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## Better-Management Newsletter 8 April 2015

**Energy that makes the world go round / Next step in fossil fuel exploitation / Prof Freeman Dyson / Whatever happened to Breton Woods? / The Greeks are squirming / Immigrants get more benefits / Rocky road ahead for dairy?**

### Energy that makes the world go round

Don't get me wrong, we have access to more energy than humanity may ever be able to use. But having the technology to do so at a low cost is where the problem lies.

But people who point to the attempts to get oil from source rocks (aka shale) or tar sands as being evidence we will never run out of oil totally miss the point. From conventional sources global oil production has peaked. Everything else costs more, has a lower EROEI and pollutes much more.

There are two global oil services companies – Halliburton and Schlumberger – and if either of their managements think things are getting difficult, then they probably are...

[http://seekingalpha.com/article/3052326-schlumberger-ceo-oil-price-decline-not-due-to-overcapacity?source=email\\_alternative\\_energy\\_investing\\_oil\\_gas\\_equ\\_ser\\_1\\_5&fip=0](http://seekingalpha.com/article/3052326-schlumberger-ceo-oil-price-decline-not-due-to-overcapacity?source=email_alternative_energy_investing_oil_gas_equ_ser_1_5&fip=0)

This issue of more cost for less return is the reason why dividends were being reduced from early in 2014...prior to the oil price drop.

### Next step in fossil fuel exploitation

The next step in fossil fuel exploitation could be underground gasification or coal liquefaction...to produce liquid fuel from coal (as the Nazis did in WWII and as SASOL does in South Africa). In the UK, the drop off in North Sea oil and gas is leading to the promotion of both fracking for shale and underground coal seam gasification.

<http://peakoil.com/production/underground-coal-gasification-the-next-extreme-energy-front>

Elsewhere, where government agencies are trying to integrate solar and wind power into the national electricity grids, they are finding that new smart technologies are proving a bit brittle....

<http://sacramento.cbslocal.com/2015/03/30/stockton-smart-meters-explode-after-truck-causes-power-surge/>

The multiplicity of new sources of alternative electricity requires a more versatile and robust power grid...

<http://peakoil.com/alternative-energy/new-york-to-build-worlds-most-powerful-smart-energy-lab>

Perhaps this is where the high voltage capacitors that EESstor Corporation is trying to bring to market will have a role.... Well, we investors hope so at any rate.

For those who want to join the new blog site to keep up with energy storage etc... <http://edensity.ning.com/>

### **End of the industrial age of oil**

The finite nature of the world's endowment of fossil fuels poses both a threat to humans and a benefit for the global environment. Within the next 15-20 years we will for example reach the end of the industrial age of oil. There will still be plenty of oil around but it won't be as economically extractable IMHO as other forms of energy. We will certainly use much less of it, so our emissions will likely be correspondingly less and not just due to greater efficiency of use.

So, one of the reasons why I cannot get too worked up about CO2 emissions from fossil fuels, is because it will likely be reducing over time, allowing other environmental factors to take over and hopefully ameliorate any atmospheric warming/cooling. Often I find myself in a difficult position, sitting on the fence on AGW, because folk on both sides of the argument would like to convert me. By far the most aggro. I get is from those who believe we must do something urgently to "fix" the problem of increasing atmospheric CO2.

### **Prof Freeman Dyson**

In earlier emails I have noted that I can recall reading an autobiography written by Prof Freeman Dyson, 91 years old and still amongst the most brilliant minds in the world, in which he indicated the primary motivation for the scientific community seeking to introduce nuclear power was the realisation that fossil fuels would one day be exhausted. Freeman was involved in nuclear energy/research from 1948 and worked alongside Einstein for some years.

<http://www.vancouversun.com/technology/Video+Conversations+that+matter+Earth+actually+growing+greener/10944052/story.html>

I look on the aging scientists like Lovelock and Dyson as being the treasures of our age because they have contributed so much to science and the world we live in.

### **Whatever happened to Breton Woods?**

Well first, in 1971 the USA decided to scrap the convertability of the US dollar into gold. All they handed out in exchange for value thereafter was paper money...sometimes with the ink still wet.

Eventually countries like Saudi Arabia, Japan and China caught on that they could send the US stuff and only get back pieces of paper. So they invested most into US Government bonds.

Then the US Fed started QE and ZIRP, thereby making sure everyone knew that if the USA wanted something, they would give back just pieces of paper in bucket loads.

So China started buying everything not nailed down by using those spare US dollars.

Now China has decided it is time to stop the nonsense by establishing its own global financial institutions and that will stop the manipulation of the IMF and World Bank by the USA. The problem for the USA is that all her allies agree. China and others cannot yet abandon the dollar, but the time will come when they and other BRICS do, and then who will bail out every US citizen's debts and excess?

<http://www.ft.com/intl/cms/s/2/a0a01306-d887-11e4-ba53-00144feab7de.html#axzz3WXQSU3rs>

The general feeling seems to be, "The rest of the world gave already".

