

Asinus Muses

Caveat lector

Having been elevated from the pack to become a commentator on global affairs, Asinus no longer considers himself a mere beast of burden. Yet as he writes these words he has a small infant strapped to him, directing his movements no less rigorously than the sternest of pack drivers. Unlike the honest reward one expects after a day's menial labour, however, baby boot camp allows no more than three hours of sleep at a time.

Late-night tantrums

Asinus's ongoing sleeplessness gives him a new insight into the antics of our politicians in their late-night negotiations. David Cameron's dramatic wielding of the UK veto to prevent the use of EU institutions in Germany's proposed fiscal union was probably a low point of mutual understanding and sympathy, and many think it has left the UK isolated. But Asinus has himself recently had reason to wish he had such a veto, and not just another nursery rhyme, to wield at four in the morning.

Save the tree frog

The most impressive feat of diplomacy observed by Asinus recently was performed by Ecuador. Beneath its Yasuní national park, part of the Amazon rainforest, lie an estimated 900m barrels of oil, worth US\$7.6bn in revenues to the Ecuadorean government. Yet the park is also home to two still-uncontacted indigenous tribes and possibly more varieties of flora and fauna than any other place on Earth. Noting that these natural wonders are probably worth more to the rich world than to Ecuadoreans themselves, the government decided to offer the world the chance to buy out its oil option at a bargain half price. For a mere US\$3.8bn, it declared itself willing to leave the oil in the ground

and spare the precious biodiversity. One study presented the scheme as a radical new way to 'leverage' hydrocarbons to protect the environment. To Asinus the oil looks not so much like a lever as a gun held to the head of a hostage – 'pay up or the tree frog gets it.' But this is too cynical even for Asinus. Since most countries have paid no attention whatever to the biodiversity destroyed by their extractive industries, Ecuador can hardly be criticised for offering an alternative. Indeed, the economics are impeccable: a global public good like biodiversity should be paid for globally. And pay up they have, or at least partially: so far US\$116m has been raised from various friendly governments plus an array of celebs including Leonardo DiCaprio, Edward Norton and Al Gore. The Belgian region of Wallonia paid US\$2m, worth mentioning more for the comic value of its name than any substantive reason.

What goes up might stay there

While the tree frogs will be happy, those of us languishing from high energy prices have less reason to celebrate oil staying in the ground. Those prices are particularly upsetting when incomes are remaining flat and people are continuing to lose their jobs, as witnessed throughout the non-recovery of 2011. The raised cost of energy imports contributed to our inflationary misery, compounded by the depreciation of the pound in your pocket. But Asinus hastens to point out that much of our shocking 5.2% inflation was due to the government's decision, in its infinitesimal wisdom, to increase most prices by 2.5% with its VAT rise. Yet voices clamouring for a rise in interest rates to slow that inflation, despite the UK economy idling far below potential output, were always suffering from a failure to understand the differential calculus: *remaining high* is different from *continuing to rise*.

While global economic gloom suggests further oil price rises are unlikely, those of us who watch these prices are necessarily Socratic: we know that the one thing we know about energy prices is that we don't know what they will be in a year's time.

Dire straits

Apropos of which, sabre rattling by Iran in response to threatened sanctions have been spooking the oil market lately. While most analysts are somewhat sceptical of the vice-president's promise that 'If they impose sanctions on Iran's oil exports, then not even one drop of oil can flow through the Strait of Hormuz,' it usually pays to be nervous. An important reason for scepticism is the fact that neither the vice-president nor the president himself has the power in Iran to initiate hostilities. Apparently it is only the Supreme Leader and his ironically-titled Revolutionary Guard that have that honour. Further confusion is sown, at least in Asinus's mind, by the fact that Iran's chief nuclear negotiator, Saeed Jalili, recently announced that 'We formally declared to them to return to the path of dialogue for cooperation.' The country's bafflingly complex political system is a model of the division of powers. It brings to mind an observation once made by Newt Gingrich of the United States government: that their founding fathers deliberately created a system so inefficient that no dictator would ever be able to bend it to his will.

Happy New Year

According to the FT, US\$6.3 trillion was wiped off the value of global stock markets in 2011. Since some market participants recorded healthy profits, the question, as so often, is: who was left holding the baby? In Asinus's household, there is little doubt.

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