**Oil Prices Disadvantage Affirmative**

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**Glossary**

Chavistas- supporters of Hugo Chavez, former president of Venezuela

Dissent- The expression or holding of opinions at variance with those previously, commonly, or officially held.

Empirically- Verifiable or provable by means of observation or experiment

Flooding the market- introducing a large supply of a product into a market to artificially reduce the price. Usually a tactic used by large producers to prevent new entrants into a market

Nicolas Maduro- newly elected president of Venezuela

OPEC (Organization of Petroleum Exporting Countries)- an organization formed in 1961 to administer a common policy for the sale of petroleum. Its members are Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela

**Non Unique: Low Oil Prices Inevitable**

**[ ]**

**[ ] Low prices are inevitable – increased supply and decreased demand**

**Barron’s, 2013**

("Falling Oil Prices: What, Me Worry?", Barron's, 6/13 online.barrons.com/article/SB50001424052748704878904578543721313773576.html?mod=rss\_barrons\_most\_viewed\_day#articleTabs\_article%3D1 //kdh)

Only a few years ago, **it seemed we were running out of oil. Now it seems we're bathing in it.** However, **plentiful supply from new drilling techniques and weaker demand in the U.S., Europe and China suggest that oil prices will moderate**. The **U.S. benchmark could drop from $96.66 per barrel to $85 over the next year**. Brent crude, the international benchmark trading at about $104 per barrel, could fall below $95 in the year ahead, if the Organization of Petroleum Exporting Countries doesn't rein in members, says Ed Morse, head of global commodities research at Citigroup. **While a** **geopolitical blowup could certainly send oil prices soaring**, saber-rattling in the Middle East, namely **the constant threat that Iran poses** to Israel and **the region, seems largely factored in. "Prices are likely to edge downward,**" Morse says. "**Commercial inventories of crude and refined product are at 80-year highs** in the U.S. Producer stocks are high in places like Saudi Arabia. **The market believes demand will pick up in the second half, but no one believes demand is particularly strong**, partly because Europe is weak, and partly because China's economy has faltered." **The U.S. oil boom**, the result of hydraulic fracturing in shale formations, **is boosting North American oil inventories** and could be embraced internationally. Moreover, tepid economic growth and increased auto fuel efficiency are pressuring demand. And natural gas is emerging as a fuel substitute. Internationally, energy supplies are "coming from an increasing diversity of sources," according to a BP Statistical Review of World Energy released this week. **All these supply and demand fundamentals point to lower oil prices**. However, some energy stocks should prosper even if prices should fall moderately. One is Cameron International (ticker: CAM), a global oilfield equipment maker whose technology, margin improvements and growing market share position it well for the long term. Another is explorer Canadian Natural Resources (CNQ), which should benefit from regional improvements in oil delivery and pricing.

**Non Unique: Oil Market Shift Inevitable**

**[ ]**

**[ ] Oil market dominance will shift from Middle East inevitably, already happening now.**

**Jaffe, director of the Baker Institute Energy Forum at Rice University, 2011**

(Amy Myers Jaffe is and member of the Council on Foreign Relations, “The Americas, Not the Middle East, Will Be the World Capital of Energy”, October 2011, <http://www.foreignpolicy.com/articles/2011/08/15/the_americas_not_the_middle_east_will_be_the_world_capital_of_energy?page=0,0>)

For half a century, **the global energy supply's center of gravity has been the Middle East**. This fact has had self-evidently enormous implications for the world we live in -- **and it's about to change**.¶ **By the 2020s, the capital of energy will** likely **have shifted back to the Western Hemisphere**, where it was prior to the ascendancy of Middle Eastern megasuppliers such as Saudi Arabia and Kuwait in the 1960s. **The reasons for this shift are** partly **technological and** partly **political**. Geologists have long known that **the Americas are home to plentiful hydrocarbons** trapped in hard-to-reach offshore deposits, on-land shale rock, oil sands, and heavy oil formations. **The U.S. endowment of unconventional oil is more than 2 trillion barrels, with another 2.4 trillion in Canada and 2 trillion-plus in South America -- compared with conventional Middle Eastern and North African oil resources of 1.2 trillion. The problem was always how to unlock them economically**.

