North America – Awash in Oil.

North America is awash in oil and this was never more evident than yesterday when the monthly contract rollover for WTI caused traders to pay rather than take physical delivery of the May contract.

Unprecedented is how some industry executives have described it. And while it makes for shocking headlines, oil producing companies will typically price their sales of the monthly average price and few if any sell oil on a spot/uncontracted basis.

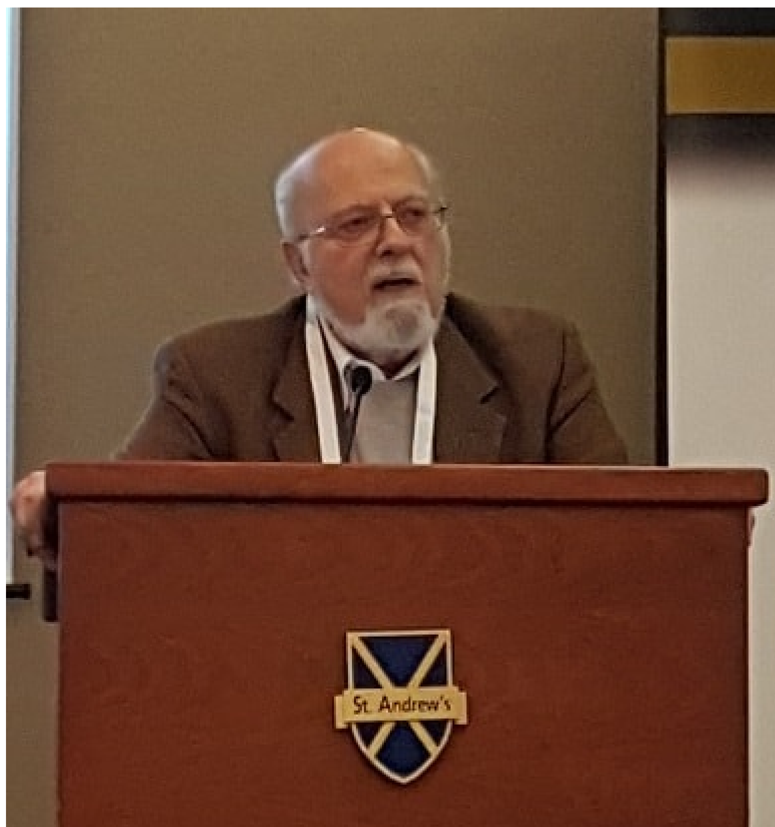
At issue is North American crude oil storage. At a time of the year when US refiners would be getting ready to make and distribute gasoline for the upcoming (and probably now non-existent “driving season” that normally kicks off Memorial Day weekend), expect that US stockpiles at Cushing (WTI home) could hit 60 million barrels this week, leaving a scant ~16 million barrels of remaining excess storage capacity. Yes, that is still 20%, but most if not all of that capacity is already spoken for and it could be filled in weeks. Even before driving season, US gasoline demand was down by more than 30% this month, compared to a year ago according to the US-based Energy Information Administration (EIA).

Global oil tanker rental rates have skyrocketed in the past month as producers look for any possible storage space. Media reports have cited the use of any possible old tanks in the US as the industry struggles to find available storage. Everything that is capable of holding oil is being sought out and used. At some point in time, the costs to store the oil will become prohibitive and producers will be forced to shut-in production. This is already happening in both the US and Canada, but arguably not quickly enough to offset the precipitous fall in demand

With US consumption way down, yesterday’s contract expiry and negative WTI crude oil price foreshadows continued weak crude oil prices in North America until the supply-demand balance comes back in line. Expect one or two more contract expiration’s in the months ahead to again display negative pricing.

Notwithstanding North American pricing woes, Brent crude oil, which much of the world outside of North America uses as a pricing benchmark, is also under pressure, trading the low US$20s/bbl. While unsustainable as a long term price for producers, even out of the Middle East, volatility will remain until global supply/demand is balanced. Expect OPEC+ to have to cut production again – it can’t be soon enough!

Lithium, Graphite, Cobalt, Neodymium, Praseodymium, Terbium, and Dysprosium poised to Skyrocket



Junior mining stories are invariably predicated upon peak supply stories. Either current supply is insufficient or future supply will be insufficient to match the market's demand. In either case therefore demand can only outstrip supply and prices therefore must go up.

