

Feature Article

RETURN OF THE OIL MONSTER

Have you noticed that the oil monster is stalking us again? Despite a lackluster economy, gasoline has crept above \$3 a gallon and oil is trading around \$85 a barrel. 22 months have passed since July 2008 when Congress blamed big oil companies and futures traders for \$147-a-barrel oil. But what did they do to avoid a recurrence of skyrocketing prices? Virtually nothing. When oil dropped to \$34 a barrel in early 2009, Congress forgot about the problem. Hopefully, it will be a while before oil gets to \$147 a barrel again, but analysts predict steady price increases as the economy recovers and world demand grows. Now that Congress has passed a \$1 trillion health insurance reform bill, maybe it can also pass a comprehensive energy reform bill. After all, most of us use more energy than health care in our daily lives.

The recession has only delayed the inevitable since the factors that fueled unbelievably high oil prices in 2008 still exist:

- (1) We import half the oil we consume - about 4 billion barrels/year,
- (2) A large part of the world's easy oil is controlled by dictatorships,
- (3) The thirst for oil is growing in China and emerging markets, and
- (4) The U.S. won't start new drilling in coastal waters any time soon.

We may not see record gas prices in 2010, but the rate-of-increase in prices will depend on the speed and strength of the economic recovery and the energy policies implemented (or not) by Congress.

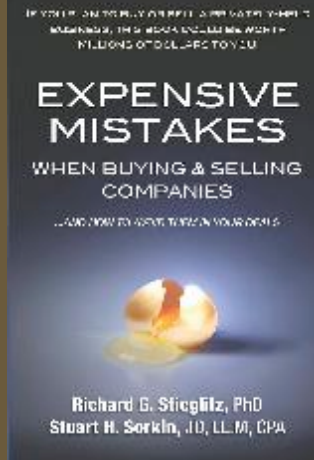
President Obama's decision to approve new oil and gas drilling off the coast of Virginia, Alaska, and the eastern Gulf of Mexico (even though rescinded) increases the odds of a bipartisan energy deal. By expanding domestic oil production and guaranteeing nuclear power plant loans, Obama seems to be approaching energy issues in a middle-of-the-road way. The Energy Information Administration (EIA) projects that even with rapid expansion of renewable energy, fossil fuels will still provide three-quarters of U.S. energy in 2030. Fortunately, new technologies developed by U.S. oil companies are producing economically viable discoveries in surprising places. For example, the EIA estimates that a hundred billion barrels of oil could be recovered from the Bakken Formation in North Dakota, the largest domestic oil discovery since Alaska's Prudhoe Bay. In addition, the shale gas discovered in Pennsylvania, home to America's first oil wells, could supply years of natural gas reserves for the U.S. and produce nearly 100,000 new jobs in the state.

The worsening oil rig accident off the coast of Louisiana will delay new off-shore drilling for years while Congress investigates the accident, bashes oil company executives, and debates tradeoffs between the environment and the economy, and tradeoffs between one environmental risk and another. For example, drilling in Pennsylvania and Alaska will produce huge reserves of natural gas, the cleanest fossil fuel for electricity generation and industrial uses; and delivering the new gas and oil through pipelines will avoid the high risk of pollution from tankers. Similarly, using nuclear power and natural gas power plants to generate electricity would replace aging coal-fired power plants, the dirtiest fuel in terms of CO2 emissions. Furthermore, coal mines are an ecological disaster and a hazard to the lives of coal miners.

President Obama's version of the cap-and-trade bill would auction carbon permits to industry. Some of the \$100 billion raised annually would go to low-income Americans in tax credits to offset higher energy prices, some would fund R&D and commercialization of solar and wind power, and some would be invested in training workers to move from lost manufacturing jobs to "green" jobs. Unfortunately, prospects for a cap-and-trade bill with a comprehensive energy strategy look dim. For example, raising the federal gas tax (stuck at 18 cents/gallon since 1993) would encourage conservation, increase demand for electric cars, reduce emissions, raise tax revenue, and reduce oil imports since more than half the oil used in the U.S. is consumed by cars and trucks. But a gas tax increase unfortunately is politically more poisonous than the carbon taxes.

Energy reform goes way beyond the threat of rising gas prices to include the issues of global warming and U.S. competitiveness in world markets. As the cap-and-trade bill limps through Congress, both political parties are sadly sticking to hardened positions - positions that have produced a 30-year energy stalemate dating back to President Carter and the Arab oil

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embargos. The oil crises of 1979 and 2008 shocked politicians into recognizing our unhealthy dependence on foreign oil. But as each crisis subsided nothing was done to prevent the next from happening. The political parties are so thoroughly owned by special interest groups, and so determined to make each other look bad, that they have put the country in such a bad place that we must do everything all at once:

- \$ Drill for oil and gas off our coasts and in our mountains,
- \$ Build wind farms off New England and in farm country,
- \$ Guarantee loans to build new nuclear power plants
- \$ Tax CO2 emissions and raise gasoline taxes,
- \$ Implement stringent efficiency standards, and
- \$ Offer incentives for R&D and conservation.

