the relationship between remittances and growth and its interaction with the financial development in the recipient country. We used a newly constructed cross-country series for remittances covering a large number of developing countries over the period 1975-2002. We find that remittances have promoted growth in less financially developed countries by providing an alternative way to finance investment. This finding controls for the endogeneity of remittances and financial development using a SGMM approach, does not depend on the particular measure of financial sector development used, and is robust to a number of robusteness tests. By becoming a substitute for inefficient or inexistent credit markets, remittances help alleviate credit constraints contributing to improve the allocation of capital and to boost economic growth. The findings suggest that there is an investment channel trough which remittances can promote growth where the financial sector does not meet the credit needs of the population. We also analyzed the cyclical properties of remittances and concluded that they are predominantly profitdriven and mostly procyclical.

## pounders

#### Immigration first

York 2/10/13

Byron, Washington Examiner chief political correspondent, “After ignoring unemployment, Obama seeks to convince Americans it’s his top priority,” <http://washingtonexaminer.com/after-ignoring-unemployment-obama-seeks-to-convince-americans-its-his-top-priority/article/2521077>, AM

At other times since his re-election last November, Obama has made clear that other issues top his second-term agenda. In a New Year’s interview with NBC’s “Meet the Press,” Obama was asked to name his top priority for the next few years. He put immigration reform at the top of the list. “That’s something we should get done,” Obama said. Economic recovery, Obama added, is “the second thing that we’ve got to do.”

#### Obama has capital now—he’s priced in major fights into his agenda and get immigration—plan kills his momentum

Chris Cillizza, WaPo, 2/6/13, President Obama is enjoying a second political honeymoon. But how long will it last?, www.washingtonpost.com/blogs/the-fix/wp/2013/02/06/president-obama-is-enjoying-a-second-political-honeymoon-but-how-long-will-it-last/?print=1

President **Obama is enjoying a** sort of **second political honeymoon** in the wake of his re-election victory last November with a series of national polls showing his job approval rating climbing from the middling territory where it lagged for much of the last several years. In the latest Real Clear Politics rolling average of all national polling, Obama approval is at 52 percent while his disapproval is at 43 percent. That may not seem like much but it marks a significant improvement over where he was for much of 2010 and 2011. Here’s a look at Obama’s job approval trend line in Washington Post-ABC News polling from January 2011 until now: Judging from his actions of late — most notably his surprising confrontational (and liberal) inaugural address — President **Obama is well aware** of the fact that **he is enjoying a polling boom at the moment**. And, even Republicans are tacitly acknowledging that Obama is living in a second honeymoon period by backing down on major legislative fights like the fiscal cliff and the debt ceiling. The pertinent question then is how long it will last — and what the president can get done between now and when the good times (for him, at least) stop rolling. Gallup has done considerable work on the lengths of political honeymoons and has concluded that they ain’t what they used to be. Here’s their chart documenting the relative honeymoon lengths — as defined by a job approval rating above the 55 percent mark — of presidents in their first terms: As Gallup’s Jeffrey Jones wrote: “Only one of the last six presidents — George H.W. Bush — had a honeymoon that extended beyond his ninth month in office. Bush’s ratings actually climbed for much of his first year and a half in office as the economy remained strong, several communist regimes fell in Europe, and the U.S. military was able to capture Panamanian dictator Manuel Noriega and remove him from power.” The explanations for the shortening of presidential honeymoons vary. One theory is that modern presidents operate in a hyper-partisan world where the opposition party never rallies (or comes close to rallying) behind them. (In Gallup polling, nine of the ten most polarizing years of a presidency – as defined by the gap between presidential job approval among Democrats and job approval among Republicans — have come during the presidencies of George W. Bush and Obama.) Because of that partisan division, modern presidents’ approval ratings start at a lower high point; that means the pace at which they dip below the 56 percent “honeymoon” mark is significantly hastened. The one and only Nate Silver makes just that point when examining second term presidential honeymoons in this post and accompanying chart: Another factor contributing to the truncation of political honeymoons is that in the world of 24-hour cable networks, Twitter and the fracturing of the traditional media, the attention span of the American public is much shorter than it once was — meaning that **momentum** simply **dies away much faster nowadays.** Regardless of the reason, it’s clear that Obama has a limited time — six months perhaps? — to take legislative advantage of his second political honeymoon.He seems committed to taking on three separate and distinct fights during that time: 1) gun control 2) immigration reform 3) debt and spending. Each of those legislative scraps will shorten his honeymoon as he expends political capital to try to get what he wants out of a Congress — particularly in the House — that seems likely to be resistant.