But now we have a new metric to consider when looking at junior mining ventures, peak **demand**.

OPEC picked today to announce that its members, who collectively produce 1/3 of the world's petroleum, predict that demand for oil will peak in 2029 at 100 million barrels per day and decline after that.

It is the reasons why OPEC has forecast the end of its growth that should get our attention. First and foremost is the agreed and legislated reduction of fossil fuel burning to create electricity mandated by the just ratified (though not by the USA) Paris Accord on Climate Change, most importantly though for small investors is the reduction in the use of petroleum for making fuel for internal combustion engines.

I just returned from China where I heard a speaker from BYD forecast that China will produce 40 million cars and trucks per year by 2025 and that by 2030 30% of annual production of motor vehicles in China will be EVs. Thus China alone in 2030 would produce 25 times as many EVs each year as the entire

world does now.

Assuming that the above forecasts, peak oil demand and EV vehicles as a percentage of all vehicle production are true globally then demand for: Lithium, Battery grade Graphite, Cobalt, Neodymium, Praseodymium, Terbium, and Dysprosium will skyrocket in the next 14 years, while demand for: Platinum, Palladium, and Rhodium should level off, **peak**, and decline in the next 14 years.

I note that the **recycling** of the metals and minerals (graphite) that I am saying will skyrocket is well underway in China, and hardly or not at all in the rest of the world. China’s practicality and focus could not be made more manifest.

Battery materials’ recycling **must now** become integrated into the supply chains for batteries, electric motors, and electric generators in those nations where the primary supplies are scarce or non-existent (such as the USA!!!).

For the platinum group metals **as demand peaks and then decreases recycling**, which is already 30-40% of the supply, will only increase until new mining is only marginally necessary if at all.

New technologies for recycling are nice but not necessary unless they show a clear reduction in cost and environmental impact!

When you are looking at the bottom line always capitalize environmental impact (or lack thereof) and then if you see profit and a return on your capital, invest.

Junior processing technology companies can only be successful when their process technologies decrease costs and improve the environmental impact of an industry. This is most likely to happen when new and newly applied processing technologies are used to address recycling. Mature industries that are

profitable will not take on debt to replace technogies that work well enough. It is for junior technology metals and materials ventures, not the least of which are for recycling, that new and newly applied technologies show the most promise for a path to profitability.

As a recent Nobel Prize winner famously sang, “The times they are a-changin.”

Low oil prices will renew M&A activity in the oil sector for 2015

Yesterday, Wall Street continued to gain ground as the Dow Jones and the S&P 500 set yearly records highs for the fourth straight session in a row since last Wednesday – that is since the Fed announced it would not be raising interest rates just yet. Significantly, yesterday’s rally suggests that the market may have already digested the drop in oil prices; if that is the case, the Saudis have served yet another ‘course’. Rather than trying to stop the oil price hemorrhage, Saudi Arabia has announced that it has no intention of cutting oil production for the time being; indeed, the Saudis intend to extract even more oil.

Ali Al Naimi, the Saudi oil minister, the very ‘architect’ of the oil collapse seems to be almost ‘pleased’ by the fact that oil prices have not rebounded, taking every media occasion to send the message that OPEC has no intention of cutting production – the latest such pronouncements coming on the sidelines of the Arab Energy Conference in Abu Dhabi and an interview with the London based and Saudi owned newspaper al-

Hayat. Saudi production now stands at 9.7 million barrels a day (bpd); al-Naimi told al-Hayat that this production level would stand "unless a new client comes along and then we may increase it." Al Naimi says that he is in no way happy about the oil price, stressing that it is not in OPEC's interest to cut production. The Saudis needed high oil prices to sustain the generous state subsidies system, which covers anything from education to long term employment in the public sector. Low oil prices are risky because the social security system is recognized as having had a major 'calming' effect on the population, reducing the risk of 'Arab Spring' like revolts. Al Naimi said that Riyadh can sustain the situation without having to reduce state spending: "Banks are full of money and we can always take a loan, conserving our reserves."

