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Better-Management Newsletter 24 June

Demography, global warming, economics, geopolitics, energy, china, batteries and china.

1. Why elderly Chinese want to retire here on our welfare

The one child policy in China means that hundreds of millions qualify...if they have some money...

<http://www.bloomberg.com/news/articles/2016-06-21/behind-china-s-one-child-policy-is-a-growing-army-living-alone>

2. What we must never criticise - Global warming theory

Being of rather limited intelligence, I have never been able to reconcile the conflicting opinions of real climate scientists. But frankly, I have always been alarmed by the assertion that 97% of those folk fear global warming and only 3% don't think it is a problem. Obviously that percentage is wrong and the denial of publication rights for those who disagree, almost turns "global warming" from a scientific theory into a religion. Many scientists whose work I admire are similarly unconvinced by IPCC theories on the subject. I hope you will find the logic of this paper herewith sensible; and it encourages you to maintain an open mind on the subject.

<https://wattsupwiththat.files.wordpress.com/2016/06/moore-positive-impact-of-human-co2-emissions.pdf>

The only thing that I am certain of is that we cannot affect changes in sea levels or air and sea temperatures, no matter how actively we try.

Economics

I am getting lots of feedback on yesterday's email...please keep it coming. To understand its relevance better, if anyone hasn't already familiarised themselves with Prof Albert Bartlett's videos that are linked to that email, they are well worth watching...

Some may wonder about our big four Australasian banks? Just remember they have AUD1.8 trillion of residential mortgage debt of which almost AUD500 billion is "interest only" and therefore highly speculative. With thanks to Tom, this caution is also interesting....

<https://nz.finance.yahoo.com/news/big-four-banks-could-fall-041333321.html>

But frankly, all major banks are exposed to the huge global derivatives casino and a big shock could likely render all / most illiquid if not insolvent in one overnight shock. Hence my advice to prepare for the likelihood of a "bank holiday" at some point.

By late today we will know all about the BREXIT vote. The problem is that stay or leave, Britain's and the world's problems will not go away. The major share markets are already well down...but overnight a burst of optimism caused a rally in the major share markets.

<http://www.reuters.com/article/us-global-economy-investors-analysis-idUSKCN0Z80ES>

Poor old Deutsche Bank...more losses. You have to wonder how they will make any money in a negative interest rate environment, with the Feds looking over their shoulder?

<http://www.bloomberg.com/news/articles/2016-06-22/a-541-million-loss-haunts-deutsche-bank-and-former-trader-dixon>

Wow, Harry Dent is about as convinced as I am about the coming mayhem...but he has a bigger following than me.

http://seekingalpha.com/article/3983162-kids-now-living-home-since-great-depression?source=email_macro_view_eco_1_22&ifp=0

Is China a risk? The level of risk is one thing, but a dramatic change in China's status as our biggest customer gives them scope to really wreck our Australasia economies...

http://seekingalpha.com/article/3983791-analysts-china-bigger-risk-brexite?source=email_macro_view_eco_4_25&ifp=0

Geopolitics

Who said Obama wasn't pushing the military envelope to make Democrats look assertive?...

<http://www.reuters.com/article/us-southchinasea-china-usa-idUSKCN0Z80XV>

and

<http://www.reuters.com/article/us-russia-putin-nato-idUSKCN0Z80VS>

Probably all for show.

China know they are in the wrong in the South China Sea dispute, but when will they demand our support (or else!).

<http://www.reuters.com/article/us-southchinasea-china-usa-idUSKCN0Z910M>

Turkey is now more wedded to dreams of establishing another Ottoman Empire, rather than being a true NATO partner...

<http://thecrux.com/u-s-remains-silent-as-nato-member-supports-islamist-militants-in-syria/>

Energy

Due to perceptions of risk, the public do not like nuclear power.... It doesn't seem to matter to the Indians and Chinese and many second tier countries...

