



JIM RICKARDS'

STRATEGIC INTELLIGENCE

— Making the Complex Simple —

R.I.P Petrodollar: March 1975—Sept. 4, 2016

In 40 years, historians will recognize that Sept. 4 was the day the petrodollar died. And when it goes down, it's taking the dollar down with it. Here's how to protect your wealth before that happens...

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One of the most momentous wealth transfers in world history is happening in real time. Yet, it's happening behind a veil of technical jargon, state secrecy, and hidden agendas that make it difficult for everyday investors to discern. *Those who can understand this wealth transfer and use it to their advantage stand to make enormous gains.* Today, we will prepare you to navigate the tumultuous markets that lie ahead.

This wealth transfer will be caused by the decline of the petrodollar and the rise of a new benchmark for pricing energy and wealth — which I will reveal today. The transition has already begun, but most analysts are ignoring it. **On September 4, 2016, it will become too blatant to ignore.**

The move away from the petrodollar is happening in part because the dollar is losing its status as the world reserve currency. However, those waiting for a single defining event when the dollar ceases to hold all value overnight will be disappointed. That's not how currencies die. We've discussed the pound sterling's displacement as a world currency at length in *Intelligence Triggers* — the process took three decades to play out, yet most investors didn't realize what was happening until it was too late. By then, much of their wealth has been destroyed. The same thing will happen for many investors as the dollar fades.

The time to take action to preserve wealth and even to profit is now. To do that, you'll need to know the whole story and what it means for you. That's the purpose of this special edition of *Strategic Intelligence*.

The Origin of the Petrodollar

The petrodollar story begins on October 6, 1973. Syria, Egypt, and other Arab nations launched a surprise attack on Israel on Judaism's holiest day — Yom Kippur. Initially, Israel was on the defensive as Egyptian troops poured across the Suez Canal and the Syrians made inroads on the Golan Heights. Russia offered massive military aid to its Arab allies.

On the night of October 8, 1973, Israel went on full nuclear alert. Henry Kissinger, U.S. Secretary of State for just two weeks, was notified of the Israeli threat to use nuclear weapons if its existence was threatened by the Arab invasion. On October 12, Kissinger and President Nixon ordered massive resupply of the Israelis through a strategic airlift.

President Anwar Sadat of Egypt had met secretly with King Faisal of Saudi Arabia on August 23, 1973 to negotiate the use of an "oil weapon" in the event of hostilities between Egypt and Israel. On October 16, 1973 the Arab oil weapon was deployed. Saudi Arabia and other gulf nations raised the price of oil by 70% from \$3.00 to

\$5.11 per barrel in retaliation for U.S. aid to Israel. This was the first in a rapid series of price increases. By December 12, 1973, oil was as high as \$17.40 a barrel.

By October 25, 1973 the Yom Kippur War was over. Israel had emerged victorious. Israel not only repelled the Arab invaders, but it secured more territory than it held at the beginning of the war. But while the shooting war was over, the oil wars were just beginning.

The Arabs did not only increase the price of oil, they also reduced output and placed an embargo on exports to unfriendly nations. On November 5, 1973, Arab oil producers imposed a 25% production cut and threatened an additional 5% production cut, which was implemented on December 9.

The impact of these price increases, production cuts, and embargos on the U.S. economy was immediate and severe. The U.S. officially entered a recession in November 1973 and it lasted until March 1975. This was the most severe recession in the U.S. since the end of the Great Depression in 1940.

The Dow Jones Industrial Average took a sickening 36% plunge from October 31, 1973, just after the Yom Kippur War, to September 30, 1974. Eight years later, on September 30, 1982, the Dow Jones was still below the high reached just before the oil weapon was used. The 1970s were truly a "lost decade" for stocks because of the oil embargo and price increases unleashed by the Arabs.

In some ways, the die was cast even before the Yom Kippur War. On August 15, 1971, President Nixon ended the ability of U.S. trading partners to exchange dollars for gold at a fixed price. From 1971 to 1973, the dollar declined significantly in purchasing power measured both by U.S. price indices, and by the price of gold.

The Arabs were accustomed to a stable dollar and did not immediately know how to respond to the lost purchasing power of \$3.00 per barrel oil. The Yom Kippur War was a catalyst, but it was also an excuse to do what they were struggling to do anyway — raise the dollar price of oil to compensate for the lost purchasing power of the dollar.

Our main focus that night was a possible invasion of Saudi Arabia.

By the winter of 1974, America was desperate. The U.S. was experiencing recession and inflation at the same time, a condition later dubbed "stagflation." Unemployment skyrocketed, citizens waited in long lines for scarce supplies of gasoline, the dollar was in free-fall, and America seemed held hostage to Arab kings and princes. The Arabs were seriously considering pricing oil in terms of ounces of gold to protect themselves against the decline of the dollar. Nixon was preoccupied with the Watergate scandal and calls for his impeachment. It was truly the winter of our discontent.

In the depths of economic recession and psychological depression, the petrodollar deal was invented. I was present at the creation. In February 1974, I was asked by the head of the American Foreign Policy Institute, Professor Robert W. Tucker of the Johns Hopkins School of Advanced International Studies, to join him and four other foreign policy experts for a meeting at the White House with Dr. Helmut Sonnenfeldt, Kissinger's deputy on the National Security Council. Sonnenfeldt was born in Germany like Kissinger, and was a brilliant scholar of

American foreign policy. His influence was mostly behind the scenes, but to insiders he was known as "Kissinger's Kissinger."

Tucker and I entered the White House complex around 6:00 pm through the security gate on Pennsylvania Avenue near West Executive Drive, closest to the West Wing. It was a cold night, but crisp with clear skies. Our small group were escorted to Sonnenfeldt's office where we settled in for a strategy discussion.

Our main focus that night was a possible invasion of Saudi Arabia. The idea was to secure the oil fields, pump enough oil to supply western and Japanese needs, and price it at a level that would not be inflationary to avoid undermining confidence in the dollar. We debated the pros and cons of this plan, including possible supply disruptions and international reactions, until well into the evening. Then we said our goodbyes and went our separate ways.

The Arabs had imposed a voluntary price freeze on oil on January 7, 1974, and formally ended the oil embargo on



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Jim Rickards' Strategic Intelligence is published monthly for US \$99 per year by Agora Financial LLC, 808 St. Paul Street, Baltimore, MD 21202-2406, www.agorafinancial.com. **Editor:** Jim Rickards; **Publisher:** Peter Coyne; **Managing Editor:** Katelyn Sigler; **Associate Editor:** Lindsay Green; **Graphic Designer:** Andre Cawley

March 17, 1974. They seemed to realize that the economic damage to the U.S. was so great that they might be pushing the U.S. to the brink of war; exactly the scenario we had discussed with Sonnenfeldt in the White House in February. Relations were still tense and the economic damage from the 1973 price hikes was ongoing. The temporary price freeze was not good enough. The U.S. needed a permanent solution to the threat posed by the Arab oil weapon.

In June 1974, President Nixon took advantage of the slight thaw in relations to meet with King Faisal in Saudi Arabia. This was an attempt to normalize relations after the strains of the Yom Kippur War and the oil price shocks of late 1973. It was also an effort to explore long lasting solutions to the dual problems of the oil weapon and the weak dollar.