Other OPEC members from the Gulf such as the UAE or Kuwait nod in apparent approval, while others are more concerned (Iran, Venezuela, Algeria, Nigeria). Non-OPEC players such as Russia have conceded that the situation is dire and that if oil were to go below USD$ 50/barrel, then the situation could become "critical." Therefore, as the price of oil has almost halved over the past six months with few prospects of a quick Cartel orchestrated turnaround, one of the few market alternatives for the many oil companies that are now beginning to struggle, as the costs of exploration and extraction have become prohibitive, is consolidation; indeed, the oil industry could experience a renewed taste for mergers and acquisitions. Oil services companies, which usually suffer much more than the majors during the negative cycles in the oil market because of the inevitable drop of exploration. Halliburton fired the first salvo, offering USD$ 35 billion to absorb its rival Backer Hughes in what is the largest acquisition of a US energy company in the last three years. Accordingly, the merger and acquisition bug may soon hit the majors and rumors – just rumors for now – have already been spreading of Royal Dutch Shell's intention to buy rival British Petroleum (BP). This is just a rumor but the historical pattern does point to

the fact that every time that oil prices take a significant plunge, mergers and acquisitions intensify and end up redrawing the oil sector itself. In the 1990’s, under analogous concerns: Exxon merged with Mobil, BP, Amoco and Arco incorporated while Chevron bought Texaco.

Few of the big oil names of the past have survived as ‘individuals’, but enough of them are left to feel the merger impetus rising again. Certainly, many small to medium size oil companies have been feeling the brunt of the market and they will have to join forces to survive. The ideal candidates are US shale and Canadian tar sands producers; many of the smaller players are heavily indebted and the low market valuations prompted by the current market flood, have put them in a near collapse situation. Larger and established companies such as Tullow, which has invested heavily in turning such countries as Kenya, Ghana and even Somalia (Somaliland) into oil producers, may have to merge with their competition to survive. The identity of the biggest shark in the present oil market is Glencore. Glencore has already made merger headlines in 201 by trying to corner the iron ore market, proposing to merge with Rio Tinto in the wake of an especially troubled year for iron ore, the price of which suffered considerably in view of the Ebola crisis in West Africa. Glencore, the giant commodities trading and mining production. Ivan Glasenberg, Glencore’s CEO, seems determined to find an oil sector acquisition target, saying quite clearly that his Company is evaluating acquisitions in the oil industry. The problem now is that the oil price is still unstable – it could go lower still or recover in spite of OPEC positions, given the high geopolitical risk in the Middle East and in non-OPEC countries like Russia. A stabilization of the oil market, however, might be the first sign of a potential M&A wave. Meanwhile, in Asia, the region that consumes most of the world’s oil, the drop in prices may be an opportunity for the national oil companies to and increase their oil production through acquisitions abroad. India’s Oil & Natural Gas Corp (ONGC) has already committed to

spend USD$ 177 billion in foreign assets by 2030.

Debunking the lower oil prices makes renewable energy less competitive myth

The dramatic and bearish market reaction to falling oil prices has benefited important sectors of the economy: the airlines, logistics and manufacturing industries have been among the biggest winners. But what about the power generation sector? There is the 'gut' perception that low oil prices would necessarily lead to lower power costs, but this is not the case. Simply, crude oil is a 'mobility' commodity; crude oil does not provide the electricity in homes and businesses. Natural gas, an important newer source of power generation, is related to crude oil in that several oil producing states, including a few in OPEC (Algeria, Qatar) are major producers; however, while prices are lower, they are not falling as steeply as crude oil and the reason for their drop is due to increased competition as there have been many new entrants to the market in the last few years. Therefore, electricity costs will not go down; nor will the value of alternative energy sources as green energy proponents, and detractors, have suggested.

Solar or photovoltaic power generation equipment needs rare earths (REE) and especially gallium, indium, cerium, ytterbium, selenium, germanium. China started to build solar farms since 2010 while the rise of hybrid and electric vehicles have only reinforced the demand for rare earths. A Toyota Prius requires 13.5 kg of rare earth, accounting for

15.2% of the total cost. A 1.5 MW wind turbine needs 350 kg of rare earth or 6.7% of the total cost. Since China has held a virtual monopoly in the production of rare earths, it has been able to dictate prices in the same way that OPEC has controlled oil prices. The intense drive to develop ‘clean energy’ in China, punctuated by a recent agreement to cut emissions with the United States, has been driven less by environmental concerns and more by the economic policy of using its own resources, which has led to the infamous and WTO sanctioned supply shortages and trade restrictions that pushed REE prices to unprecedented highs in 2010-2011. In the medium term, production outside China will become increasingly important as China holds one-third of reserves and overall production of rare earths will have to increase.