<http://www.bloomberg.com/news/articles/2016-06-21/pg-e-proposing-to-retire-california-s-only-nuclear-reactors>

Oil, gas and coal are also unpopular, but oil still hasn't lost it's mojo...

http://seekingalpha.com/article/3983301-oil-wars-crude-lose-religion-time-soon?source=email_macro_view_edi_pic_2_4&ifp=0

My favourite oil company is slowly recovering from the "slough of despond"... This is typical of those who are low cost quartile producers...you get a fright and that shocks management into doing what it should have done in the first place.

http://seekingalpha.com/article/3983412-penn-west-petroleum-2-reasons-buy?source=email_alternative_energy_investing_oil_gas_dri_exp_0_7&ifp=0

and

http://seekingalpha.com/article/3983412-penn-west-petroleum-2-reasons-buy?source=email_alternative_energy_investing_oil_gas_dri_exp_0_7&ifp=0

I see that Richard Heinberg is coming out with a new book touting a change from fossil fuels to renewable energy. While I am still fence sitting over the climate change scenarios, what he has to say about oil is reasonable, but about alternative energy is simplistic and ignores major economic factors as well as possible new technology solutions:

<http://ourrenewablefuture.org/>

The problem though is that intermittent power is a dog that will only bark. This is where changes and improvements to energy storage systems come into play.

The problem with renewable is and always will be the missing link; energy storage that is cheap, holds high ED and even high voltage. But so far only one possible candidate – the mythological EESU. Until then Elon Musk's strategy will just be a doughnut with a hole in the middle...

<http://www.bloomberg.com/view/articles/2016-06-22/musk-s-solar-lifestyle-idea-has-one-big-flaw>

So I should perhaps update us on the progress of EESor. The company has raised its private placement money and is looking to close off at month end when it gets in the last CAD500,000 that has been committed, to give it the CAD3 million the management wanted to use for its two principle objectives...

1. Establishing a series of joint ventures in the USD2.9 billion high voltage capacitor market, where it is understood to have two avenues of significant competitive advantage over existing industry players for both size and cost with its CMBT powder. M&A lawyers don't come cheap.

2. Determining whether the time constant for energy storage can be increased using different polymers to the one presently in use. Polymer scientists also don't come cheap either.

http://www.eestorcorp.com/assets/eestor-pr-release_june-16-2016-completion-private-placement.pdf

Both of these initiatives will require that new samples are prepared for prospective JV partners and tested by Intertek. These will be Intertek's fourth battery of tests.

The test results will form the base-line for future polymer testing because the University of Akron's polymer experts have a fee based on a fixed element plus an incentive based on performance.

If the EESstor Corp capacitor consultant is to be believed, the dielectric performance is already suitable to disrupt the high voltage capacitor market. Further, if there are gains in the time constant from a successful new polymer, then further market verticals will come within EESstor's range.

The payoff for getting a good time constant with energy density of say 500+ whrs per kg, would initially be the completion of the JV agreement that is already in place with Lockheed Martin (and trigger a USD120 million payment to EESstor by LM). It would also open up the electric car market and the even bigger market for grid storage for wind and solar power stations. At 500+ whrs per kg, EESstor would own that and most other capacitor and energy storage markets. That is why it is the "holy grail".

There are dozens of markets in between the two levels of simple capacitor on the one hand and energy storage capacitor for a wide range of uses on the other.

So some folk still think that market size potential lingers somewhere between USD0 if the capacitor is a flop and USD2.9 billion if the capacitor adviser is right and up to USD1 trillion per annum if the mythological EESU lives up to its hype.

The mythological EESU is therefore either a flash in the pan, a disruptive high voltage capacitor, or an energy storage capacitor with the ability to rock our world.

If you want to read more ... read the articles on the web site and take your pick...

<http://www.eestorcorp.com/>

China's usage already tips the balance on available resources

India is just starting its own growth surge. But China has already thrown down some resource utilisation figures that are stunning as they used something like 50% of world steel and coal. But along with that, they have used more concrete in three years than USA did in the whole of the 20th century.

1. Coal

Seemingly China has peaked in usage

<http://www.smarteranalyst.com/2016/06/22/will-peak-oil-meet-peak-coal/>

2. Sand

Did you know there is a global black market in sand? Did you know there could be a shortage?

http://www.nytimes.com/2016/06/23/opinion/the-worlds-disappearing-sand.html?_r=2