President Richard M. Nixon meets with King Faisal of Saudi Arabia, June 1974

Separately from the invasion scenario, another plan for dealing with the Saudis was in the works. Kissinger and Sonnenfeldt were also the architects of this alternative plan, along with William E. Simon. At the time of my meeting with Sonnenfeldt, Simon was simultaneously Deputy Secretary of the Treasury and head of the Federal Energy Administration. On May 9, 1974, Simon was confirmed as Secretary of the Treasury.

In July 1974, Nixon sent Simon and his deputy, Gerry Parsky, on a secret mission to Saudi Arabia to work out the details of what became the petrodollar. Operating in close coordination with Kissinger and Sonnenfeldt, Simon spent four days in Jeddah, a city on Saudi Arabia's Red Sea coastline, meeting with Saudi counterparts.

The stakes could not have been higher. The future of the U.S. dollar, the health of the U.S. economy, and the replacement of U.S. influence with Soviet influence in the Middle East were all at risk.

The Ultimate Win-Win

The deal that Simon offered was straightforward. The Saudis would agree to price oil in dollars, and to reinvest those dollars in U.S. Treasury securities and eurodollar deposits in U.S. banks. In exchange, the U.S. would take steps to stabilize the exchange value of the dollar, and would agree to sell advanced weapons to the Kingdom. The final twist was that U.S. banks would “recycle” the petrodollars as loans to emerging markets in Latin America, South Asia and Africa. In turn, those countries would purchase U.S., European, and Japanese exports. That would reignite global growth and increase the demand for oil.

It was the ultimate win-win. The Saudis got weapons, safe investments, high oil prices, and increased demand for their oil. The U.S. got debt financing, weapons sales, increased Middle-East influence, and a dominant role for the dollar in international reserve positions. Once oil was priced in dollars, every country in the world would need dollars because every country in the world needed oil.



The principal architects of the Petrodollar System: from left to right, William E. Simon, “Energy Czar” and U.S. Secretary of the Treasury; Helmut Sonnenfeldt, National Security Council Senior Staff; and Henry A. Kissinger, National Security Advisor, and U.S. Secretary of State. *I met with Dr. Sonnenfeldt in the White House in February 1974 to strategize on a policy response to the Arab oil embargo. The embargo gave rise to the petrodollar.*

The Nixon-Simon-Kissinger petrodollar deal was brilliant. Yet, there were several problems in the implementation. The Saudis are notorious for delay in decision making. They did not want to commit to the deal right away. They wanted time to consider alternatives including gold. The Saudis also wanted guarantees of secrecy. They did not want the world to know about their purchases of U.S. Treasury securities.

Nixon resigned in August 1974 because of Watergate and Gerald Ford became president. Ford kept Kissinger, Simon, and Sonnenfeldt in office, but the transition gave the Saudis another excuse for delay as the new president found his footing.

The petrodollar negotiations dragged on for months, and so did the U.S. recession. By late 1974, Kissinger needed to send a message to the Saudis. It was time to play rough.

On January 1, 1975, *Commentary* magazine published one of the most famous articles in the history of American foreign policy. It was written by Robert W. Tucker, the same man who had introduced me to Sonnenfeldt. The title of the article was, *Oil: The Issue of American Intervention*. In effect, the article revived the invasion scenario that Tucker, Sonnenfeldt and I had discussed in the White House the year before.

Tucker did not pull any punches with regard to the threat of invasion. Here's an extended excerpt from Tucker's landmark article:

"...Until as recently as the middle 1960's, what the instances of armed intervention demonstrate is that great powers continued to manifest a willingness to use force against small states to vindicate interests which affected their well-being less than it is likely to be affected by a continuation of the policies pursued today by the major OPEC countries."

Once Tucker had established a precedent for military intervention based on prior armed interventions by major powers against weaker ones where vital interests were threatened, he went on to give a detailed battle plan with precise geographical coordinates:

"[The] feasibility of [military] intervention depends upon whether there is a relatively restricted area which, if effectively controlled, contains a sufficient portion of present world oil production and proven reserves... to break the present price structure by breaking the core of the cartel politically and economically. The one area that would appear to satisfy these requirements extends from Kuwait down along the coastal region of Saudi Arabia to Qatar. It is this mostly shallow coastal strip less than 400 miles in length that provides 40 per cent of present OPEC production and that has by far the world's largest proven reserves..."

Tucker next addressed one of the principal objections to armed intervention: that Saudi Arabia would destroy the infrastructure before the U.S. could effectively seize it. This would give the U.S. a Pyrrhic victory and cause severe oil

shortages, at least in the short-run. Tucker argued that such behavior on the part of Saudi Arabia was unlikely and against their interests:

"Intervention would prove self-defeating, the argument runs, if only because we would inherit a shambles that might well take eight or nine months to repair. Is the assumption of systematic destruction from the wells to the terminal areas a realistic one?... The kind and scope of the destruction commonly envisaged evokes the thoroughness of the destruction wrought by German forces during World War II as they withdrew from the East. Would the Arabs match this record? There is little in their past behavior to suppose that they would."

Tucker demolished these concerns about infrastructure damage by arguing that even if the Saudis attempted to destroy their infrastructure, the impact would be limited and the disruption would last no longer than three to four months. He suggested that Western nations build up a strategic oil reserve of 60-90 days' supply so they could ride out any temporary disruption from a destruction of oil infrastructure.

Finally, Tucker administered the *coup de grâce* to any illusions that Saudi Arabia could use oil as a weapon: Even if Saudi Arabia would extort dollars from the U.S. with exorbitantly high oil prices, the Saudis will have no choice but to invest those dollars in U.S. dollar-denominated instruments. This could include Treasury bills, bank eurodollar deposits, or other U.S. assets. In any event, the U.S. could default on its obligations or expropriate the assets. In effect, the Saudis were "hostage" to the dollar system whether they liked it or not.

The message was clear, and the threat was unmistakable. Either the Saudis would find a way to cooperate with the U.S., or the U.S. would destroy them militarily, financially, or both.

The impact of the Tucker article was widespread and immediate ([Click here](#) to read the entire article). Just days after Tucker's article appeared, the *Chicago Tribune* article refers specifically to the invasion area described by Tucker and shows it on a map. More to the point, the headline of the article does not refer to the threat as coming from Tucker, but rather as "the Kissinger threat."



The Chicago Tribune, January 12, 1975. The caption pointing to the box on the Gulf map says, "Professor Robert Tucker suggests invasion of this area." Robert Tucker was my introduction to Helmut Sonnenfeldt and was with me in the White House when we first discussed the invasion plans with Sonnenfeldt one year earlier.

Reference to the Kissinger Threat led to speculation that, while the article may have been written by Robert W. Tucker, it was done so at the behest of Henry Kissinger. It would have been too politically provocative and damaging to have the threat issued by Kissinger directly. Tucker was a convenient stalking horse and Kissinger could say the article was just some musing by an academic, and did not reflect U.S. intentions. Kissinger had played his trump card and left no fingerprints.

Once the U.S. laid its invasion cards on the table, the Saudis swiftly finalized the negotiations on the petrodollar deal. The major concession the Saudis received was an agreement by the U.S. not to disclose the exact size of Saudi investments in U.S. Treasury securities. This secrecy was maintained for over forty years, until May 2016, when the Treasury finally revealed that size of Saudi holdings of U.S. Treasuries. (However, even the new official figure is misleading because it ignores Treasury securities owned by Saudi Arabia but held by offshore intermediaries in the Cayman Islands and other offshore banking centers).