## gun control

#### Their AP evidence is OK at best – it also says Obama’s primarily pushing background checks but concludes it’s popular

AP 2/8 (“Keystone of Obama gun control plan gains steam as Dem, GOP senators seek background check pact,” Washington Post, http://www.washingtonpost.com/politics/congress/dem-gop-senators-quietly-seek-background-check-deal-that-could-improve-gun-control-prospects/2013/02/08/5362c63a-71cb-11e2-b3f3-b263d708ca37\_story.html)

The talks are being held even as Obama’s call to ban assault weapons and high-capacity ammunition magazines, the two other major pillars of his plan, are hitting rough waters on Capitol Hill. An agreement among the four senators to expand background checks would add significant impetus to that high-profile proposal by getting the endorsement of a group that ranges from one of the Senate’s most liberal Democrats to one of its most conservative Republicans.

Mo st’s card ends

“We’ll get something, I hope. I’m praying for it,” said Sen. Joe Manchin, D-W.Va., one of the participants.

Manchin, a moderate Democrat, is an NRA member who aired a 2010 campaign ad in which he literally shot a hole through Democratic environmental legislation that he pledged to oppose.

Also involved is Sen. Tom Coburn, R-Okla., another NRA member with a strong conservative record but occasional maverick impulses; No. 3 Senate Democratic leader Charles Schumer of New York, a liberal; and moderate GOP Sen. Mark Kirk of Illinois.

Background checks are required only for sales by the nation’s 55,000 federally licensed gun dealers, but not for private purchases like those at gun shows, online or in person. There are few indisputable, up-to-date statistics on how many guns change hands without background checks, but a respected study using 1990s data estimated that 30 percent to 40 percent of gun transactions fit into that category.

The senators’ talks have included discussions about how to encourage states to make more mental health data available to the federal system for checking gun buyers’ records, according to people who spoke anonymously because they were not authorized to describe the private negotiations. They are also considering potential exemptions to expanded background check requirements, including transactions involving relatives or people with licenses to carry concealed weapons

People involved in the talks would share little about their substance. In one of the few public remarks about the talks by participants, Schumer said last week that the talks have been productive and said the package they were seeking “will not limit your ability to borrow your Uncle Willie’s hunting rifle or share a gun with your friend at a shooting range.”

Congress has been focusing on guns since the December massacre of 20 first-graders and six adults at a school in Newtown, Conn. Senate Judiciary Committee Chairman Patrick Leahy, D-Vt., wants his panel to approve gun control legislation in the next few weeks and has voiced strong support for universal background checks for firearms purchases.

While an expansion of background checks is expected to be a key part of any gun control bill Leahy produces, a version of that provision with bipartisan support could give the entire package a boost.

It is likely that any gun-control bill will need 60 votes to pass the 100-member Senate. Democrats have 55 votes, including two Democratic-leaning independents.

Leaders of the GOP-run House are planning to see what, if anything, the Senate passes before moving on gun legislation. Strategists believe that a measure that passes the Senate with clear bipartisan support could pressure the House to act.

The political impact that the four senators could have by reaching agreement stems largely from who they are.

If Coburn embraces an agreement, that could help win over other conservative Republicans at a time when the GOP is responding to its White House and congressional election losses of last November by trying to broaden its national appeal.

In an Associated Press-GfK Poll last month, requiring more background checks got overwhelming public support, compared to just over half who backed bans on assault weapons and high-capacity ammunition magazines.

#### If gun control becomes controversial, Obama will punt it for immigration

Chris Weigant, Huffington Post, 1/24/13, Handicapping Obama's Second Term Agenda, Lexis

The ceremonies are all over and Congress has slunk back into Washington, meaning President Obama's second term can now truly begin. Obama laid out an impressive and optimistic agenda in his speech on Monday, which leads to the question of how much of this agenda will actually be passed into law. Obama faces a Senate with a Democratic edge, but not a filibuster-proof edge. Obama also faces a House with fewer Republicans in it, but still enough for a solid majority. From the viewpoint of the past two years, this seems to indicate that not much of what Obama wants will get done. But perhaps -- just perhaps, mind you -- things will be a little different for the next two years.

Obama, like all second-term presidents, will only have a short window of time to push his issues. There is one way this conventional wisdom could turn out to be wrong, but it is a long shot, at best. If Democrats can manage to hold their edge in the Senate and take control of the House in the 2014 midterm elections, then Obama could defy second-term expectations and actually get a lot done in his final two years in office. But, as I said, this should be seen as a remote possibility at this point. Remember 2010, in other words.