**Answers to: Saudi Arabia floods market**

**[ ]**

**[ ] Financial constraints on Saudi Arabia prevent production increases of the past.**

**Ergo, global intelligence and advisory firm, 2012**

(“The Waning Era of Saudi Oil Dominance”, February, 2012, Ergo, http://www.ergo.net/ErgoSpecialReport\_Saudi\_Oil\_Feb2012.pdf, JKahn)

**While Saudi Arabia has benefited from higher oil prices in 2011 and from additional revenues earned by compensating for Libya’s production shortfall, over the long term Saudi Arabia faces growing financial constraints. Saudi budgets have steadily increased over the past decade, and are expected to continue to do so** in light of the various energy and EOR initiatives described above, as well as the prospect of future social spending to quell domestic unrest. **This will require a consistently high price of oil**. Just a decade ago the Kingdom’s break-even price was $25/barrel. In 2009 it increased to $68/barrel, and stands at $88/barrel in 2011. In January Saudi oil minister Abdullah al Naimi announced that the Kingdom would target $100/barrel in 2012. A recent study conducted by Riyadh-based Jadwa Investments forecasts a requirement for a $320/barrel oil price by 2030. **The Kingdom’s ability to reduce its budget is increasingly constrained by the amount of spending it must undertake to quell political discontent or provide for rapid population growth in a welfare state**. Even though the Kingdom retired a large amount of its debt in 2010, an Ergo source who is a former advisor to the Saudi Ministry of Commerce warns that “**a few bad years could crucify the Saudis.”**

 **[ ] Saudi Arabia will not flood the market. Largest oil production increase in US history didn’t trigger impacts.**

**Wall Street Journal, 2013**

Keith Johnson and Russell Gold, “U.S. Oil Notches Record Growth,” WSJ, 6/12 http://online.wsj.com/article/SB10001424127887324049504578541601909939628.html)

**U.S. crude-oil production grew by more than one million barrels a day last year, the largest increase in the world and the largest in U.S. history.**¶In the latest sign of the shale revolution remaking world energy markets, **crude production in the U.S. jumped 14% last year to 8.9 million barrels a day**, according to the newly released Statistical Review of World Energy, an annual compilation of industry trends published by BP BP.LN -0.16% PLC for more than six decades.¶ **The wave of new crude**, flowing in oil fields from North Dakota to south Texas, **helped keep the global market adequately supplied and helped markets weather declining oil production elsewhere in the world.**¶ "**The growth in U.S. output was a major factor in keeping oil prices from rising** sharply, despite a second consecutive year of large oil supply disruptions," said BP Chief Executive Bob Dudley.¶

**Impact Turn: High Oil Prices Bad: Economy**

**[ ]**

 **[ ] High oil prices hurt the global economy, historical record proves.**

**Rubin chief economist and chief strategist at CIBC World Markets , 2012**

(Jeff,.“How High Oil Prices Will Permanently Cap Economic Growth”, Bloomberg News, 09/23/2012, http://www.bloomberg.com/news/2012-09-23/how-high-oil-prices-will-permanently-cap-economic-growth.html)

Oil provides more than a third of the energy we use on the planet every day, more than any other energy source. And you can draw a straight line between oil consumption and gross-domestic- product growth. **The more oil we burn, the faster the global economy grows**. **On average over the last four decades, a 1 percent bump in world oil consumption has led to a 2 percent increase in global GDP**. That means if GDP increased 4 percent a year -- as it often did before the 2008 recession -- oil consumption was increasing by 2 percent a year. **At $20 a barrel, increasing annual oil consumption by 2 percent seems reasonable** enough. **At $100 a barrel,** it becomes easier to see **how a 2 percent increase in fuel consumption is enough to make an economy collapse.** Fortunately, the reverse is also true. When our economies stop growing, less oil is needed. For example, after the big decline in 2008, global oil demand actually fell for the first time since 1983. That’s why the best cure for high oil prices is high oil prices. **When prices rise** to a level **that causes an economic crash,** lower prices inevitably follow. Over the last four decades**, each time oil prices have spiked, the global economy has entered a recession.** **Consider the first oil shock**, after the Yom Kippur War in 1973, when **the Organization of Petroleum Exporting Countries’ Arab members turned off the taps on roughly 8 percent of the world’s oil supply** by cutting shipments to the U.S. and other Israeli allies**. Crude prices spiked,** **and** by 1974, real **GDP in the U.S.** had **shrunk by 2.5 percent. The second OPEC oil shock happened during Iran’s revolution and the subsequent war with Iraq. Disruptions to Iranian production during the revolution sent crude prices higher, pushing the North American economy into a recession** for the first half of 1980. A few months later, **Iran’s war with Iraq shut off 6 percent of world oil production, sending North America into a double-dip recession** that began in the spring of 1981.