In addition, Tucker's suggestion for an oil reserve became the basis for the U.S. Strategic Petroleum Reserve, which was signed into law by President Gerald Ford on December 22, 1975, less than one year after Tucker's article appeared. This reserve not only protected the U.S. against supply and infrastructure disruptions, it also allowed the U.S. to support oil prices by purchasing oil even in times of reduced demand, which would maintain Saudi revenues under the petrodollar deal.

By early 1975, not long after the Tucker invasion threat article was published, the petrodollar deal was in effect.

The stock market had begun its recovery earlier in September 1974. The U.S. recession officially ended in March 1975. The weapons sales to Saudi Arabia started immediately. All that remained was for the U.S. to hold up its end of the deal by maintaining a stable value for the dollar.

The Beginning of the End

Initially the petrodollar deal worked well. In the 5 months after the deal was finalized, the dollar rallied 4.6%. The dollar declined only slightly through the end of 1976, but then began a precipitous decline in 1977.

It was in late 1977 that I joined Citibank as a senior officer in their international division. From there I had a front row seat to see how Citibank, then the largest bank in the U.S., handled its end of the petrodollar deal. They recycled Saudi eurodollar deposits to emerging markets borrowers in Brazil, Mexico, Argentina and elsewhere. This petrodollar recycling was led by legendary Citibank CEO, Walter Wriston, and his counterpart CEO at Chase Manhattan Bank, David Rockefeller.

By October 1978, the dollar index had fallen nearly 13% from the 1975 high. The Saudis saw this rapid decline of the dollar as a breach of the petrodollar deal. They retaliated by doubling the price of oil between April 1979 and April 1980.

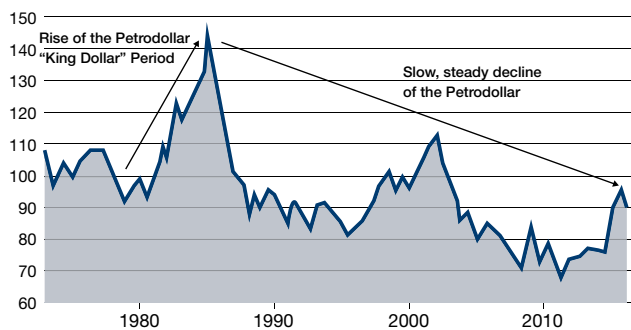
Once again, the U.S. economy dipped into recession and Americans waited in long lines to get gasoline. It seemed that the petrodollar deal was coming apart at the seams after only four years. By now, Jimmy Carter was president and Kissinger, Simon, and Sonnenfeldt had all left government to pursue private careers.

Still, the petrodollar deal was too important to both the Saudis and the U.S. to fall by the wayside. President Carter saved the day by appointing Paul Volcker as Chairman of the Federal Reserve in August 1979. Volcker immediately set out to save the dollar by raising interest rates from 11% when he took office to a high of 19% in 1981.

It was tough medicine for the U.S. economy, but it worked. Inflation plunged from 15% in 1980 to 4% by the end of 1982. The Fed's dollar index soared from 84.13 in October 1978 to 92.48 in November 1980, about where it was when the petrodollar deal began.

What happened next secured the success of the petrodollar deal for the next thirty years. Volcker's tight money policy combined with Ronald Reagan's low taxes and reduced regulation sent the U.S. economy and the U.S. dollar on a tear. By March 1985, the dollar index reached an all-time high of 128.44, a spectacular 53% gain from the October 1978 low.

This period of the 1980s was the heyday of “King Dollar.” The Saudis were pleased that the purchasing power of their dollars was restored and enhanced. The U.S. benefitted from low inflation, strong growth and ample oil supplies. This spectacular rise in the dollar from the 1978 low to the 1985 high is shown in the chart below. [Editor’s note — index numbers on the chart below are different from those used above because the chart covers major currencies only, while the Fed’s broad index covers all trading partners. However, the trend and direction of dollar index movements are substantially the same by both measures]:



From the 1985 dollar index high, the dollar was forced lower as a result of the Plaza Accord in 1985. Still, the petrodollar deal was not seriously threatened and the dollar was stabilized beginning in 1987 as a result of the Louvre Accord.

Both Republican and Democratic administrations under Reagan, Bush 41, Clinton, and Bush 43 were committed to the mantra of a “strong dollar.” For 35 years, from 1975 to 2010, the petrodollar deal remained intact despite some oil price increases and dollar volatility along the way. The dollar solidified its role as the leading reserve currency and the leading payments currency by far.

But by 2009, a new economic crisis had planted the seeds for the end of the petrodollar deal. Global growth and trade collapsed in the panic of 2008. The world was mired in a severe recession, worse than the one in 1973–1975 that prompted the petrodollar deal, and the worst since the Great Depression.

In September 2009, world leaders gathered in Pittsburgh for the G20 Leaders’ Summit. President Obama and his chief international economic advisor, Michael Froman, proposed a plan to reignite world growth. The plan was for each major economic group to move away from a sector it had over-relied on and toward a sector that offered growth potential. For China and Japan, this meant moving from capital investment to consumption. For Europe, this meant moving from exports to investment. The U.S. part of the global rebalancing deal was to increase exports.



President Obama and his Deputy National Security Advisor for International Economic Affairs, Michael Froman, were the principal architects of the new currency war in January 2010, which marked the beginning of the end for the petrodollar.

President Obama’s officially declared this goal on January 27, 2010, in his State of the Union Address:

“...the more products we make and sell to other countries, the more jobs we support right here in America. So tonight, we set a new goal: We will double our exports over the next five years, an increase that will support two million jobs in America.” (emphasis added)

Doubling exports to increase jobs and growth was certainly a laudable goal. There’s only one problem. The U.S. could not double the labor force or double productivity. The only way to double exports was to improve the terms of trade by cheapening the U.S. dollar.

Obama’s speech was an official declaration of a new currency war. By July 2011, just 18 months after the address, the dollar index stood at 80.48, an 8% decline and a new all-time low.

The difference in 2011 was that this was not a case of the world trashing the dollar against the wishes of the U.S. This time, the U.S. was trashing the dollar itself as a matter of policy. Now, the U.S. was saying a cheap dollar was more important than promises to trading partners; exactly what Richard Nixon said in effect when he went off the gold standard in 1971.

The U.S. had turned its back on the petrodollar deal. All that remained was to see the Saudi and the global responses to the new currency war.

New World Money: the Petro-SDR

The response to U.S. efforts to cheapen the dollar in 2010 — 2011 was not long in coming. It came from four directions — IMF, Russia, China, and Saudi Arabia. (Byron and Nomi will be discussing Russia and China today, respectively.)

Less than a year after Obama's declaration of a new currency war, the IMF released a paper that is a blueprint for implementation of a new global reserve currency called the Special Drawing Right, or SDR.

On December 1, 2015, the IMF announced that the Chinese yuan would be included in the basket of currencies used to determine the value of one SDR. With China onboard, the SDR is poised to become the de facto global reserve currency. (You can see more of our analysis by [clicking here](#) — including the only way you can play SDRs.)

China's and Russia's immediate response to the coming dollar collapse and rise of the SDR is to buy gold. (It's not yet possible to diversify heavily into SDR denominated assets because there are very few SDR assets available.) Russia has acquired over 1,000 tons of gold in the past seven years, and China has acquired over 3,000 tons of gold in the same time. Combined Russian and Chinese gold purchases are over 10% of all the official gold in the world. China has also acquired billions of SDRs in secret secondary market transactions brokered by the IMF.