Realistically, Obama's only going to have anywhere from a few months to (at most) a year and a half to get anything accomplished. Which is why he is right to push his agenda immediately, as evidenced by his inaugural speech. But even he must realize that he's not going to get everything he wants, so it will be interesting to see what makes it through Congress and what dies an ignoble legislative death.

**There is reason for hope**. Obama begins from a position of strength, politically. His job approval ratings have been consistently over 50 percent since he was re-elected -- a range Obama hasn't seen since 2009. As mentioned, the Republican presence in both houses of Congress has shrunk. More importantly, though, the House Republicans are visibly chastened (or even "shaken") by the election's outcome.

This has already allowed Obama to rack up two early victories in the endless budget debates -- and in both, Obama got almost everything he asked for, did not give up much of anything, and held firm on some very bold negotiating tactics. Obama won the fight over the fiscal cliff, which resulted in the first rise in income tax rates in two decades, and the only thing he had to budge on was the threshold for these higher taxes. Today, the House Republicans passed a "clean" rise in the debt ceiling, after Obama swore over and over again that he "was not going to negotiate" on the issue at all. The score so far is: Obama two, House Republicans zero (to put it in sporting terms).

Of course, the Republicans only extended the debt ceiling for a few months, but this shouldn't really worry anyone, because a longer-term extension will doubtlessly be a part of any sort of grand bargain on the budget talks. The Republicans, very wisely, realized they were playing a losing game and decided to reshuffle the deadlines on the calendar. Rather than being faced with the debt ceiling crisis first, and then two budgetary crises, they have moved the debt ceiling problem to the end of the list.

Which means the next big fight Obama faces is going to be another haggle over the budget. This is going to be a tough battle, and Obama is bound to disappoint some of his supporters in the midst of it. Some sacred cows are going to wind up as hamburger, although at this point it's hard to see which ones. The real measurement of success here will be whether the House Republicans and Obama can come to terms with a budget for the next year or year-and-a-half. Long-term budget stability has been largely absent from Washington for a while now, so if any agreement can be reached perhaps it'll help the economy recover a lot faster throughout 2013 and 2014. In the long run, that will be a positive thing, no matter what such a budget agreement actually contains. One safe bet for what will be in it, though, is a long-term extension of the debt ceiling.

Budget battles are going to happen no matter what else does -- that's another safe bet. What is more interesting, though, is handicapping which of Obama's agenda items will actually see some action. There are three major initiatives that Obama is currently pushing: action on global warming, comprehensive immigration reform, and gun control. Obama did mention other issues in his speech, but these are the big three for now. Gay marriage, for instance, is in the hands of the Supreme Court right now, and no matter how they rule it's hard to see any legislative action (good or bad) happening on it immediately afterwards.

Gun control will likely be the first of these debated in Congress. Vice President Biden laid out a wide array of possible actions Congress could take on the issue, all of which Obama then backed. While the Newtown massacre did indeed shift public opinion dramatically on the overall issue, the biggest initiative is not likely to become law. An assault rifle ban is very important to some Democrats, but the way I read it is that this was included to have something to "trade away" in the negotiations. If Obama gets most of the other gun control initiatives -- closing loopholes on background checks, much better tracking of weapons, and all the other "small bore" (sorry about that pun) ideas -- then he will at least be able to say he accomplished something at the end of the day. Perhaps this is pessimistic, but the mechanics of banning "assault weapons" become very tricky, when you have to actually define what they are in legal language. And such a ban may not get universal Democratic backing anyway, so I fully expect this will be shelved at some point in exchange for support for all the other initiatives. Without such a ban, the prospects for other meaningful gun control legislation get a lot better, though, and I think that a bill will eventually pass.

The second big agenda item is immigration reform. President Obama holds virtually all the cards, politically, on this one. All Republicans who can read either demographics or polling numbers know full well that this may be their party's last chance not to go the way of the Whigs. Their support among Latinos is dismal, and even that's putting it politely. Some Republicans think they have come up with a perfect solution on how to defuse the issue, but they are going to be proven sadly mistaken in the end, I believe. The Republican plan will be announced by Senator Marco Rubio at some point, and it will seem to mirror the Democratic plan -- with one key difference. Republicans -- even the ones who know their party has to do something on the immigration problem -- are balking at including a "path to citizenship" for the 11 million[1] undocumented immigrants who are already in America.

