

The Great Simplification - Frankly #6

Nate Hagens (00:00):

Hello. It is 9:00 PM. I just got home from a day trip to Austin, Texas, where I was on a podcast with Aubrey Marcus. It was quite personal and intense. In a few weeks, I hope you watch it. On the podcast, I told Aubrey that the things we were discussing could never be voiced by a leader of the G20 or the G7, because they were too threatening, no easy answers, et cetera. Longtime listeners will have heard me say that before. On the plane home today, I read that French President Macron said today that we are at the end of an era of abundance, and that we're going to have to make choices, and that the energy crisis in France and Europe is going to require sacrifice and different ways of thinking, but he did say we are approaching the end of an era of abundance.

Nate Hagens (01:07):

I think this is potentially a watershed moment, so I wanted to do a quick recording because I have to leave again in the morning. Here are my quick thoughts. Right now, the energy situation, it was only a few months ago I made the short video, called Energy Blindness. Our culture is becoming less energy blind by the day. Europe is almost completely energy aware. Right now, electricity is, for next year's forward prices, between 600 and 750 euros per megawatt, which is in contrast to 40 or 50 euros of megawatt in the last few years. So, it's 15 times higher.

Nate Hagens (01:57):

The natural gas price in Europe is the equivalent of \$520 a barrel of oil. German politicians are talking about that washcloths are a viable technology in lieu of taking showers. Today, it was announced that one in six American households are behind on their utility bills. This is where natural gas is around 10% or 12% of the price in Europe. Of course, I'm one of those six households, but that's not because I can't pay my bills, it's because I forgot, but this is happening rapidly. Unless things change in the next few months, Europe is committing economic suicide. Lots of high-energy-intensive industries are losing money or shutting down, like aluminum smelters, very energy-intensive processes, chemical plants. This is only going to spiral and snowball.

Nate Hagens (03:04):

What's going to happen is, like in the UK, they're capping the energy costs that households have to pay because some households, there's no way they can pay the actual market prices. What that is going to do is put pressure on bond markets and currencies because governments are going to have to borrow in order to pay above the cap for their populations. This is coming to our country, too, eventually. I do think there is, well, a potential silver lining here. If the war ends, if the water starts to flow in the rivers again, there's something like a 500-year drought in Europe, which, on top of the Russia, Ukraine, natural gas, Nord Stream 1 and 2 pipelines being reduced, there is inability to cool the effluent water from nuclear plants, so there's a lot of nuclear plants shut down.

Nate Hagens (04:11):

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By the way, as an aside, another version of the removal of energy blinders is Japan, today, announced that they're going to restart some of their nuclear plants. Even after everything that happened with Fukushima, they realize they absolutely need energy, so they're revisiting that. I think things are going to get so dire in Europe that they may have no choice than to negotiate and strike a deal with Putin. I can't imagine what that deal would be, leave NATO? Leave NATO, and we will turn Nord Stream back on. I think they might have to do something like that because this is an enormous burden on their societies that I'm not sure they can recover from, unless this changes quickly. Oh, by the way, there was the bombing of Dugin's daughter, over last weekend, which I'm pretty sure Russia is just lumping Ukraine into the West, including Germany, UK, US, and perhaps, they are just unilaterally saying, we're going to turn the screws as much as we can and screw those Westerners. That's a possibility.

Nate Hagens (05:33):

The reason I wanted to say this little frankly episode is Macron just said the era of abundance is over. First of all, that's impressive for a G7 politician to say that. I think, right there, immediately, this has created an Overton window for countries around the world, governments at the regional level, at the local level to say, aha! The President of France says the era of abundance is over, and what that implies, and allows them to just say, even if he's 5% right, even if he's 10% right, let's do scenarios on how we respond to physical limits, energy limits, material limits, economic growth limits. It opens the door for sensitivity analysis planning that, now, won't seem so verboten. President Macron just spoke the quiet part out loud. I think that this is a watershed moment, that such a major leader would voice something like that.

Nate Hagens (06:43):

Of course, it's obvious to us who have been analyzing this and looking at it, but for a politician to say it, I think is a pretty big deal. The other thing I think is important is we, here in the United States, should be, and others around the world should be absolutely watching the complex dynamics of what unfolds in coming months. What are the human energy services that are strictly continued? People will continue to do this at all costs. What are the things that have been kicked to the side that people no longer want to do? What are the triage choices that European governments make as they have to prioritize energy for some sectors, and other sectors get nothing? This is a real dress rehearsal for how to look at an energy crisis. Now, of course, it's electricity, and heat, and natural gas, which is different than an oil crisis, but I think this is a real learning moment and a preparation moment.

Nate Hagens (07:52):

Big deal, Macron said that era of abundance is ending. I'm shocked. Of course, it's only 10 hours later, but in the news, I'm not seeing anything about this, except for there's pushback against Macron, that's saying the poor people never had abundance, so you're being insensitive to the poor people that never had the era of abundance, and that's what's being pushed back on. Of course, that's not incorrect, but

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it's beside the point that we have this gargantuan, energy, economic, currency, global, potentially, crisis on the horizon.

Nate Hagens (08:38):

That's enough for this quick update. I'm going to get some shuteye. Tomorrow's my birthday. I have my golden retriever, Stumpy, here. Her real name is Murphy, which turned to Muphy, which turned to Tumpy, which is now Stumpy, because she has short legs. You can see I've had a long day. My friends, we are not alive at normal times. Savor life. Do meaningful things. To be continued. More to come here, soon. Thank you.