Saudi Arabia's response has been more subtle, but may be more dramatic in the end. Relations between Saudi Arabia and the U.S. have deteriorated sharply over the course of the Obama administration. The primary cause was the Iran-U.S. nuclear negotiations and what amounts to the U.S. recognizing Iran as the leading regional power.

In the past few months, the U.S. ended the secrecy surrounding Saudi ownership of U.S. Treasury securities (in place since 1975). The U.S. also released a formerly top secret 28-page section of the 9/11 Commission Report that clearly reveals links between members of the Saudi royal family and the 9/11 hijackers and Al Qaeda. The Saudis have threatened to dump their U.S. Treasury securities in response to the release of the secret report, but so far that threat has not materialized.

Saudi Arabia is dealing from a position of weakness in relation to the U.S. Saudi Arabia is now running a fiscal deficit rather than a surplus, so the issue of where to invest reserves is moot. In fact, Saudi has been selling its reserves, mainly U.S. Treasuries, to cover its fiscal deficit.

The U.S. is no longer dependent on Saudi Arabia for energy supplies. It has become a net exporter of energy and has the largest oil reserves in the world. All of the conditions that gave rise to the petrodollar now stand in the exact opposite position of where they were in 1975.

Neither the U.S. nor Saudi Arabia have much leverage over the other, in contrast to 1975 when each side held powerful trump cards. This does not mean that oil will be priced in a currency other than dollars tomorrow. It does

mean that a new pricing mechanism is possible and no one should be surprised if it happens.

Saudi Arabia could easily price oil in yuan, then swap the yuan for Swiss francs or SDRs, and use the proceeds to add to its reserves or buy gold. Saudi Arabia could also price oil in SDRs or gold and hold those assets or swap them for other hard currencies to diversify away from dollars. The possibilities are numerous. The conversion of oil prices away from dollars to some alternative is just a matter of time.

All of these trends — IMF support for SDRs, Russian and Chinese support for gold, and Saudi Arabia's search for a new benchmark for oil — will come to a head on September 4, in Hangzhou, China at the G20 Leaders' Summit, almost seven years to the day after the Pittsburgh G20 Summit that spawned the new currency war. China's President Xi is the President of the G20 for 2016, and will stride on the world stage as an equal partner with the U.S. in the management of the international monetary system.

September 4, 2016 will be the day the dollar died, "not with a bang but with a whimper" in the words of T. S. Eliot.

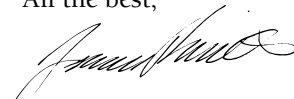
Less than four weeks after the G20 Summit, the yuan will officially join the SDR. The yuan will make up over 10% of the SDR. From there, new issuance of SDRs will be supported by China because every time the IMF issues new SDRs, they will be expanding the role of the Chinese yuan as a reserve currency.

Gold, yuan, and SDRs all have one thing in common — they are alternatives to the dollar. As momentum toward these alternatives grows, the role of dollars as a reserve currency could diminish quite quickly — like sterling's role between 1914 and 1944. The result for dollar holders will be exactly the same as the result for sterling holders: inflation and lost wealth. New political and financial arrangements, and new forms of energy, will no doubt emerge over time (as Nomi explains in her article).

The key to wealth preservation is to move out of the declining form of money — dollars — and into the rising forms of money — gold and SDRs — sooner rather than later.

Read on for Byron's actionable recommendation to preserve your wealth with gold, and a way to cash in from the energy wars that Nomi uncovered during her recent trip to China.

All the best,



Jim Rickards, editor

Protect Your Wealth During the Death-Throes of the Petrodollar

Brexit hit the UK—and sterling—hard, but its accidental effect on the U.S. could prove devastating. Read on for the best way to preserve your wealth as the reign of “King Dollar” comes to an end...

By Byron King, Senior Geologist

One of my most memorable trips in recent years was to Alaska, where I toured the great Alaska Pipeline route. I began on the southern coast of the state, literally where the Pacific Ocean laps the rocky beach at Valdez. From there, I proceeded north via the haul road that parallels the oil line and ended up at Prudhoe Bay, on the edge of the Arctic Ocean.



Your editor, standing beneath the Alaska pipeline

The pipeline is about 800 miles long. Much of it is buried, but 420 miles of massive pipe are elevated on 78,000 vertical support members to prevent damage to the underlying permafrost. Over the past 40 years, this line has moved over 17 billion barrels of oil from Alaska's North Slope to markets in the U.S. and elsewhere.

The pipeline was built in the early 1970s (around the same time the petrodollar was created) and opened on July 4th, 1976. It represents that “can do” spirit of American engineering from an era when U.S. astronauts even flew to the moon. Four decades later, I was still impressed by the technology and economic power represented by that pipeline.

Sad to say, however, the Alaska Pipeline is now in decline. Most of the steel is over 45 years old, which leads to constant corrosion issues. Plus, the North Slope isn't producing nearly as much oil as in the past, so pipeline volumes are far

below the capacity of its heyday. The Alaska Pipeline seems to represent the overall deterioration of power within the U.S. and its dollar over the past few decades.

As Jim mentions above, a country doesn't lose its power all at once. To me, the steady decline of the Alaska Pipeline is another confirmation of a belief I've long-held: the domain of “King Dollar” is shrinking. As a student of history, with a degree from the U.S. Naval War College, my view is that the U.S. wealth and power of the past 75 years was a multi-generational gift of victory in World War II. In 1945, most of the world was devastated or undeveloped. Only the U.S. economy remained intact and robust from all the capital investment of wartime spending. It was good while it lasted, but now that race is about run.

Hurrying this trend along is the recent Brexit vote. The UK's decision to leave the EU not only undermines (unintentionally) Britain's historic role in global power dynamics, but also brings the U.S. and the dollar another step closer to the end of its long-term reign. More to the point, Brexit signals the beginning of the end for the petrodollar as the key instrument for selling and buying oil. This could mean an end to U.S. control of global oil prices, and lead to disaster for the dollar. To preserve your wealth as the dollar declines, it's important to understand how the petrodollar arrived at dominance, and how that control is being undermined by global power elites.

The End of Petrodollars

In Jim's historic tale above, we saw that, in the aftermath of the Yom Kippur War of 1973, the U.S. national security-Treasury team made a deal to stabilize global oil prices. The major oil exporting nations in the Middle East — Saudi Arabia and other Gulf nations — agreed to use U.S. dollars to settle oil trades. In exchange, the U.S. agreed to keep a major military presence in the region to maintain stability, and/or not invade the place. This agreement is the root of the term “petrodollar.”

Meanwhile in the early and mid-1970s, the North Sea was coming online as a major world oil province. One of the great oilfields of the time, located in the British sector,

was named Brent. Atop the Brent oilfield was a series of platforms and wells that yielded hundreds of thousands of barrels of “Brent” oil per day. The price for oil from Brent soon transformed into the regional benchmark for daily oil price-discovery. Brent set the price for Europe.

Eventually, Brent became the benchmark for many other global oil trades as well. Brent was the price-discovery and price-setting mechanism for much of the globe. Oil contracts in the Middle East, Africa, Latin America and even Asia were posted against the daily “Brent quote.” This quote was set by a group called Platts.

Today, if you follow oil trading and prices, you’ll still constantly see reference to the “Brent quote” for oil prices. Platts keeps a running 60-day tally of oil trade contracts from a variety of North Sea oilfields, and averages the numbers into a daily quote for a typical barrel. It has almost nothing to do with the minimal amount of oil flowing from actual Brent platforms. Meanwhile, the 60-day tally by Platts ensures that no short-term issue, such as bad weather or a pipeline accident, can spike oil prices for the entire world.

