

Falling Oil Prices

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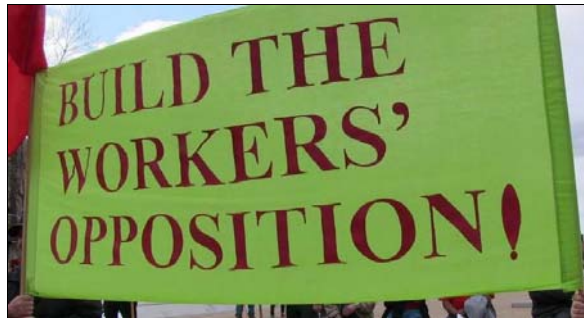
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Develop the Independent Politics of the Working Class!

In Alberta, the Wildrose is leading the charge to blame the NDP government for the thousands of layoffs, cancellation of projects and difficulties facing the workers and small businesses. They are trying to divert attention from the reasons for the crisis and instead line up oil workers and all affected behind a disastrous neo-liberal austerity agenda, as if destroying the social fabric Albertans have built will turn around the energy sector. They insist that the NDP and all Albertans must submit to their endless hectoring that the provincial debt is this great monster and source of problems in the economy. They want to silence and suppress any voice for the new, which considers that people's rights must be upheld and guaranteed as a basic requirement of

modern society. They hate the sight of social programs and the workers who deliver them, as they are caught in the old dogma that social infrastructure somehow drains value from the economy, which they imagine is theirs through monopoly right. If they cannot somehow profit from a social program then what use is it, they scream!

They contend the narrow private interests of the monopolies are identical to the workers' interests, and the working class should march behind the monopolies in irrational opposition to the public interest and common good. Their solution to thousands of workers without work is to transfer even more wealth produced by the working class to the private coffers of Big Oil so they will have an incentive and reason to operate in Alberta. They want mass idiocy to dictate public policy and to suck the working class into their nonsensical anti-social politics.



The independent politics of the working class wants nothing to do with this backwardness and refusal to analyze and come up with real solutions to real problems. We are thinking human beings who can analyze and find a way forward that upholds people's rights and interests within a new pro-social direction for the economy that builds Alberta calmly, confidently and all-sidedly, courageously resisting the bullying of monopoly right and its representatives.



Where Are the Price of Oil and Economy Headed?

What will happen to oil prices in coming months and years? Much speculation on this question appears in the monopoly media, but little agreement. Many predict that the price of oil will rise by the end of 2016 while other analysts speculate that the price of oil could fall much further before it begins to recover.

Wall Street analyst Ed Morse, global head of commodities at Citi Research, said oil prices could slide further over the next couple of months. "The market is not really trading now with reference to any kind of production costs and what, on average, it costs to produce crude oil," [Morse] said in an interview. "It's just trading on sentiment that has to do with perceptions about oversupply in the market, worries about China's economy and the potential for slower oil demand growth."

Veteran Calgary oilman Jim Gray argues that the low price of oil this time around has unique characteristics. In the past, Gray states, the organization of Oil Exporting Countries (OPEC) and particularly Saudi Arabia acted as "swing players" who would lower production when the world price fell. This is no longer the case as Saudi Arabia fights to retain its market share in the face of the growth in U.S. production. Gray considers hydraulic fracturing (fracking) and horizontal drilling a game-changer. The development of those production techniques have made possible the exploitation of the vast shale oil deposits in the U.S. and elsewhere, which means the glut of oil is here for the long term.

Others disagree and point to the uncertain future of U.S. shale oil, as the productivity of new wells falls very quickly. Many consider the boom a form of Ponzi scheme that rapidly collapses

without new wells being constantly brought into production. Total U.S. shale oil production in January 2016, is forecasted to be 4.67 mbd (million barrels a day), down from the peak of 5.3 mbd in March 2015. This is a decline of 630,000 bpd (barrels per day), with 500,000 bpd of the decline coming from Eagle Ford, one of the largest fields in Texas.