## sequester

#### But there’s no debate about it and Obama’s deferring to Congress

Eleanor Clift, Daily Beast, 2/6/13, Sequester Looms as Democrats and GOP Make Little Effort to Resolve Impasse, www.thedailybeast.com/articles/2013/02/06/sequester-looms-as-democrats-and-gop-make-little-effort-to-resolve-impasse.html

Most Americans are familiar by now with the phenomenon of sequestration, the budget ax scheduled to fall on March 1 if the White House and Congress can’t agree on a more measured plan to cut spending. There’s been remarkably little debate about it considering the consequences, but President Obama broke his silence Tuesday with a seven-minute statement in the White House briefing room appealing for a short-term fix to get past the March 1 deadline, and stating that proposals he made to House Speaker John Boehner in 2011 as part of an ill-fated grand bargain “are still very much on the table.” Republicans needed to hear that assurance from the president. When Obama put entitlement reform on the table in 2011, he was in a far weaker position than he is today. Now safely reelected and with an approval rating of 57 percent in the latest Zogby poll, he might be tempted to renege on those earlier concessions. But Obama has his eye on the big picture, and the health of the economy would be negatively affected by draconian spending cuts. “Our economy right now is headed in the right direction and it will stay that way as long as there aren’t any more self-inflicted wounds coming out of Washington,” he said, urging Congress to come up with a smaller package of spending cuts and tax reforms “to delay the economically damaging effects of the sequester for a few more months” to give lawmakers time to come up with an alternative. It’s what Congress just did with the debt ceiling extension, putting it off for three months until mid-May. What’s most striking about the looming sequester is the lack of any real activity on either side, Democrat or Republican, to resolve the impasse. Instead, both parties seem to be sleepwalking their way to sequester, calming themselves with the rationale that letting it happen might not be that big a disaster. And they’re right—up to a point. “Sequestration is a disgrace, a congressionally made disgrace,” says Jim Kessler, of Third Way, a centrist Democratic group. “But it’s not the fiscal cliff—it can happen and life goes on." Going over the fiscal cliff would have meant the U.S. defaulting on its debts and precipitating a global financial meltdown. Sequester takes a chunk out of defense spending and a chunk out of discretionary domestic spending, but it spares Social Security, Medicare and Medicaid, and Pell grants. Republicans would rather accept deep cuts in defense spending than give Obama any more tax revenue, and with Democratic priorities protected, how bad can it be? Obama seems to be taking the same approach he did on the debt ceiling, leaving it up to Congress to figure a way out, but Congress so far is punting. House Majority Leader Eric Cantor gave a much ballyhooed speech Tuesday at the conservative American Enterprise Institute on school choice, making college affordable, and easing visa requirements for foreign students. Using the rubric “Making Life Work,” he said there’s “no greater moral imperative than reducing the debt,” but it’s time to “focus on what lies beyond the fiscal debate.” Cantor didn’t mention sequestration, and as one of the GOP leaders with an eye to the future, he apparently has concluded that if he can’t change the dynamic, it’s time to change the conversation.

#### They’ll punt

Josh Hicks, Washington Post, 1/24/13, Party leaders predict temporary sequestration cuts are likely, http://www.washingtonpost.com/blogs/federal-eye/wp/2013/01/24/party-leaders-predict-temporary-sequestration-cuts-are-likely-2/

Leaders from both political parties predicted Wednesday that sequestration would take place at least temporarily while lawmakers try to come up with a longer-term plan for reining in the national debt, according to an article by Lori Montgomery and Rosalind S. Helderman in Thursday’s Washington Post. Sen. Richard J. Durbin (D-Ill.) reportedly said, “I think we are committed to some form of sequestration spending cut.” He added that the White House is considering options for blunting the impacts on government services and the federal workforce, according to Thursday’s article. So what does that mean for federal agencies?A Jan. 10 report from the Congressional Research Service said sequestration would entail “largely across-the-board spending reductions.” The operative word there is “largely,” meaning some programs — but not the federal workforce — would be shielded. A host of so-called “mandatory” programs would be exempt from cuts, including Social Security, the Earned Income Tax Credit, the Additional Child Tax Credit, and low-income programs such as Medicaid, the Children’s Health Insurance Program and Supplemental Nutrition Assistance, according to the report.Federal agencies would see across-the-board budget cuts of between 8 percent and 10 percent. The government would have until Sept. 30 to make the required reductions, giving lawmakers time to forge a deal for less-painful cuts. In the meantime, agencies would absorb the impacts slowly, which is what Durbin was referring to when he said “I think we are committed to some form of sequestration spending cut.” The idea is that lawmakers might be willing to let sequestration run its course for awhile to reduce spending without having to choose where the trimming occurs.