But here’s the odd part: Britain’s old Brent oilfield yields almost no oil at all anymore. It’s nearly drained. So how can a depleted oilfield set the global price?

In recent years, Russian energy representatives have raised this very question.

If Russia Controls Global Oil...

I’ve been at conferences and heard Russian energy reps make the (valid) point that their nation exports nearly 3 million barrels of oil per day into European markets. It’s far more than the tiny Brent number, Russians point out; and far more than the entire North Sea number when you compare volumes. Russian political-energy interests maintain that their “Urals blend” of exported oil should become the European — and by extension, the world — price benchmark. It hasn’t happened yet, but...

Along came Brexit. In the aftermath of the Brexit vote, Britain is on the outs with the EU. And there’s renewed interest in examining whether a cobbled-together average of North Sea barrel prices should still control global oil prices.

Let’s suppose that more and more parties reject the Brent quote as an accurate daily price quote for oil. Then what happens?

Suppose Russia simply began posting prices for Urals blend oil in a basket of global currencies, distinctly shunning the U.S. dollar as the measure. It’s not hard to imagine. Russian president Vladimir Putin has stated many times that he wants to move away from the U.S. dollar in trade, and

strengthen ties with China, the new power player in the energy game, as Nomi explains in her article below. Global oil buyers would soon fall into line and begin “paying” that basket price. After all, Russia has the oil; Britain/Brent is nearly irrelevant in terms of global supply.

If the Brent oil quote falls apart in the Europe region—replaced by Urals blend quote—then what happens to all the other oil contracts across the world that refer to Brent? I suspect that their half-lives would run out quickly. It would be a true body blow to the U.S. dollar.

How to Hedge Against the Dollar’s Collapse

What should you do? Well, unless you’re deeply involved in the oil trading business, the only thing you can do is protect the value of your current dollars. Among the best ways to do that is to back up your investments with appreciating gold plays.

Let’s look at a strong royalty company that bases its efforts on royalties and streams from gold and silver miners: **Osisko Gold Royalties, Inc. (OR: NYSE)**. Headquartered in Montreal, Osisko has a market cap of \$1.4 billion and shares trade around the \$13.35 range. Its shares just began trading on the NYSE on July 6 and we can expect initial gains simply because of the Big Board exposure. In addition, Osisko pays a small dividend, yielding just under 1%.

As with all royalty plays, Osisko is highly sensitive to gold prices. If (when) the dollar weakens — which would happen if the petrodollar era ends—then gold prices will go up. This will cause Osisko to go up, and will hedge your investment dollars upward as well.

Osisko is an intermediate royalty company, meaning that it’s not the same size as known names like Silver Wheaton or Royal Gold. Plus, it’s not a global player, which is not necessarily a bad thing; much of Osisko’s portfolio is comprised of Canadian plays, which are about as safe as you can get.

For example, Osisko holds a 5% net smelter royalty (NSR) on the superb Canadian Malartic gold mine, located in Malartic, Québec, and a sliding-scale 2–3.5% NSR royalty on the Eleonore mine, located in the James Bay, Québec. The company is well financed and also holds a 2% NSR royalty on three Northern Ontario gold exploration projects: Upper Beaver, Kirkland Lake, and Hammond Reef. Osisko does have some diversity in its holdings, with exploration and royalty interests in the Guerrero Gold Belt in Mexico.

In 2015, Osisko pulled in just over 30,000 ounces of gold-equivalent royalties. This year management is expecting to pull in 34,000–37,000 ounces, about 20%

growth. All of these ounces will be sold into a much higher-priced gold market, which will boost revenues, profitability, and overall company valuation. Then we have the general migration of investors back into gold-silver plays, which should benefit Osisko. I'm looking for \$20 shares by the end of the year, or a 45% gain in the next seven months.

Now is the time to hedge against a dollar decline and profit from rising gold prices. The dollar crisis is looming in the threat to petrodollars. We face the distinct prospect of the

Brent oil price crashing, and control of oil — including how to pay for it — shifting to Russian-dominated standards. Get the most value out of the dollars you currently have by getting into a solid gold company.

Action to take: Buy Osisko Gold Royalties (OR: NYSE) up to \$15.00 per share.


Byron King



URGENT: "I KNOW A BIG SECRET ABOUT GOLD"

I recently recorded a 63-second video that you need to see.

I recorded this while I was in Zurich, Switzerland, and I have an urgent announcement.

If you do one thing today, please watch this urgent 63-second video.

[Click here to view it now.](#)

The New Power Elite: Going All-In on Green

As the U.S. and China escalate their energy war, the real winner will be the New Power Elite. Read on to see how you can cash in from the energy wars...

By Nomi Prins, Contributing editor

"For, in the final analysis, our most basic common link is that we all inhabit this small planet. We all breathe the same air."

— JFK

I've been in China for the last two weeks, meeting with members of the International Monetary Fund (IMF) and the New Development Bank (NDB, launched by the BRICS). Here's what I found out: Green is the new black.



Your editor and Dr. Raphael Lam, resident representative of China for the IMF.

As Jim explains in his article above, the shift away from the dollar as the world's reserve currency creates an opening for a new global superpower. Other countries are making their moves to fill that spot, and none is moving more quickly than China.

China has two big moves lined up, and the first one is happening at the G20 meeting on Sept. 4. Jim says that this will be the day the dollar dies. This will also be the day China shows that it is an equal to the U.S. and any other country vying for world supremacy. As I'll explain, a massive part of world dominance is control over energy. Before, that meant oil. Now, it means green energy. The U.S. and China are racing to control green energy. For China, that's how they can clinch the title of new world superpower. For the U.S., it's a last-ditch effort to hold their ground.

Why Green Energy Matters

At one point, having a significant oil stock reserve was a national security priority for White House administrations. Now, sustainable energy is. Why? Because if other nations open avenues of renewable energy sources to run their

economies, global reliance on oil and fossil fuels will face competition as a sector. Countries that were once deemed energy resource deficient see a light at the end of the tunnel. This is their chance to break away from the dependency curse that has riddled so many into a debtors' prison. Nations with more control over oil flow or supply (like the U.S.) will face diminishing political power as the forms of energy used shift toward sustainability (like in China). It's not just currency wars, but energy wars now, too.

You need to understand how world dominance is shifting now, before the scales change. The effect of the changing power dynamic isn't just confined to your opinion on climate change, but to how the money and power behind going green relates to your investment portfolio or your next career.

The ramifications of this new power are global. The IMF reports that "even sectors that are resource intensive can maintain employment when energy and raw material costs increase." It notes "executive power and investment banking will continue to seek the greatest areas to expand influence, regardless of negative or positive influences. This opens the door for clean energy sectors around the world to have growth." In a moment, you'll see that Wall Street is doing just that. The downside here is that the elite are gunning for clean energy control. The upshot is more job creation and (eventually) lower energy costs for people (and a healthier planet.)

Regardless of political elections and candidates' beliefs about climate change, these pioneering facilities create green jobs. They also aren't as affected by extraneous factors like economic crises or wars. The wind will always blow. The sun will always shine. Millions of jobs have been lost in the fossil fuel industry, particularly in coal. In contrast, over the last year, the solar industry added jobs 12 times faster than the rest of the economy — more than the jobs created by the oil and gas extraction and pipeline sectors combined.