Extensive financial and human losses are coming with this decline including stranded workers, over-extended loans being called in by financial institutions, and means of production and other assets put in mothballs or even left to rust. Mining giant BHP Billiton this month logged its largest-ever write-down, a staggering \$7.2 billion charge on its U.S. shale gas assets, which it had purchased for \$20 billion. This disappeared money or value has consequences that are set to ripple through the economy.

Despite the thousands of workers laid off and the sharp decline in the number of rigs operating, Canadian oil and gas production actually increased slightly (0.8%) in October 2015, the last month for which statistics are available. Canadian production will continue to rise as projects currently under construction are completed. The re-introduction of oil from Iran as sanctions are lifted will further increase supply.

From this murky picture a contrast stands out. Oil sands production has a long lead-time to bring a project into production; projects put on hold or cancelled take a long time to be re-started. Conversely, shale oil can be quickly shut down and brought back into production.

Boom and bust cycles are a consistent part of the imperialist economy as private interests go for the big score disregarding any rational planning of production in harmony with the needs of the economy and demand. Predatory politics of regime change and war also play a role in disrupting the economy. The U.S.-NATO drive to wreck the economies of Russia, Iran and Venezuela in its drive for world hegemony was a major factor in facilitating the latest oil glut, although that unleashed genie is generating uncertain results and cannot easily be put back in the bottle.

Considering all these factors, the outlook that everyone should be patient and ride out the drought makes as much sense as praying for rain. A new direction for the economy is needed where the human factor/social consciousness plays its central role.



Ratings Agencies' Reports Used to Attack NDP Government

Standard and Poor's and Moody's Try to Dictate to Albertans

The *Edmonton Journal* published an article on January 2, "Alberta credit downgrade cause for concern" by Bob Ascah, a Fellow of the Institute for Public Economics at the University of Alberta. Ascah states that Albertans should be concerned by the recent downgrading of Alberta's

credit rating from AAA to AA+ by rating agency Standard and Poor's. According to Ascah, rating agencies provide investors a snapshot opinion on an organization's ability to pay its debts.

Ascah contends the downgrading from AAA to AA+ by Standard and Poor's (S&P) "reflects a respected third party's opinion that the Alberta government is unwilling to take measures to safeguard a high credit rating. This does not mean Alberta's rating will be junk in 24 months. Rather it means that the government's priorities are preserving jobs and government programs to support the economy. But this means that the agency considers the government will not use its tax room to stabilize the budgetary situation, and thereby its credit rating."

It is scandalous that S&P's rating is treated with deference by the academic apologists for the financial oligarchy and monopoly media. Why should these rating agencies have anything to say about the decisions which belong to the people of Alberta? Furthermore, nothing "respectable" surrounds S&P, Moody's and other agencies of the rich, which have been shown to operate as criminal enterprises. They fraudulently certified the creditworthiness of the paper-backed assets U.S. banks were flogging, which formed part of the 2008 economic crisis.

S&P settled in 2015, paying a \$1.5 billion penalty to the U.S. government for its role in a scheme where the banks received the ratings they desired so as to defraud global investors including many companies and pension funds in Canada. The arrangement between the financial enterprises issuing derivatives and the rating agencies giving high ratings has been cited as one of the reasons so many companies bought fictitious asset-backed (derivative) bonds prior to their widespread collapse in 2007. The high ratings made the crisis more serious and widespread, and a disaster for the working class, especially in the U.S. These rating agencies deserve nothing but contempt.

Matt Levine at Bloomberg commented on the occasion of the settlement of the U.S. government's lawsuit against S&P. "The banks wanted to buy things with AAA ratings and high yields. To do that, the theory goes, they convinced S&P to give AAA ratings to high-yielding risky things. And then they sold those things to themselves, and to other investors who wanted high-yielding risky things but who were constrained by law, regulation, mandates, etc. to require high ratings. Neither the buyer nor the seller would be happy if S&P insisted on intellectual honesty at the expense of optimistic ratings. Everyone was happy to buy into the optimism."