**Impact Turn: High Oil Prices Bad: Food Prices**

**[ ]**

**[ ] High oil prices cause massive food shortages , promotes production of biofuels.**

**Timilsina et al, is Senior Research Economist for the World Bank 2011**

(Govinda R. Timilsina, “World Oil Price and Biofuels: A General Equilibrium Analysis”, June 2011, <http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2011/06/02/> 000158349\_20110602161941/Rendered/PDF/WPS5673.pdf)

**An increase in oil price would impact food supply in several ways**. First, **it diverts food commodities** that are suitable as biofuel feedstock (e.g., corn, sugar, wheat) **towards biofuel production**. Second, **it reallocates lands used for the cultivation of food commodities** that are notsuitable as biofuel feedstocks (e.g., rice) **and pasture needed for animal grazing towards biofuel feedstock commodities** (e.g., corn, sugar cane). Third, higher oil price could reduce demand for food that is reflected in the supply as demand and supply are balanced in the market equilibrium. Figure 6 presents the impacts of oil price changes on food supply. **The reductions in food supply are significant**. For example, **a 25% increase in oil price would reduce global food supply**, including processed foods, by 0.7% in 2020. If the price of oil doubles from its baseline level, it would reduce global food supply by 2.8% in 2020.

**[ ] High oil prices decrease global food supply**

**Timilsina et al, is Senior Research Economist for the World Bank 2011**

(Govinda R. Timilsina, “World Oil Price and Biofuels: A General Equilibrium Analysis”, June 2011, <http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2011/06/02/> 000158349\_20110602161941/Rendered/PDF/WPS5673.pdf)

The study first estimates the share of biofuels (i.e., ethanol and biodiesel) in total liquid fuel consumption for road transportation (hereafter referred to as „biofuel penetration‟). This is followed by assessment of the impacts of increased oil prices on biofuel penetration, agricultural outputs, land-use change and food supply. **The study finds that** **biofuel production very much affected by changes in oil price** -- a 65 percent increase in oil price in 2020 from the 2009 level would increase the global biofuel penetration to 5.4 percent in 2020 from 2.4 percent in 2009. A doubling of oil price in 2020 from its baseline level, or a 230 percent increase from the 2009 level, would increase the global biofuel penetration in 2020 to 12.6 percent**. The impacts are highly sensitive to the substitution possibility between biofuels and their fossil fuel counterparts**. At the global level, aggregate **agricultural outputs drop due to oil price increase**, however the drop is small in major biofuel producing countries as the expansion of biofuels would partially offset the negative impacts of oil price increase on agricultural outputs. However**, increases in oil price would significantly reduce global food supply**.

**Impact Turn: High Oil Prices Bad: War**

**[ ]**

**[ ] High oil prices funnels money to revolutionary governments causes massive wars**

**Colgan, assistant professor of International Relations at American University, 2012**

(Jeff, “Regulating the Resource Curse”, Foreign Policy, AUGUST 27 http://www.foreignpolicy.com/articles/2012/08/27/regulating\_the\_resource\_curse?page=0,0