Nations with less access to their own oil are either buying access or investing in alternative forms of energy. China sees huge opportunity in gaining dominance from new power. China doesn't have the "Old Power" of the petrodollar and doesn't have its own oil. The NDB, headquartered in Shanghai, has shaped its mission statement to support sustainable energy infrastructure projects, giving Chinese (and China's emerging markets partners) companies the funding they need to stay ahead in the race. To fuel its growth, China needs control over as much energy as possible. The sun and wind offer a way.

Meanwhile, the New Power Elite from Silicon Valley have mega operations, are involved in multiple government

national security contracts, and have increased presence in Washington. The power supply they use to energize their businesses is the power they can access more cleanly, ultimately more cheaply, and in which they can lead the way innovatively. Wall Street is going where the money goes, so we'll find some of the usual crowd mixed in as we explore the key players on the U.S. side of the energy wars.

First, here's a look at where power is now and a short overview of how it arrived there.

The Rise of Old Power

At the turn of the 20th century, old money and old power expanded from billionaire industrialists, like the Carnegies and Rockefellers, to include billionaire bankers, the Stillmans and Morgans of the world. Their control over the country's political and economic affairs was built on control of financial and energy resources.

Take the Rockefeller fortune, for example. It was built largely on the success of the Standard Oil Co. in the late 1800s. The Morgan family's wealth relied on the global reach and domestic influence of the Morgan Bank and the spread of financial capitalism. In the late 1800s, the Morgans funded governments during financial panics. In the 1900s, they helped finance two world wars. The Rockefellers retained their power by achieving industrial, financial and political influence.

As the Morgans and Rockefellers grew their profits, they, like other elites, looked to expand their power. They pursued making money from money, rather than from supplying energy to industrial pursuits and physical innovations. Bankers grew more powerful as they expanded their existing empires. This happened in tandem with the United States becoming a major superpower, a role solidified after World Wars I and II. To maintain its superpower status, the U.S. increasingly relied on its control over the dollar as the dominant currency and oil as the dominant energy source.

The notion of the petrodollar in the 1970s, or linking petroleum and the U.S. dollar, was politically and financially motivated. Winthrop Aldrich, Chase chairman since 1933, was fixated on the Middle East. His sister had married a Rockefeller, and he believed true power would come from combining oil-related banking and finance activities. The petrodollar was based, in part, on the Rockefeller family aligning Chase with U.S. ambition to become a global superpower. From Aldrich to his successor, John McCloy (lawyer and major establishment operator of the Rockefeller and Seven Sister oil companies), to David Rockefeller (who ran Chase in the 1970s and 1980s), global growth was fueled by oil. The power of these families and banks was enhanced by the petrodollar as a tool of America's global power.

But as Jim and Byron discuss above, the petrodollar era is coming to an end. So where are we going from here? Just follow the money.

Nothing Happens Without Wall Street

The reason this history matters to us now is because, as Shakespeare wrote: “What’s past is prologue.” The Old Power Elite preserved their fortunes in relation to their involvement in oil as the prevalent source of energy.

Now, the New Power Elite are taking the stage. Wall Street smells real money after years of profiting from a high market share in trading commodities. During the era of Old Power, the winning combination of power was finance and oil. We’re watching the transition to finance and sustainable energy as the next power couple right now. That’s why in November 2015, Goldman Sachs announced it would finance and invest \$150 billion in clean technology and renewable energy projects over the next decade, quadrupling its prior goal.

As far back as early 2014, the banking community began sticking their fingers into the sustainable energy pie. That was when a consortium of the usual players banded together to kick-start the green bond market. A “green bond” is a tax-exempt bond issued by federally qualified organizations or by municipalities for sustainable and clean energy development. Bank of America Merrill Lynch, Citi, JPMorgan Chase, BNP Paribas, Deutsche Bank, Goldman Sachs, and HSBC are all part of the effort.

Last fall, Wells Fargo, the fourth-biggest U.S. bank, said it would cut back lending to coal-mining companies. In June 2016, it announced increasing support for building efficiency startups through the next round of its \$10 million philanthropic Innovation Incubator (IN2) program, administered by the U.S. Department of Energy’s (DOE) National Renewable Energy Laboratory.

Morgan Stanley also pledged to reduce its exposure to coal-mining. Citigroup announced it would earmark \$100 billion over 10 years for “lending, investing and facilitating” activities focused on mitigating climate change and other sustainability solutions.

The money is in green energy. The companies who will benefit from Wall Street’s support aren’t necessarily the usual suspects. Let’s take a look:

The New Power Elite: Silicon Valley

Most of the New Power Elite in the U.S. hails from Silicon Valley. The first person we have to talk about is the omni-

present Elon Musk. He is Rockefeller, Morgan and Ford all in one — he has melded together currency, transportation and energy in a 21st-century way.

Musk made his first fortune as a cofounder of PayPal, which processes the exchange of money. He chairs and co-founded Tesla, which is innovatively the Ford Model T. He is also the chairman of SolarCity, the publicly traded solar panel designer and installer run by his cousin, Lyndon Rive. His pending merger announcement of Tesla and SolarCity will join clean transportation and energy. Not coincidentally, SolarCity’s Executive Vice President of Global Capital Markets, J. Radford Small, was at Goldman Sachs for 17 years. And the underwriters Elon Musk is using on the Tesla/SolarCity deal? Goldman Sachs and Morgan Stanley. Musk is the modern version of the original robber barons. Expansion of his power is a fresh take on an old play.

There’s also the “Breakthrough Energy Coalition,” which includes Microsoft co-founder Bill Gates, Facebook co-founder and chief executive Mark Zuckerberg, and Jeff Bezos, founder of Amazon. During the UN economic conference in Paris last winter, this group announced they would mainly invest in early-stage clean energy companies. The New Power Elite need energy to run their businesses. If they can harness new forms of energy, they don’t have to compete with the fossil fuel crowd or their legacies.

And like their past counterparts, the New Power Elite can influence governments and policy without holding public office. They don’t need to be in the inner beltway to call the shots — they create the systems that monitor and share the information behind the scenes. They are investing in sustainability not only because it’s profitable, but because it’s a path to greater influence in general.

China’s Next Two Moves Against the U.S.

As I mentioned earlier, China is challenging the U.S. for world influence right now. They are doing this in two key ways. First, China is leading the way in wind, solar and associated investments, domestically and abroad. While being environmentally conscious and providing sustainable energy is good for PR and air quality, there is more to it than that. Geopolitics is strategically important and always at work — now more than ever. The competition between China and the U.S. can break depending on who has power over “dirty” energy and who can find alternatives to diffuse that power. It is all a power play, and that’s how you should be reading U.S. and China economic and energy headlines.

*The 2008 financial crisis
accelerated China’s moves
toward power and autonomy.*

China has a long-term view of the global dominance offered by the shifting power paradigm. Central banking is the second key to this shift. China is undermining U.S. dominance by making the yuan a viable option to replace the dollar as the world currency. The 2008 financial crisis destabilized global finance and accelerated China's moves toward power and autonomy in the world. They want to get away from the fragile U.S. and European banking system and its central bank enablers. China was able to use the fallout to further jockey for its position as a global super power with respect to currency and energy.

From my recent travels, I know that China has two target dates for certain global displays of their new power: the fast approaching G20 meetings and the 2022 Olympics.