The Alberta NDP government is under attack by the rich oligarchy because it did not freeze or reduce spending on public services and social programs upon coming to power. The global oligarchy is assaulting the rights of Albertans to health care, education, pensions, seniors' care, and services to the most vulnerable. It is an assault on the workers who deliver these services and their right to Canadian standard wages and benefits, and an attack on Albertans who are struggling for a new pro-social direction for the economy that restricts monopoly right.



The financial oligarchy demands that the people accept the idea that the biggest problem facing the province is deficit budgets and debt to the moneylenders. This concoction is meant to wreck social programs and privatize public assets while real problems in the economy are supposed to be left to fester and worsen.

The ratings agencies are in a direct criminal conflict of interest as their downgrade of public debt increases pressure to raise the interest rates on existing government debt, which is largely held by those within their private circles. This underscores the need to establish the proper role of the Bank of Canada as the primary lending agency for provincial, Quebec, territorial and federal governments and remove the private financial enterprises and their rating agencies from having anything to do with financing public projects. Canadians must not be held hostage by the parasitic, criminal rating agencies and their allies within the financial oligarchy.



Moody's Speaks and the Opposition Jumps to Attention

The *Calgary Herald* continues to play Chicken Little with the province's credit ratings. It reported on January 5, that Greg Clark, Alberta Party leader has asked the auditor general to provide a special report to the legislative assembly "evaluating the extent of the risk to Alberta taxpayers from the NDP government's financial involvement in the North West Redwater Partnership." Clark states such a review is necessary because rating agency Moody's had announced a potential rating downgrade for the project. Alberta was given a negative outlook by Moody's rating service in a report it released on January 18, 2015.



The Alberta government is one of three participants in the North West Redwater Partnership building the Sturgeon Refinery, which will upgrade oilsands bitumen into ultralow sulphur diesel fuel. The terms of this project were established by the previous PC government, making the choice of Clark's words, "the NDP government's financial involvement" extremely suspect. The story is intended to sow suspicion that the government has engaged in some risky business. It also suggests that the government should not require the global monopolies to upgrade bitumen in Alberta or elsewhere in Canada, a measure which has broad support in Alberta.

Wildrose leader Brian Jean jumped in as well, stating that the government will have to pay \$26 billion in tolls through the 30 year life of the project. Jean has provided no additional information about revenue to substantiate his charge so that Albertans can properly assess the arrangements made by the previous PC government and whether they should be altered.

"We need to focus on policies that diversify the entire economy, but not give corporate welfare to one project," Jean said. "It is just not acceptable."

Whether the project is corporate welfare or not is a serious question that needs to be answered, as the working class sets a new direction for the economy. It must not be reduced to a partisan attack, which has nothing to do with solving the problems of the Alberta economy.

"They [the NDP government] should come forward with a full public plan on how they're going

to deal with this upgrader and be absolutely transparent on how much it's costing taxpayers," Jean said.

Jean knows very well that the revenue flowing to the Alberta government from the project is largely dependent on the price of bitumen. If Jean and Clark were serious in their objections, they could propose all-party support for the government to set the wholesale price of oil and other basic commodities produced in Alberta, which are presently under attack from the intrigues of the U.S.-led imperialists, speculators and parasites. Such a move would be a serious step forward to restrict monopoly right and serve the public interest of Albertans and their economy. Otherwise such statements from Jean and Clark are made purely as partisan attacks rather than a serious discussion of the economy or contribution to solve any problem facing the socialized economy and the working people.



The workers, the actual producers, do not want or need these Standard and Poor's, Moody's, or other imperialist scammers to tell us what to do! We are capable of developing our independent politics and new direction for the economy. Let's discuss!

(With files from the Calgary Herald and Edmonton Journal)



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