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John's Newsletter Saturday 10 January 2015

Electric car uptake accelerates. Je suis Hebden. EU's unpayable debt - ditto China? Sri Lanka - new President. The Keystone fiasco.

The main event...replacing fossil fuels with renewable energy and energy storage

There is a slow uptake with electric cars including battery electric vehicles (BEVs), plug in hybrid electric vehicles (PHEVs) and hybrid electric vehicles (HEVs). Perhaps the best advance was thus far with the battery control systems that stopped batteries discharging below the point where they would be destroyed (often they can only cope with going as low as 50% discharged). But where are we at in the state of energy storage for vehicles? Well there are a couple of issues (such as price and range anxiety), besides the fact that the disruption we expected from the emergence of the mythological EESU has yet to take place. One is the reduced price of oil. We feel some sorrow for oil producers selling at \$48 /bbl until we realise that the costs for the likes of the Saudis are only \$10-15 per barrel. So while they are worried about the drop from USD100 to 48 per bbl, they are even more worried about the possibility of losing a large slice of their market to electric vehicles. This must account for part of the Saudi's reason for not cutting supplies. But lower petrol prices are slowing down uptake of renewables ... and even leading people to buy Hummers and various gas-guzzling SUVs. This article from Fibb suggests there is more confidence in the EV industry...

<http://chargedevs.com/features/evs-renewables-energy-storage-the-unstoppable-trio-of-energys-future/>

Certainly with cars like the Mitsubishi PHEV and the BMWiE, there are plenty of changes evidencing a lot of success with R&D.

For power grids, electrical storage is still big, clunky and expensive.

But how many more projects like this will we see?...

http://www.spacedaily.com/reports/Aquion_Energy_cuts_deal_for_major_microgrid_battery_system_in_Hawaii_999.html

It is a sign of willingness and with governments now hopping on the climate change bandwagon – blaming fossil fuels – there is a growing trend towards affirmative action to cease using fossil fuels for political reasons...whether we agree with the logic of this or not.

My main worry is that by the end of 2015 if oil prices stay as low as they are now, there will be a huge fire in the global economy, kindled by the destruction of the few hundred billion invested in marginal shale loans and impacting on both the ability of the oil industry to fund any meaningful growth and the collapse of the derivatives casino. A bit like spelled out here by Gail. By then the supply of oil from the shales could be down by as much as 40% and many areas of the world seeing reduced oil supplies. As this is a worst case but realistic scenario...I think everyone may be interested in this link...

<http://ourfiniteworld.com/2015/01/06/oil-and-the-economy-where-are-we-headed-in-2015-16/>

I now believe that the shales only attracted about USD200 billion in venture funding, so my estimate of impact of the lower oil price was earlier overstated. Sorry about that.

Terrorism may rise during 2015

The Charlie Hebden (pronounced 'ebden because les Francais drop their "h"s) slaughter is part of a battle over a myth...and an antiquated myth at that...

<http://www.stratfor.com/geopolitical-diary/paris-attack-underscores-deeper-malaise#axzz3O9XqOvot>

Bad people will always find a god to justify their actions. Me? I have to be accountable for my own actions, because I have so far never found a deity that would have me.

But MI5 believe the UK will be next for attention from Islamist attention-seekers. MI5 can't stop all the nutters who want to die for Islam...

<http://www.bbc.com/news/uk-30734290>

The EU has placed its supplies of oil and gas in jeopardy by participating in the sanctions against the Russian Federation. In addition there are systemic reasons why they do not need the overhead burden of all the refugees they harbour and pay welfare benefits to. Some consider that the EU will suffer further this year and progressively come apart...

http://seekingalpha.com/article/2804435-the-coming-euro-crash?source=email_macro_view_edi_pic_0_0&ifp=0

But *The Financial Times* reported yesterday that there are now 1.2 trillion euros in Eurozone debt that have a negative yield. Investors are effectively paying to hold short term government debt. Is this silly, or what? To me it suggests that everything else must be inordinately risky.

I don't see the same level of economic pain happening in the EU for a while, because it is election year in some parts of the EU...nowhere more so than Britain...

http://www.businessspectator.com.au/article/2015/1/9/europe/britain-headed-back-1930s?utm_source=exact&utm_medium=email&utm_content=1083525&utm_campaign=kgb&modapt=

They have not just the spectre of the UKIP...fuelled by xenophobia as a result of both the shenanigans of Brussels and the endogenous terrorism, but also they are coming off the high of the biggest QE ever delivered in Britain. Trying for fiscal restraint in this environment may be electorally impractical.