Low oil prices will not make renewable energy sources like wind or photovoltaic redundant; therefore, they will not cause demand for rare earths to drop. For starters, rare earths are used – apart from their better known battery, television sets and military technology applications – in oil-refining devices such as ‘fluid catalytic cracking units’ (FCCU). The REE price hike of 2011 raised the cost of FCCU’s by 25% and weighed on the price of gasoline consumers paid at the pump. In many industrialized countries, particularly in those where oil is tied to currency values such as Canada, low crude prices mean that export goods become cheaper and more desirable, generating demand for manufacturing sectors, which have been struggling. Higher industrial output will lead to higher consumption – and production – of refined oil products. However, this is a mere footnote on the longer term and deeper impact trends.

The renewable energy sector is no longer marginal. In Germany, solar power accounts for 6% of the total and for the time being, a rekindling of nuclear power generation reactors is not in the cards. Solar ‘farms’, or areas dedicated to the production of solar energy, are even being planned in oil rich

Alberta, where in the northern regions, sunlight is as intense and plentiful as it is Florida while competition from China has lowered the costs of solar panels. The course of solar energy, evidently, has followed a path unrelated to crude oil prices and there is no correlation whatsoever between the two. In the United States, coal is still the main source of power generation (39%) followed by natural gas, nuclear, hydro, renewables (6%) and then, only last at 1% of the total does oil come into play. If anything then solar and renewables compete with coal, gas and nuclear. A similar energy generation mix can be found in Japan and in the EU with renewables filling 6-8% of demand. In China, where the renewable energy demand is expected to rise the fastest over the next decade, solar and wind account for less than 1%. Rising costs of electricity generation have come more as a result of infrastructure costs than the input fuel. Meanwhile, higher output and smaller size batteries with better storage capacity, already being developed and with a very promising future thanks to nanotechnology advancements, will make solar and wind energy much more competitive in the long run.

Lower oil prices are "good news" for the world economy

Lower oil prices are "good news" for the world economy, said the Executive Director of the International Monetary Fund (IMF) Christine Lagarde this week in the wake of OPEC's decision not to cut production: "There will be winners and losers, but on a net basis, that is good news for the global economy," said Lagarde during a panel discussion in Washington. Crude oil prices have fallen dramatically and lost about 30% since June, and currently stand at around 70 dollars

a barrel, its lowest level in five years. They are poised to drop further still. Oil prices have risen to such an extent in the past decade that the public may have forgotten the concept of low oil prices being good for the economy. Indeed, high oil prices have always been considered a good predictor of future economic difficulties. The Yom Kippur War of 1973 and the Saudi led oil embargo, the Iranian revolution of 1979 and, more recently, the record increase in oil prices in 2008 have all paved the way for periods of great economic difficulties. The question is, then, why have people and the markets responded in a lukewarm or even concerned manner to what would normally have been the kind of news worth celebrating with expensive fermented beverages?

Some analysts had even warned that were oil prices to increase recorded they would have caused new problems to an already unstable international market. Compared to the difficulties 70s, mainly due to abnormalities in the supply, the current ones rely exclusively a problem of global demand, suggests the Nobel laureate economist like Paul Krugman. Since the amount of hydrocarbons present on earth is limited (but not as limited as the 'peak oil' preachers have led us to believe), rising imports from developing countries like China and India have created a difficult to eliminate imbalance. Nevertheless, high oil prices only benefit countries that have few other resources at their disposal. For most, they cause everything to be more expensive from food to cotton and any other commodity that requires transport. In fact, Krugman had warned in 2011 that high oil prices would hurt international economic recovery and generate yet another recession precisely because of excess demand for consumer goods and primary resources.