### **The Greeks are squirming**

Time and money is fast running out for Greece so while Mr Tsipras has headed to Russia in the hopes of getting Uncle Vladimir to help with a loan (against Greece offering to break the sanctions and supply fresh fruit and vegetables to Russia), the Greek Defence minister firms up on claims against Germany for war reparations. This is a place no-one else in Europe wants to visit. Strangely the claim is for more than the sum Greece owes, so I am inclined to wonder whether this is part of an EZ exit strategy?...

<http://www.bbc.com/news/world-europe-32202768>

BTW, while I have met many an insolvent businessman over the years, I never met one who didn't say he wanted to pay all his creditors in full. Not surprisingly Greece uses the same line...but perhaps they want to use the money they claim Germany owes them to pay their debts...as they wave farewell to the EZ.

But some folks think the prospects of a Grexit are diminishing, and certainly no-one is suggesting that by printing lots of money you can't grow GDP...

[http://www.businessspectator.com.au/article/2015/4/7/european-crisis/marios-victory-europe?utm\\_source=exact&utm\\_medium=email&utm\\_content=1269195&utm\\_campaign=kgb&modapt=](http://www.businessspectator.com.au/article/2015/4/7/european-crisis/marios-victory-europe?utm_source=exact&utm_medium=email&utm_content=1269195&utm_campaign=kgb&modapt=)

A short term triumph for Mario may mean worse trouble down the road...well maybe.

### **Immigrants get more benefits**

In the UK The UKIP are reopening the need for import controls, citing the benefits of the "Australian Points System". The free access of people from low wage economies to Europe and the USA is arguably the cause of their massive (and understated) unemployment. In his book "The Failure of Laissez Faire Capitalism" by Roberts, a central theme is the export of jobs, capital, technology and business to low wage economies.

Many countries within the OECD do not have the controls in place to stop the importation of "wage slaves" or control the deliberate "off-shoring" of jobs to foreign places. Immigration controls that work for some countries, do not work for others.

A case in point is the open roting of the NZ family reunification that allows Islamists easy immigration access, and single child Chinese offspring to import aging parents to take

advantage of NZ social welfare. I have yet to meet a young immigrant who was not an asset to the country, but we must weigh costs and benefits too.

In NZ there is no appetite to fix the downside impacts because we do not want to be seen to be politically incorrect.

I received the following today - Unfortunately there is more than a grain of truth in it...humorously xenophobic as it seems...

“News Flash - Another boat intercepted off the coast!! Declassified. The Navy intercepted a boatload of people off the coast of Cape Reinga today. This placed the Navy in an awkward position, as the boat was not heading to New Zealand, but towards Asia. Another surprise finding was the people were white Kiwi seniors of pensionable age. Their claim was that they were trying to get to Asia because they wanted to return to NZ as illegal immigrants. Then they would be entitled to far more benefits than they were receiving as legitimate New Zealand pensioners. It is believed the Navy gave them food, water and fuel and assisted them on their journey. We are booking on the next boat out. Let me know if you want to join us.”

We have a short-sighted government who want to import people at all costs from Asia...but this means importing their elderly relatives too. But they are better prepared than the rest of us seniors because they almost all qualify for community services card and get everything from teeth, to glasses, to states house, paid for by the government.

### **Lies, Damned Lies and Statistics**

Credibility is lost where official statistics are either misleading or irrelevant. Labour stats that improve as masses of unemployed remain unemployed for six months and are dropped off the records...are just a joke. Sooner or later the debt bubble will burst but history tells us that it is the poor that suffer most...from Seeking Alpha...

“**Friday's March jobs report** was a wake-up call about the surging dollar. The economy added 126K nonfarm payroll jobs in March, the slowest monthly increase since December 2013 (109K). The slowdown was broad-based: goods-producing jobs declined by 13K, and construction and manufacturing declined by 1K. Temporary help services rose by 11K (vs. -8K in Feb.), potentially a sign of weaker labor demand as employers shun permanent hires. The report will exacerbate concerns that the factory and energy sectors are weighing on the economy, giving the Fed cause to be more patient in initiating rate hikes. If recent weakness continues, the September liftoff date may start to be called into question.

**Developing economies are suffering their biggest capital outflows** since the financial crisis, with the 15 largest emerging economies seeing their biggest capital outflow since the crisis during the second half of 2014. These trends, analysts say, may signal a “great unravelling” of an emerging markets debt binge that has swollen to unprecedented dimensions. The pain inflicted by this capital flight is being felt in the real-life economies of vulnerable countries and in a surging number of emerging market corporations that are forecast to default on their debts.”

Just a clarification, the jobs report mentioned above is for the USA.

### **Rocky road ahead for dairy?**

Well, the Australians seem to think so...but will the EU be as efficient?...

[http://www.businessspectator.com.au/article/2015/4/8/agribusiness/will-europes-dairy-dream-become-nightmare?utm\\_source=exact&utm\\_medium=email&utm\\_content=1272583&utm\\_campaign=kgb&modapt=](http://www.businessspectator.com.au/article/2015/4/8/agribusiness/will-europes-dairy-dream-become-nightmare?utm_source=exact&utm_medium=email&utm_content=1272583&utm_campaign=kgb&modapt=)