G20 Game Changer

The G20 is the most urgent for us. As Jim discusses above, China is hosting the G20 leaders on Sept. 4 and 5, 2016 in Hangzhou, Zhejiang. This will be the first G20 summit hosted in China. According to one of my sources, China is spending around 100 billion yuan to make Hangzhou look and feel amazing for the G20 meetings. They want the G20 leaders (and the rest of the world) to see China at its best.

One main topic on the docket for the G20 meetings in September will be the fallout of Brexit and ensuring stability in the currency and financial markets. Hand in hand will be the inclusion of the yuan in the IMF's Special Drawing Right (SDR) basket. This is a huge move for China to gain power over the dollar.

In addition to the yuan joining the SDR, the second focus, at China's insistence, will be sustainable energy. Chinese Minister of Foreign Affairs, Wang Yi, recently said at a press conference, "China will promote the G20 to take the lead in pursuing cooperation for sustainable development throughout the world in a bid to bridge the development gap." He wants to "accelerate the process of consolidation and the ratifying procedures of the Paris Agreement on climate change."

In an ironic twist, given its former bad rap on clean air, China's superpower aspirations are paving the way for them to insert sustainable development into the G20 agenda by bringing the UN's 2030 Agenda to the table. While playing host to the G20, China will spearhead discussion on green bonds.

Before the Hangzhou event regarding green bonds, China will hold a meeting with the NDB, based in Shanghai. Eastern countries picture Shanghai as an emerging financial hub and it appears to be quickly over-taking Hong Kong in terms of international attention and national growth — and buzz.

On July 15, I met with Mr. Paulo Nogueira Batista, Vice-President of the NDB, at its headquarters. Mr. Batista was the executive director at the IMF, representing Brazil and 10 other countries for eight years. He was also a key architect of the NDB after the financial crisis of 2008. The NDB was created to "support public or private projects through loans, guarantees, equity participation and other financial instruments." We met opposite the Shanghai Tower, the second-tallest building in the world, and one that promotes itself as the greenest. There, we discussed China's dedication to leading the way in sustainable energy.

Regarding sustainable projects and investments, Mr. Batista told me:

We will try to be as green as we can. Traditionally, multi-lateral banks have wanted to do such projects but have complained that sustainability gets in the way. We, on the other hand, see sustainability as a goal in itself for the lending side. We are issuing our first green bond next week — proceeds will be fully allocated for green projects. We will set up an independent third party to ensure adherence to green standards.



Your editor and Paulo Nogueira Batista, VP of the New Development Bank, previously the executive director of the IMF

The NDB isn't just financing green projects for its members. It's also the first major development bank putting its money where its mouth is — which spells demand for green bonds. "Our own assets," he said, "will be invested in green bonds — two-thirds of our proceeds will be in sustainable infrastructure." On July 18, the NDB issued its first green bond, as Mr. Batista promised — a \$449 million yuan-denominated green bond — into China's interbank market. It is the first

green bond from a development agency with a lead underwriter that is not a U.S. or European bank, but instead, the Bank of China.

China currently leads the world in the sale of green debt and has helped push global green issuance in the first part of 2016 to equal the full-year total of 2015, according to my sources at the Asian Development Bank. On July 6, just a few days before I took off for Beijing, the Bank of China sold \$3.03 billion in new green bonds, the largest international issuance of its kind. The issuance was the first to be made in three currencies — a \$2.25 billion tranche, a 500 million tranche and one issued in New York totaling 1.5 billion in offshore renminbi. It was also the first green bond offering from Asia to be made in Europe. Green bonds have benefits beyond their greenness — they have tax advantages and take advantage of longer term investment strategies, in a similar way to gold.

Beijing's Olympic Makeover

Having walked around Beijing last week with my lungs screaming at me to go breathe anywhere else, I can tell you that pollution is insane. Combatting it is something the Chinese government has aspired to since the 2008 Beijing Olympics. In my talks with city locals, I learned that the government planted trees and grass around the city with a vengeance before those Games.



Your editor days ago in Tiananmen Square. As you can see from the sky in the picture, China still has a long way to go in their attempts to reduce pollution.

Beijing will host the 2022 Winter Olympics. If trees and air quality were of concern before, the Chinese government is even more focused on the future Games. It will be the first city to host both the Summer and Winter Olympics. It will be the largest city ever to host the Winter Olympics. After the Paris climate change conference in 2015, China has stated its goal to reduce emissions of major pollutants in the power sector by 60% by 2020. Sustainability, clean

energy and green bonds are matters of national pride and power. With these factors, the Olympics will provide a vantage point for the world to revisit how China has progressed on sustainable energy.

China, in its renaissance as a new global power, will increasingly rely on renewable and sustainable energy to drive its economy and those of its key allies and trading partners. Currently China is “the world leader in wind power, accounting for about one in every three turbines currently installed,” according to the Global Wind Energy Council. Solar power generation capacity was up 74% in China last year compared with 2014 levels.

There are major implications for you in all of these changes, and opportunities to profit from the energy wars.

The Winner of the Energy War

While we have split the energy wars into U.S. versus China, many of the main players are multinational corporations. Many of the Silicon Valley Elite corporations have operations in Asia and China in particular.

I'll use Apple as an example. It's a California based company, but its energy interest is global. In February 2016, it issued a ground-breaking U.S. \$1.5 billion green bond dedicated to financing environmental projects, including renewable energy initiatives at its facilities and with its global suppliers. Then in March 2016, Apple announced that 93% of its facilities run on renewable energy, including 100 percent of its facilities in the U.S., China, and 21 other countries. It's working with suppliers to install more than 4 gigawatts of new clean energy worldwide, including 2 gigawatts in China by 2020. Over the next two years, Foxconn will install 400 megawatts of solar energy to cover the energy use of its iPhone final production facility in Zhengzhou.

The New Power Elite are spreading their investments between the U.S. and China. This means they stand to profit no matter which country “wins” the energy wars. That's what we're going to do, too.

Our first play on the energy wars is a Chinese company: **Trina Solar (TSL)**. TSL is a global a global leader in photovoltaic (PV) modules, solutions, and services. It leverages the Chinese government's political might in green energy, and a few key factors could push TSL's stock much higher in the short term:

First, the Chinese government could pressure its state-owned banks to continue lending to TSL or “evergreen” its loans. The September G20 meeting is a showcase for renewable energy to the world and as such could drive up solar pricing, boosting TSL. Plus, even though there are problems with too much debt in China, when the government decides to

do something, it gets it done. It wants to do green.

The Boston Consulting Group (BCG) just selected TSL for its Top 100 Global Challengers List again. TSL is the only solar manufacturer in China selected twice in a row.

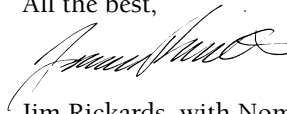
My outlook is bullish near-term for China but based on local intel I believe in the longer run, say 2–3 years, China could see many more defaults in its state-owned entities. To combat that, China is planning to reduce capacity and merge its own companies, which will reduce costs for some of them in the process, so the tables could still turn. Meanwhile, the Chinese market is undervalued relative to other emerging market countries whose governments have far more shallow, less-centralized pockets.

Right now, TSL stock is trading around \$8.50. I see TSL hitting the \$10–12 range by late 2016, if the bullish China

solar demand and building scenario occurs *and* it continues getting favorable treatment (endless debt roll-over) from its bankers. It could also get a lift in the wake of the G20 meetings. One thing I discovered on the ground is that China is committed to *show* itself as going green, as well as going green. And while riding the (green-billed) high-speed railway between Beijing and Shanghai, I noticed lots of Trina billboards. That kind of determination bodes well for TSL.

