SHIELD OF FAITH FELLOWSHIP OF CHURCHES INTERNATIONAL NEWSLETTER MARCH 2022

2022 CONVENTION SCHEDULE

THURSDAY

9:00AM – 12:00noon

Pastors Meeting - Apostle Alexander
Multi-Purpose Room

10:00AM 11:30AM

General Seminar
"Recovering from Covid" Part 1
Bishop Bruce Riley
Bishop Charles Dorsey
Classroom

12:00PM – 1:00PM

Mid-Day Service
Introduction of New Fellowship Pastors
Main Sanctuary

7:00PM

Evening Worship
Early Speaker: - Bishop Phillip Grigsby
Main Speaker - Bishop George White

FRIDAY

9:00AM – 12:00noon

Pastors' Meeting - Apostle Alexander
Multi-Purpose Room

10:00AM 11:30AM

General Seminar
"Recovering from Covid" Part 2
Bishop Stephen Brunson
Classroom

12:00PM – 2:00PM

International Women of Faith Service
"Sisters for Life"
Main Speaker
Pastor Angela Brunson
Main Sanctuary

7:00PM

Evening Worship
Speaker: - Apostle Henry B. Alexander
Presiding Prelate
Ordination Service

SATURDAY

10AM
YOUTH EXPLOSION
RED HILL PARK

MINISTERIAL TRAINING ONLINE @ SHIELDFELLOWSHIP.COM

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Praise! *CONVENTION TIME IS HERE!!* Praise!

GAS PRICES

By Robinson Meyer

In the past few months, Democrats have rediscovered one of the oldest ideas in politics: Nobody likes when prices go up. In January, inflation rose faster than it has in almost 40 years. But not all prices are rising evenly. Oil is playing an outsize role in the surge. Gasoline and jet-fuel prices have reached their highest levels since 2014. Rising oil prices alone can account for nearly 30 percent of the "excess" inflation that the United States has seen since the pandemic began, according to the financial journalist Matthew C. Klein. Unsurprisingly, these statistics are bad news for the White House. The ups and downs of President Joe Biden's disapproval rating track almost precisely the rise and fall of prices at the pump. Gasoline is, after all, the ur-commodity, the only product whose prices are advertised on big signs by the side of the highway. But these numbers undercount the extent of the woe. When fossil fuels get expensive, their rising costs can propagate through the rest of the economy. In the past few months, companies have complained that high oil and natural-gas prices are raising the cost of shipping goods (because trucks, ships, and planes burn oil-derived fuels), packaging them (because plastic uses crude oil as a chemical feedstock), and even growing new food (because fertilizer is made with natural gas). Some of these higher costs ultimately flow to consumers as rising prices. Democrats haven't really known how to deal with this situation. In the long term, they agree that investing in zero-carbon energy is the only way to permanently lower costs. But in the short term, they are deeply confused over whether fossil fuels should be expensive, so as to encourage the energy transition; or cheap, so as to support the inflation-strained economy. At the United Nations climate conference in November, the United States and 195 other countries pledged to phase out fossil-fuel subsidies. Now the White House and top Democratic lawmakers, including self-described climate champions like Senator Ron Wyden of Oregon, are considering suspending the federal tax on gasoline. Part of the confusion here is that policy makers cannot agree on *why* oil and gas prices are rising in the first place, and each answer means something different for climate policy. In interviews, experts gave me three hypotheses about the recent surge:

1. The Scare Theory

This one is very simple: Investors are spooked. What are they spooked about? A lot of things. The chance of a major war in Ukraine, for one. The possibility that Iran will not reach a new nuclear deal. But above all, they're worried about something pretty basic: American and European oil companies have less fuel on hand than they used to. When the pandemic struck, U.S. and European oil companies bought up huge amounts of crude oil. Since then, they've sold those reserves off. Instead of sitting on a few months' worth of inventory, many companies are down to a few weeks' worth. That is pretty normal. But oil speculators around the world watch American and European oil inventories very closely. Although the two markets represent only about a third of the global oil stockpile, the *data* from the U.S. and Europe are much more reliable than data from anywhere else. So the two markets get used as a proxy for the rest of the planet—and given their falling stockpiles, investors everywhere are getting nervous. "It's like toilet paper during the pandemic," Sarah Emerson, the president of the oil consultancy Energy Security Analysis, told me. "Everybody wants toilet paper. Everybody was hoarding toilet paper for four months. Then … the shelves were full again and no one cared about it." The same thing is happening in oil markets now, she said. Traders in the U.S. and Europe are willing to pay more for oil *now* because they're nervous that they won't be able to get it when they need it. But there's no deep problem in the market, and crude-oil stockpiles in China and India are healthier than those in the West. **What it means for climate policy:** Not much! As long as an escalating tit-for-tat over Russia's invasion of Ukraine doesn't lead it to cut off the flow of oil to Europe, then policy makers should sit back, let inventories fill up, and wait for things to calm down.