It comes as no surprise that Christine Lagarde says that the recent oil price collapse will benefit the major economies of the world and bring growth on the globe. "When you have a 30% decline …, this should result in a surplus (growth, note) 0.8% in most advanced economies which are oil importers," a- she

said. Of course, if she were addressing an audience in heavily oil reliant Russia, Saudi Arabia, Qatar and Kuwait, she would be speaking in less enthusiastic terms. Adding fuel to the fire, Lagarde spoke of ‘facts and figures’: the lower oil prices next year will push US GDP from 3.1% forecast last October to at least 3.5%. Similar benefits will come for the Eurozone, relieving a stagnant economic situation characterized by slow growth, low inflation and a high unemployment rate. Until the low oil prices, it seemed as if Europe was in a situation from which there is was no escape. Now, there is more impetus also for European leaders to take on structural labor market reforms along with a monetary policy that, according to Lagarde is “more aggressive and innovative”

Consumers are the big winners as the almost 40% drop in crude oil (and 35% for gasoline), will have an effect equivalent to a tax cut, because so much of their monthly budget (which is estimated as 4% for Americans and double that for Europeans) can now be directed to consumer discretionary spending. Saudi Arabia, OPEC’s undisputed leader, has been pursuing a tactic of bringing down prices up to render tar sands and shale oil, as well as renewable energy technologies, ‘inconvenient’ because of the latter’s much higher production costs than the traditional technologies employed in the traditional oil producing countries represented by OPEC and a few others like Russia. However, this strategy will not be very effective in the long term because, despite its efforts to discourage the growth of alternative oil and energy sources, OPEC will fail to disrupt investments in clean energy. Indeed, ‘green energy’ technology will be the target of 60% of the USD$ 5,000 billion worth of planned investments in the next decade, following the policy of the US, China and the EU to cut greenhouse gas emissions by promoting wind, solar, geothermal and other renewables – not to mention the dozens of thorium and traditional uranium powered nuclear reactors that China plans to build in the next decade. Green energy investments have

been dictated by policy, which is hardly going to change course just because fossil fuels have become cheaper – for the time being – even if these same fossil fuels will still be an important source of the world's energy mix for decades.

Graphite's 'lukewarm performance' in November signals buying opportunity for investors

Graphite Market Month-in-Review – Graphite & Graphene shares fell 8.61% overall during the month of November even as there was was no shortage of favorable resource updates, but commodity investors have been treading very carefully in the current market environment. The performance of the Chinese economy in November fell below expectations, generating lower demand but the fundamentals of graphite demand have not changed and none of the companies followed by InvestorIntel published any significant news to warrant a shift in market performance, whether up or down. Indeed, the lukewarm performance of the sector is best attributed to falling industrial metal prices at the London Metal Exchange, reflecting weaker economic signals from China for the past month. Meanwhile, more jobs were created in the US, which strengthened the US Dollar, hurting commodities. It should be

noted that some of the companies that suffered the most over the past month were Australian; their performance were far more a reflection of an especially sluggish commodities sector on the ASX exchange than any specific graphite market issues. Indeed, in the medium term the current lower oil prices could actually help to boost consumer spending, generating long-term positive effects for metals and minerals such as graphite, which is not only one of the drivers of future technology, it is needed for many current industrial applications. The higher the purity, the higher the value; and very few producers are able to deliver flake graphite at purity levels of 90% or more. Chinese mineral graphite has, until recently, been of sufficient purity to meet basic industrial applications but insufficient in addressing the demand for advanced materials to make the lighter and more powerful Li-ion batteries used increasingly in electric vehicles and beyond.

Graphite One Resources Inc. ('Graphite One', TSXV: GPH |OTCQX: GPHOF) gained +21.74% in Toronto trading and +20% at the OTC; it is one of the emerging North American graphite plays that enjoyed a strong November, concluding the month with an announcement that it has published the results of the first ten holes of the recently completed twenty-hole diamond drill program at its Graphite Creek Project located near Nome, Alaska. Of the highlights published in Graphite One's November 10 release, the highlights to consider are that "all 10 holes intercept significant widths of high grade, near surface graphite mineralization" and that the "geology and assays confirm excellent vertical and lateral continuity of the mineralization." Graphite One is on schedule to deliver a revised NI 43-101 compliant mineral resource during the first quarter of 2015 ahead of the preliminary economic assessment (PEA), which President and CEO Anthony Huston says will "demonstrate to end buyers and shareholders the economic viability of this project."

Northern Graphite Corporation ('Northern', TSXV: NGC | OTCBB:

NGPHF) was one of the few market movers for November, gaining +7.89% in Toronto and +4.65% at the OTC. Northern has managed to produce a spherical graphite product, which is used to make the anodes for lithium-ion batteries. The company is pleased with the quality its graphite and has released its knowledge and expertise to the industry in general because it sees batteries as one of the main market drivers. Northern itself retains the advantage in the battery market thanks to its newly opened battery testing and research facility, proprietary purification and coating technologies.