Are any politicians courageous enough to support these changes?

Energy reform offers something for everyone - and will cost everyone something too. To slow global warming, stimulate the economy, increase employment, and improve our position in world markets, the U.S needs a 3-pronged energy strategy:

(1) *Development*: Invest in solar, wind and nuclear energy sources to deliver a reliable supply of cheap, clean energy; and distribute it through a modern high-voltage transmission system.

(2) *Efficiency*: Mandate efficiency standards for cars, factories, offices, homes, and appliances to reduce power demand and emissions.

(3) *Conservation*: Encourage Americans to literally turn off their lights and drive less by making conventional energy more expensive.

The country might make these advances by itself over the next 20 years, but Congress can accelerate the changes by passing an effective energy reform bill. I'm not optimistic because one or more special interest groups are against every potential provision of an energy bill. To the extent politicians are afraid of taking action for fear they might not be re-elected, the problem is really the voters - that's you and me and the messages we send to our representatives

Leading Change YES AND.....

Imagine a team of stone masons building a cathedral. Big stones, little stones, round stones, square stones, brown stones, and red stones - Where will they fit in the cathedral? The first mason picks a stone and places it in the wall. The second mason says: "*NO because* that stone is the wrong color." He removes the stone and places another one in its place. The third mason says: "*NO because* that stone doesn't fit right." Of course, "right" is a personal definition. He takes out the stone and inserts a third to replace the first two. The next mason says: "*NO because* that stone's too big". He removes the stone and replaces it with a fourth.

Finally, after hours of exhausting debate, the masons realize "*NO because...*" doesn't work. Even though they worked hard and long, there is no wall! So the masons (being more perceptive than Congressmen) change to a "*YES and...*" strategy. The first mason puts a stone in the wall. The second mason says "*YES and* here's another stone that blends nicely" as he adds the second stone. The third mason says: "*YES and* here's a stone that fits well with yours." The next mason says: "*YES and* this stone plugs that small gap." It is easy to see that a "*YES and...*" approach will build a cathedral more quickly and effectively than "*NO because...*"

"*YES and...*" also is effective in business and personal relationships because building a relationship is much like building a cathedral. "*YES and...*" stimulates creativity while "*NO because...*"@ produces conflicts and stalemates. The goal is the cathedral and not any individual stone. The synergistic power of different perspectives is important, not the merit or demerit of any specific idea that a relationship partner might suggest.

When one of your relationship partners suggests a new idea, do you focus on its weaknesses (*NO because...*) or its strengths (*YES and...*)? Think back. In your experience, which has been more likely to produce agreement and a plan that you both can feel good about? Which encourages idea sharing in a way that solves complex issues like a national energy policy? The synergy of "*YES*

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and..." is awesome: $1 + 1 + \dots$ solves the unsolvable. Each person contributes to, and feels ownership for the result. Our economy - indeed our country and our world - will become what we want it to be when we work together with a "YES and..." attitude.

Results Through Relationships **RIGHT DOESN'T MATTER**

A judge granted a divorce decree for irreconcilable differences when the wife cited example after example where the husband refused to clean up after himself. The husband's counter claim was that the wife was a compulsive neatnik who cleaned the outside windows after each rain storm. Who was right? Does it matter? To the formerly married couple, being right about a clean or messy house was more important than the relationship, children, shared experiences, and financial stability.

Like marriage, politics is an arena where intelligent people routinely surrender to the *being-right* dragon and say *NO* to each other. It's frustrating and sad to see the President, and the Republicans and Democrats in Congress argue about fiscal restraint, the annual budget, health care, energy, financial regulations, immigration, etc. The conflicting positions vary from topic to topic, but the results are the same. Consider the annual budget for example. By law, Congress should pass and the President should sign the budget by October 1st each year - the start of a new fiscal year. I don't recall a year in the last 20 when they met that statutory requirement. And I don't recall an issue that was so crucial that it was worth paralyzing the government. I do recall heated arguments, half-truths, name-calling, and continuing resolutions that several times have persisted into January and beyond.

Look at the results the *being-right* dragon produces: impasses that embarrass our country, leave it vulnerable to economic calamity, limit its growth, and allow problems to persist for decades while Congress argues over who is right. The well-intentioned men and women of Congress have long experience in public service, and they believe intensely in what they are doing. But they don't realize that being right doesn't produce the solutions they were elected to achieve. Are you and I any different at the level at which we operate? Do we surrender to the *being-right* dragon and wonder why our relationships are strained and our results less than they should be? Maybe we could achieve more if we weren't so "right" all the time. Could it be that *being right* is wrong?

Friends & Colleagues,

If you're looking for ways to implement change in your organization, please contact me to discuss the possibilities. If you found this e-letter to be interesting and useful, send it to a friend. If you didn't, let me know why at dick@dragonsofchange.com.

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