2. The Structure Theory

For more than a century, the oil market has been split into two categories. Some oil drillers produce as much oil as they can, as fast as they can. For financial or geological reasons, these smaller drillers don't have the ability to increase or decrease their oil flow. As long as they're turning a profit, they pump oil and then they sell it. But a few companies or countries can form a cartel and sit on so much oil that they have what's called "spare capacity," which is the ability to produce more oil at will at any time. By turning their oil faucet all the way on, this spare producer can flood the market with so much oil that other drillers struggle or go out of business. By turning it off, they send oil prices soaring. In other words, in the oil business, "spare capacity" is what bestows market power on companies and gives them the ability to set prices. Cut to 2019, when the global oil market looked like it never had before. The United States had defied expectations to become the world's top oil driller, producing 20 percent of global supplies. OPEC Plus, a cartel of the mostly Middle Eastern OPEC countries plus Russia, claimed roughly 40 percent of the market. The U.S. and OPEC Plus could not have worked more differently. In the most important OPEC countries, a few large facilities operated by state-owned monopolies dominated oil production, pumping millions of barrels of oil a day out of vast underground oceans of oil. They have historically wielded "spare capacity." In the U.S., hundreds of private companies operated thousands of small fracking wells from Texas to North Dakota, embodying the "pump all the oil you have" strategy. These fracking companies were flooding the market with cheap oil by unlocking hidden reserves locked in shale deep underground, crowding out the OPEC countries from their traditional cartel role. But there were so many of these shale companies that most were losing money. Then the pandemic hit. People stopped driving and flying. Oil demand crashed worldwide—and the fracking companies collapsed. The U.S. shale industry consolidated, shrinking the number of shale companies from the hundreds to the dozens, Emerson told me.

That was when OPEC Plus saw its window, Samuel Ori, the director of the University of Chicago Energy Policy Institute, told me. (Disclosure: I used to be a paid journalism fellow at the institute.) As the recovery began, OPEC Plus pumped less oil than the world demanded, even though it had the capacity to pump more. This spare capacity reclaimed the cartel's market power—and allowed global oil prices to get "as high as is bearable," Ori said. Meanwhile, the U.S. shale industry is now so consolidated and so desperate to deliver profits to Wall Street that it hasn't started drilling new wells again. U.S. oil output is still below its pre-pandemic level. **What it means for climate policy:** Many Democrats have wanted to blame "corporate greed" for record inflation. That annoys lots of economists, who point out that greed is a constant in a capitalist economy and that most companies hiking prices today are doing so to reclaim their pre-pandemic profit margins. As Ezra Klein recently asked: Did something about the pandemic give companies way more pricing power? In the oil market, the answer is *Well, yes, actually*. The question for the climate is whether Democrats think that this change is a bad thing. Higher gas prices could be a *good* thing for the climate, after all, because if oil gets more expensive, fewer people will use it, and less carbon pollution will go into the atmosphere. (Think of it as a de facto carbon tax!) Unless, of course, gas prices get so high that voters knock Biden and the Democratic majorities out of office—which would be *bad* for the climate, because only Democrats want to pass serious climate policy. Do Democrats think high gas prices are enough of a problem that they're willing to raise medium-term carbon emissions over them?

3. The Scarcity Theory

Actually, that second theory is completely wrong, Robert McNally, the president of Rapidan Energy, an energy-research firm, told me. The OPEC Plus countries don't care about how high the oil price is; they care about how *stable* it is, he said. Any story of the past two years has to account for the fact that OPEC Plus saved the global oil market. Soon after the pandemic hit (and an accompanying oil-price war ended), Russia and Saudi Arabia agreed to slash production, allowing global oil prices to reach an equilibrium. That search for stability also explains why they are not pumping more oil right now, even though they can, McNally said. In July 2021, OPEC Plus promised to pump a combined 400,000 additional barrels a day every month. Oil demand has since risen faster as expected, and OPEC Plus is still not meeting its initial target: For the past few months, it's achieved something closer to an extra *200,000* barrels a day, McNally said. That's because the smaller countries in OPEC Plus, such as Kuwait and Venezuela, have tapped out their oil production. The countries with excess capacity remaining are hesitant to use it, because that excess supply is what drives their market power. In McNally's telling, the world is about to pay the bill for the 2010s, when OPEC Plus countries declined to invest in new oil fields. Now the world doesn't have enough oil to meet its growing needs—and over the next few years, the oil price will continue to rise *50 percent* from its current level. (For what it's worth, Emerson was less sure about this prediction.) Eventually, the world will suffer an oil-driven recession, just as it did in 1973 and 1990. **What it means for climate policy:** Well, two things. If McNally's theory is true, it means that, first, the current oil inflation is only the tip of the suffering to come. Since the Obama administration, Democrats have tried to make building fossil-fuel infrastructure more costly. They may want to reverse that policy to encourage more oil production from the U.S. fracking industry—or take a more direct role in fossil-fuel production outright. Second, it means that the world—and the United States especially—can't transition away from fossil fuels fast enough. If an oil-induced recession is coming, then only rapid adoption of renewables, zero-carbon electricity, and electrified transportation can shield the economy. The way for the United States to gain a free hand—economically, internationally, and climatologically—is to kick its fossil-fuel habit as fast as it can. But first it has to solve for the current inflation, which means deciding which theory to believe. Because if the Biden administration doesn't have a good understanding of *why* oil prices are rising, it won't know how to stop it.