Mason Graphite ('Mason', TSXV: LLG | OTCQX: MGPHF) gained +32.08% in Toronto and +30% on the OTC. Mason is still feeling the effects of its signed Memorandum of Cooperation with the Council of the Innu of Pessamit signed last September, which generated optimism about the prospects for the Lake Gueret mine moving to the next the next steps including the completion of all pre-feasibility studies, feasibility and environmental permits.

Energizer Resources ('Energizer', TSXV: EGZ | OTCQX: ENZR), saw some gains and losses during the month, ending last Friday's trading session at the same price as the beginning of the month Toronto and losing slightly. Nevertheless, Energizer had an interesting November as its joint venture partner, Malagasy Minerals (ASX: MGY) formally opened its Maniry Graphite Project in Madagascar, where Energizer discovered a large region containing excellent graphite deposits. The early data suggests the graphite ore is of very high grade and that it has not been excessively contaminated by other minerals, which will other rocks which will facilitate its refinement into pure flake graphite.

Alabama Graphite (TSXV: ALP | OTCQX: ABGPF) was also very active in November, ending the month down despite having announced the start of exploration at five new targets over the next few months based on identified 'anomalies' that hold significant promise for large flake graphite. Alabama Graphite

has been very active during the past weeks advancing programs at its 42,000 acres of property in central Alabama, located along a historic graphite belt. So far, Alabama Graphite has engaged in trenching some 10,000 out of a total 18,000 feet and its Coosa and Bama properties have shown two important characteristics that make them ideal: the flakes are course and large and most of the graphite is at surface level, promising to yield even better grades than the already high grade surface material.

Great Lakes Graphite (TSXV: GLK), which enjoyed good result last week, lost -7.69% for the month despite the fact that investors learned about the Company's new infrared (IR) graphite concentration test method, allowing it to ensure higher quality standards in view of a resource estimate to be issued in the next few months. Great Lakes announced an update on flotation concentration tests based on a composite sample from the Lochaber property. Great Lakes has gone to great lengths in ensuring as accurate a methodology as possible to ensure the highest possible quality. The results were very encouraging given a 57.64% concentration rate for Large, Jumbo and Super Jumbo flakes.

Kibaran Resources ('Kibaran', ASX: KNL) published favorable results from its Mahenge Graphite Project. Kibaran has been working on the feasibility study for the 'Epanko deposit', which has an inferred resource of 14.9 million tonnes grading 10.5% total carbon graphite and 1.56 million tonnes of contained graphite – and this based only 20% of the project area. Kibaran is banking on developing a large flake deposit featuring material of the highest quality. Kibaran also announced the signing of a Memorandum of Understanding for an offtake agreement with the German industrial conglomerate Thyssen-Krupp for an initial 20,000 tonnes of graphite per year. The fact that Kibaran lost 39.22% of its share value in November, in spite of otherwise favorable results, testifies to the difficulty of the current market, driven by waves of

bearish speculation in the resource sector.

OPEC and Saudi Arabia show the world who’s the boss

Oil production will not be cut, as there was no formal revision of the 30 barrels a day limit that was set in December 2011. OPEC, the Organization of Petroleum Exporting Countries, managed to surprise everyone, going further than anybody had truly expected in its adoption of a rather unlikely free-market inspired approach.

Indeed, the Organization made a rather explicit decision to shift away from cartel pricing and policies, entrusting the restoration of equilibrium in the oil market to supply and demand forces, affecting only minor price adjustments. The market responded accordingly and the already fast dropping oil prices, already at their lowest since 2010, were allowed to accelerate their descent such that the Brent to USD$ 70/barrel the descent to the point that the WTi (west Texas Intermediate) fell back below USD$ 70/barrel – Brent crude hit USD$ 72. It was only a month ago that OPEC considered price of USD$ 80-90 too low. These values are well below the OPEC desired minimum of USD$ 100/barrel. But if the Saudis will persevere in their strategy, there will be no way to reverse the trend soon. Venezuela, Iran and Russia (non OPEC, but attends summits as observer) were among the countries most interested in achieving production cuts to boost prices; however, there is a sense that the Saudis want to maintain crude oil prices at 80-90 dollars per barrel for one or maybe

even two years.