But the SEC ruling is not just beneficial to developing countries -- it is also in the interests of the United States and its allies. **If oil money is not managed well** -- and it rarely is -- **it can get channeled into civil and interstate conflicts that threaten the U**nited **S**tates or its interests. Research shows that **oil-producing states led by revolutionary governments** like that of ousted Libyan leader Muammar al-Qaddafi **are more than three times as likely to instigate militarized international conflicts as a typical state**. **Oil income makes these petrostates aggressive, emboldening them to pick fights they might not otherwise attempt** -- think Iraq's 1991 invasion of Kuwait or Libya's armed conflicts with Chad that lasted over two decades. And **with 16 developing countries about to become new oil exporters, the likelihood of petro-fueled conflict is only getting higher**.¶ **Among those that have recently uncovered oil reserves are Liberia, Mali, Sierra Leone, and Uganda -- all of which were recently entangled in civil or interstate war, or both**. **Providing these governments with oil income -- especially without transparent financial procedures and political institutions -- is an invitation to disaster**.

**Answers to: Saudi Arabia instability**

**[ ]**

 **[ ] Saudi Arabia can withstand price dips without a revolution.**

**LeVine, writer for Foreign Policy, 2012**

(Steve, writer for Foreign Policy, June 20, 2012, “Why oil prices are keeping Putin up at night”, http://oilandglory.foreignpolicy.com/posts/2012/06/20/why\_oil\_prices\_are\_keeping\_putin\_up\_at\_night)

In an email exchange, Verleger pointed me to an interview he did a few days ago with Kate Mackenzie at the Financial Times. First, he explains, **the Saudis are out for blood when it comes to fellow petro-states** Russia and Iran, the former for failing to help calm the fury in Syria, and the latter for refusing to go to heel and give up its nuclear ambitions; in both cases, the Saudis think lower prices will produce a more reasonable attitude. In addition, **Saudi Arabia is terrified of a current U.S. boom in shale oil; it is hoping that lower prices will render much of the drilling in North Dakota's Bakken Shale and Canada's oil sands uneconomical**. Finally, **the Saudis are well aware that low oil prices helped to turn around the global economic downturn in 1998 and 1999, and they hope to help accomplish the same now**, and perhaps win new affection from the world's leading economies.¶ Meanwhile, though, Verleger thinks that oil prices will crash. Markets overshoot when one is trying only to fine-tune them, as the Saudis are, he argues -- which is the basis for his forecasts of $40-a-barrel oil and $2-a-gallon gasoline by November. ¶ To the degree that such fire-sale prices are long-lived, they could cause mayhem among petro-rulers. **While** Verleger thinks that **the Saudis can maneuver prices back up when they want, the very nature of a crash demonstrates that markets can be uncontrollable**. But **the Saudis are willing to suffer the consequences**, **knowing that their own financial reserves** (some $700 billion) **give them staying power.** "**The Saudis are able to look at the long term,"** Phil Flynn, **an analyst with Pricing Futures Group,** told me.

**Answers to: Iranian Economy Impact**

**[ ]**

**[ ] Iranian economy will drop- chronic mismanagement.**

**Valinejad and Peterson, correspondent and staff writer for the Christian Science Monitor, 2012**

(Afshin, “US Sanctions Crush Iran Economy - Iranians Blame Ahmadinejad”, The Truth Pursuit, 10-17, http://thetruthpursuit.com/top-story/us-sanctions-crush-iran-economy-iranians-blame-ahmadinejad/11359, Deech)

The US-led sanctions are just one target of blame for the hardship. More and more, lawmakers and ordinary **Iranians blame** the **high inflation and unemployment** as much **on the government's mishandling of the oil revenue** windfall of recent years as on sanctions. Even **supreme leader** Ayatollah Ali **Khamenei admitted** this Oct. 10, acknowledging that while the sanctions may cause problems, "**mismanagement may** even **increase** these **problems**." As an oil exporter during a period of high oil prices, Iran should be flush with cash from pre-embargo sales that it could use to shield Iranians from the worst of the adverse effects of the sanctions. Instead, **the government's spendthrift ways on costly projects and cash handouts** have **left little protective buffer**. Some 102 parliamentarians have signed a letter demanding a chance to question President Mahmoud Ahmadinejad on his economic policies, and more than half of the elected body voted to reexamine his landmark subsidy reforms. Parliament Speaker Ali Larijani – long a political rival of the president – has said **mismanagement accounted for 80 percent of Iran's financial woes**.