Action to take: Buy Trina Solar (TSL: NYSE) up to \$9.50 per share.

All the best,



Jim Rickards, with Nomi Prins, Byron King, and Dan Amoss, CFA

Appendix: The New Power Elite

By Nomi Prins, Contributing editor

In the webs pictured right and on the next page, you'll see that we've broken the New Power Elite into two groups: U.S. and China. As I mentioned in my article, however, many of these companies stand to make huge profits from the energy wars, no matter which country ultimately pulls ahead. Read on for a quick look at some of the players who are positioned to cash in from the escalating energy wars.

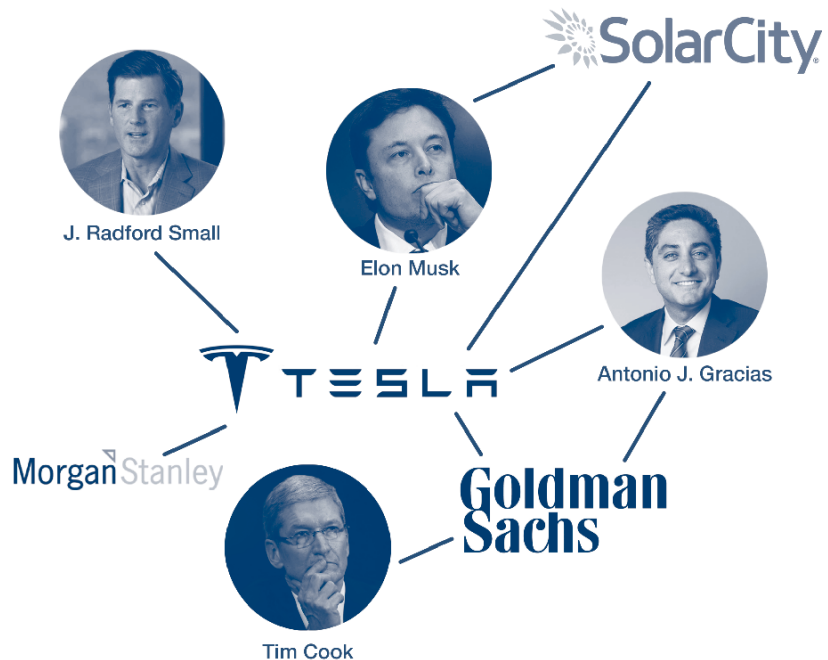
United States

Elon Musk is a modern day Rockefeller, Morgan and Ford all in one. He made his first fortune with **PayPal**. Now, he is the CEO and Product Architect of Tesla Motors. In addition, Musk is the Chairman and principal shareholder of **SolarCity**, and the CEO/CTO of Space Exploration Technologies (**SpaceX**).

Antonio J. Gracias is on the Board of Directors of Tesla Motors, was a former Associate at Goldman Sachs.

J. Radford Small is the Executive Vice President, Global Capital Markets of SolarCity. He joined SolarCity from Goldman, Sachs & Co. where he was a managing director and Chief Operating Officer for the Clean Technology and Renewables group. Over the course of his 17 years in the Investment Banking Division at Goldman Sachs.

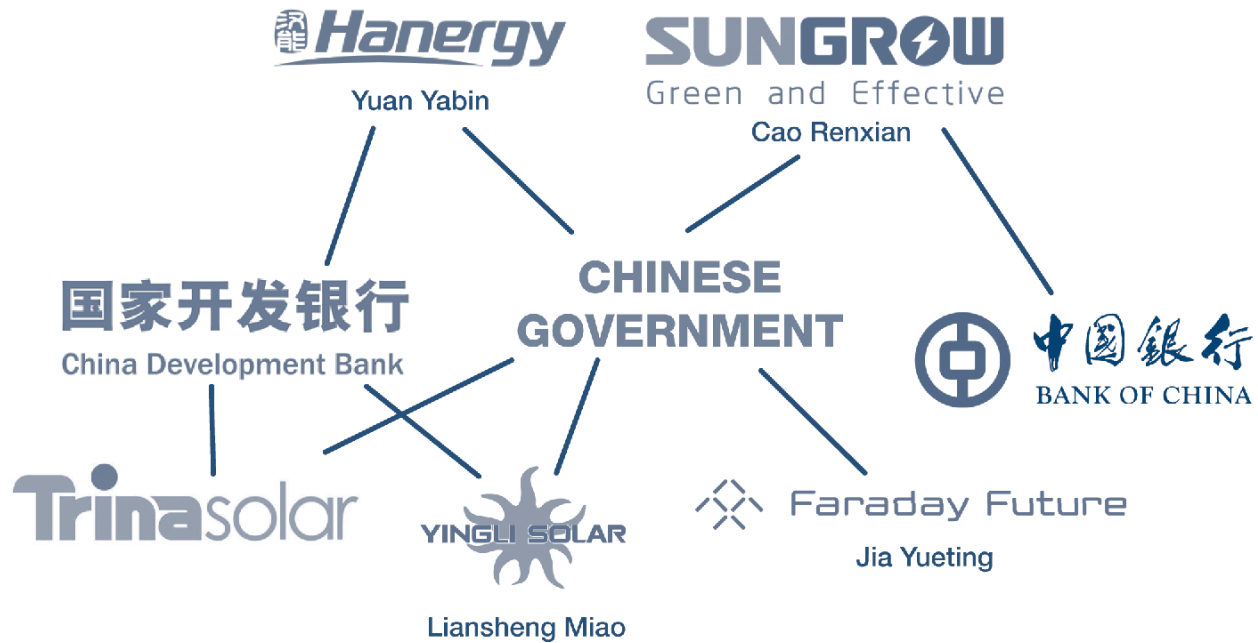
Tim Cook is the Chief Executive Officer of Apple and



serves on its board of directors. He previously served as the company's Chief Operating Officer, under its founder Steve Jobs. In 2015, Cook spoke at the annual **Goldman Sachs** Technology and Internet Conference.

China

Trina Solar Limited is a Chinese company with many branches in the U.S., Europe, and Asia, and is the world's biggest solar panel maker.



Faraday Future is a US-based, Chinese-backed global company focused on the development of intelligent electric vehicles and mobility solutions. One of its financial partners is Leshi TV, led by Jia Yueting.

Sungrow Power was founded in 1997 by Cao Renxian and based in Hefei, China. The company is currently the largest 1500 volt solar power plant in China.

Hanergy Energy is a privately held Chinese multinational renewable energy company founded in 1994 by Li Hejun, headquartered in Beijing. It is active in solar, wind and hydropower generation.

Jia Yueting is the “Elon Musk of China.” Jia Yueting chairs Leshi Internet Information & Technology Beijing (known as Leshi TV), one of China’s most popular online video sites. In the U.S., Jia is backing new electric car firm Faraday Future, which unveiled a concept car at the Consumer Electronics Show in January 2016.

Cao Renxian is the Chairman of solar energy company Sungrow Power Supply Co. and also serves as chairman of Hefei Source of Electric Information Technology Co.

Yuan Yabin replaced Li Hejun as the Chairman of Hanergy. Li Hejun was the previous chairman and executive director of Hanergy, and was previously the richest man in China.



URGENT: “I KNOW A BIG SECRET ABOUT GOLD”

According to Jim, the result of this next currency war could be a “bloodbath”...

If you have at least \$10,000 invested (including your 401(k) or IRA) then you need to check this out...

To get all of the disturbing details — along with a clever way to profit, [click here](#).