The Saudi strategy is clear; the Kingdom is using oil as a geopolitical weapon because at these prices, several of its OPEC competitors/foes will suffer: Vladimir Putin’s Russia, which has been struggling under financial US and EU sanctions; Venezuela, which under President Nicolas Maduro, has been facing a worrying financial and currency crisis and of course Iran, the most important and dangerous player, from Saudi Arabia’s perspective, in the Middle East chessboard. Iran, had demanded production cuts to help it stop the hemorrhaging of its State coffers as it too faces the burden of international sanctions. The Saudis have market share on their side with a daily production of 9.7 million barrels, representing nearly a third of the OPEC total of 30.5 million. The Kingdom wants to achieve an overall margin squeeze in order to emerge as the winner in the medium to long term by further increasing its share of global production and while ‘ruining’ some of its competitors. If the mood in Tehran, Moscow and Caracas isn’t especially cheerful today, oil tycoons in Houston and Calgary are also not very pleased.

OPEC and the shale oil and tar sands producers of North America could find full agreement in restoring the USD$ 100/barrel oil price floor; both committed to resist the collapse of oil prices. OPEC, however, has become very concerned by the seeming success of shale oil, which would certainly continue to experience long-term growth, eventually reducing the Organization’s market share by a couple of million barrels a day within a few years, despite growing demand of 1 million barrels day, on average, per year. Shale oil producers in the USA had at first welcomed the price challenge with Saudi Arabia. Last September when oil prices started to drop more dramatically, the US’s largest shale oil operators saw the lower prices as putting pressure on domestic competitors, dissuading newcomers, while ‘bragging’ about their ability to reduce costs and even accelerate, rather than

slow down, the extraction of crude oil. However, nobody, it seems had expected oil to drop below USD$ 70. At this price, only the Saudis are laughing. The shale oil producers such as Continental Resources – the largest producer in North Dakota – has been left exposed to the risk of a possible further drop in oil prices because the Company had expected OPEC to push for cuts in order to push oil prices back up to at least USD$ 90 in the short term. Others like EOG Resources stated that they could still be profitable even if oil fell to USD$ 40; similarly, Chesapeake Energy raised its production target of 0.7% as costs of production fall. Yet the Saudis are not convinced by the American optimism.

OPEC Secretary General Abdullah al-Badri, last October 29, said he was convinced that 50% of American shale oil was already "out of business" and that the companies involved would soon close down because they bear much higher costs than OPEC producers. OPEC countries, moreover, are less concerned about the profitability of the wells than they are about the stability of their State budget or current accounts. Extraction costs are a secondary consideration and the Saudis are the best equipped to survive this 'game'; if it can keep the price of a barrel at USD$ 70 or below, it will slow US production and possibly eliminate the political debate over the Keystone XL Pipeline, given that at such prices, it would not serve anybody's interests.

At yesterday's meeting, then, the Saudi minister did not want to contemplate making any cuts whatsoever to production, defying even the most optimistic predictions. Strategic interests and regional rivalries have doubtless influenced the "price war", reflecting the virtual war that has been played out in the Syrian battlefield between Saudi Arabia and Syrian President Bashar al-Asad's allies Iran and Russia. The outcome of the summit will have irritated several ayatollahs in the Islamic Republic. With oil prices continuing to fall and the growing burden of years of international economic sanctions,

Iran’s coffers have become increasingly empty. Nevertheless, Iranian leaders share the same desire to slow down North American oil production as the Saudis, not wanting to lose market share in the face of growth in the US, the highest in recent years.

The goal would be to force Americans to curb production founded on shale oil. Iran is also aiming to hurt Canadian oil producers in the very Albertan backyard of Prime Minister Harper, who has been pursuing – inexplicably – an even ‘tougher’ foreign policy against it than the United States. The Alberta tar sands and shale oil are no longer competitive under 80 dollars a barrel (between 60 and 70 according to other calculations) and with low prices many manufacturers would risk bankruptcy. The fact that Canada initiated a cut in diplomatic relations with Iran in 2012 has worsened relations and made dialogue difficult. The oil tycoons in Calgary may want to have a little chat with Mr. Harper…As for Iran, the lower oil prices may add pressure on the ‘Conservatives’ to allow President Rowhani, a pragmatist, to make more concessions in nuclear talks with the US in order to reduce the pressure from sanctions. The lower oil prices also hurt jihadists of the Islamic State (selling Iraqi and Syrian oil on the black market obtaining at least USD$ 2 million per day).