It seems that just about every day, the pundits come up with more arguments as to why the EU is in trouble that will just get worse...

http://seekingalpha.com/article/2807265-europe-cannot-catch-a-break-and-is-therefore-headed-for-a-break-up?source=email_macro_view_edi_pic_1_1&ifp=0

Every day and in every way the politicians hasten to explain that the terrorists that are becoming a scourge in the EU are Islamists and not your common garden, mainstream Muslims. The problem is that there are now tens of thousands of these European so-called “moderate Muslim children” now fighting in the Middle East. How long will it take to accept that, “Houston, we have a problem” ? It isn’t the Christian Scientists in Europe who get radicalised. Isn’t it time the Muslim community actually took ownership of this problem? It is after all their Imams who do the radicalising, so let’s stop making excuses for a backward religion, prone to extremism which seems to revel in justification of the most hateful crimes – including blowing up each other’s mosques.

China

The Chinese government has plans to stimulate growth in the economy with more finance being made available. But these announcements come with the backdrop of dire warnings from bankers in both EU and USA...

<http://www.telegraph.co.uk/finance/economics/11333928/Bank-of-America-warns-of-lethal-damage-to-Chinas-financial-system-as-deflation-deepens.html>

So who will be right? Those who think China will grow or those who expect 2015 could be a crash year.

There is only one thing I think we can be sure of and that is the probable impact of a China crash on the global economy.

Meantime China continues to advance its global ambitions. You may recall mention in earlier newsletters of their funding and building seven new deepwater ports between Singapore and Piraeus in Greece...so these three articles from Sinocism just caught my eye...

[“Sri Lankan Election Upset a Blow to China’s Indian Ocean Plans - Bloomberg](#) “In public, Beijing will likely express willingness to establish good relations with the new government,” said Zhang Guihong, a professor at the Institute of International Studies at the Shanghai-based Fudan University. “Privately, its diplomatic missions and officials in Colombo will get busy and start mingling with new people.” The result, considered improbable just two months ago, risks disrupting President Xi Jinping’s moves to increase China’s presence in the Indian Ocean. China has invested heavily in Sri Lanka over the past decade and supported Rajapaksa in the face of U.S.-led inquiries into human rights abuses allegedly committed during the end of a 26-year civil war.”

And...

[“China-CELAC trade to hit 500 billion USD: Chinese president - Xinhua](#) Chinese President Xi Jinping set the goal for bilateral trade between China and Latin American, Caribbean countries to reach 500 billion U.S dollars in 10 years. He made the remarks at the opening ceremony of the first ministerial meeting of the Forum of China and the Community

of Latin American and Caribbean States (CELAC). He said China's direct investment into Latin America will hit 250 billion U.S. dollars in the coming decade.”

And...

[“A newly modest China? Official's reassurances raise eyebrows in US. - CSMonitor](#) Chinese Vice Premier Wang Yang said in a widely publicized speech that China 'does not have any ideas or capabilities' to challenge the US as the world's leading superpower. But while some say it reflects a new realism, others see reason for skepticism. “

Hmmm, I wonder if China will one day become an adversary?

USA

The divisive issue of Keystone XL is about to rear its head again...

<http://www.caseyresearch.com/cdd/keystone-xl-veto-is-partisan-political-disaster-for-america#video>

Not content with more than a trillion US dollars in student loans outstanding, now for Mr Obama it may be that he wants every freshman to have “money for nothing and chicks for free” lol....from Seeking Alpha...

[“President Obama has unveiled a proposal](#) to make community college free for the first two years, with federal funding covering three-quarters of the cost and states that participate contributing the rest. "We have to make sure that everybody has the opportunity to constantly train themselves for better jobs, better wages, better benefits," said Obama. The White House expects an estimated 9M students to participate in the program and save \$3,800 a year on tuition.”

Therefore they think the extra cost will be USD34.2 billion. Where will they get it? Who cares, just fire up the printing presses. The world can pay.

What has become of Fidel Castro?

Who? You may ask... An ancient relic of the cold war.

There have been stories of his death before, but they are emerging once again...

<http://www.ft.com/intl/cms/s/0/fc3e7fd4-9801-11e4-84d4-00144feabdc0.html?siteedition=intl#axzz3ONJBOnBR>

Can black holes merge?

Some astronomers believe it to be possible...as we enter a time when the physicists and astronomers start to merge their own fields of scientific interest...

<http://www.csmonitor.com/Science/2015/0108/Astronomers-find-evidence-of-black-holes-merging-in-clash-of-cosmic-titans>