

Low oil prices produce calamity: Opposing view

By Jimmy Vallee

Economic calamity is what to expect from a prolonged period of low oil and gas prices. In fact, it's already happening. Job losses, corporate loan defaults, reduced investments and an

spending trigger — with spiking gas guzzler sales, more sales tax revenues, and cheap fuel for planes, trains and trucks — don't count on it. Massive layoffs have hit the oil industry, and the pain

digit growth from the shale revolution) lost to overseas locations after a 40-year economic coma.

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While conventional wisdom suggests we celebrate low oil prices as a consumer spending trigger — with spiking gas guzzler sales, more sales tax revenues, and cheap fuel for planes, trains and trucks — don't count on it. Massive layoffs have hit the oil industry, and the pain is spreading.

end to the recent reshoring trend are all propelling the U.S. toward recession.

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Back in 2014, excitement built over likely U.S. energy independence and reshoring of industrial and manufacturing jobs (double-

Organization of Petroleum Exporting Countries refused to curtail production and dismissed any effort to stabilize commodity prices,

sending global oil prices into free fall.

The timing could not be worse for the U.S. oil and gas industry. Already embroiled in the difficulty of navigating the “Great Crew Change” — an almost 50% turnover in skilled employees expected in the next five years — the fallout in oil will erode the knowledge base necessary to train the next generation.

Moreover, a rollout of new technology that would bring the aging oil industry into the modern era has been halted as companies battle for survival. The research and development needed to bring the industry where it needs to be just won’t happen, and never mind climate change.

The bad news continues with corporate defaults in the oil industry surging; 42 companies filed for bankruptcy in 2015, and many analysts expect that number to double in 2016 if commodity prices do not rebound substantially. Banks are now setting aside significant loan loss reserves as they prepare for a wave of energy defaults in the coming months.

There is no joy in extended low oil prices. It’s an economic train wreck already in process. ■