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CLARMOND

A Line in the Dust

Like segregation in 1960s America the Al-Saud family seems to be on the wrong side of history. The USA looks set to flex its fossil fuel prowess and lead the energy transition that will leave Saudi Arabia unmoored and unallied.

“I TRIED TO TALK ABOUT GOOD schools, good roads and nobody listened and then I talked about race and they stomped the floor.” George Wallace, the four time Governor of Alabama, was hooked and founded his political power on the holler of ‘segregation now, segregation tomorrow, segregation forever.’

But these rotting words, over time, wormed their way into American culture. ‘Segregation now’ was to stop affirmative action, ‘segregation tomorrow’ was to prevent any government safety net and ‘segregation forever’ was to allow states to confirm their own prejudices. And over the next decades these biases gave birth to an equally strident opposition, with each side now hurling slogans at the other.

Yet while they quarrelled, the United States went from energy leader to energy importer and a US\$ exporter, flooding the world with its money. The junior partner, and main beneficiary, in this energy for \$’s bargain was the Al-Saud family. They priced their energy production in US\$’s that were easily created by issuance of US Treasuries and ever-widening deficits. However, the junior partner is now experiencing its own ‘Wallace moment’ due to the return of American energy output.

Modern day Saudi Wallace

The current Saudi ‘Wallace’ has his own version of the ‘Saudi now, Saudi tomorrow, and Saudi forever’ schtick. ‘Saudi now’ represents massive defence contracts, ‘Saudi tomorrow’ is their new 2030 Vision, and ‘Saudi forever’ is a reforming

young prince. Like Wallace before, it seduces enough of us to stomp the floor. But as with segregation, this is simply a siren call that demands the status quo remains in place and suppression continues; all to maintain the way of life for the royal family. The critical question is whether the preservation of the Al-Saud dynasty is necessary, or, like segregation, can it be discarded by America.

The last decade of cheap Fed money, American energy ingenuity, and a squalid Yemeni war has exposed the rot of the Gulf kingdom. It was the end of the Ottoman Empire (covered in June 2015 “Combustible Sheikhdoms.”) and the transition from coal to oil that first gave rise to these Gulf kingdoms. But today plentiful money combined with technical prowess has given longevity to the American fossil fuel ‘after party’ that shows no signs of winding down.

Oil by any other name...

In the 1960’s, in oil terms, America produced what it consumed. By the 1980’s it had deficit of 9m barrels a day, and by the 2000’s this was closer to 15m barrels. Choose a price for oil and that is how many dollars were being exported to the world. By 2008, with oil at \$100 a barrel, it was close to \$500b in a single year. A decade later this number had fallen 60% to \$200b. This was thanks to American energy companies, fuelled with credit, investing in US geologic formations that provide oil and gas. This technological investment has allowed an energy transition to take hold in America from oil to natural

gas; natural gas has now risen from 23% to 30% of the US energy mix, while oil has declined. The electricity grid is powered by natural gas, and, as transportation becomes more hybrid, it too shall join the natural gas ‘orbit’. A true energy transition is in progress with even a chance of US exports of liquified natural gas.

The Saudi Wallace has no natural gas, and is not a part of this energy transition. The region’s natural gas resides in another shaky sheikhdom - Qatar - on whom the Saudis have a blockade. It also sits in Iran, the Al-Saud’s one true enemy. Add in the current American energy production, we have battle lines set squarely against the previous Al-Saud / USA axis.

All of this also means fewer US\$’s for the world to trade with, thereby compelling the rest of us to search for an alternative, more abundant payment mechanism.

Desperate times

The Saudi Wallaces of today are becoming unnecessary and their monstrous mixture of a globalist outlook wrapped in a debauched dictatorship, even if laced with US\$’s, has become toxic. George Wallace was shot 5 times in 1972. When crippled in a wheelchair he sought forgiveness. But his earlier words continued to haunt him - “I draw a line in the dust and toss the gauntlet before the feet of tyranny.” In his world the tyrants were those seeking to end segregation.

His wheelchair-advice for his Saudi counterpart would be to get on the right side of history or like him just become ‘a line in the dust’.