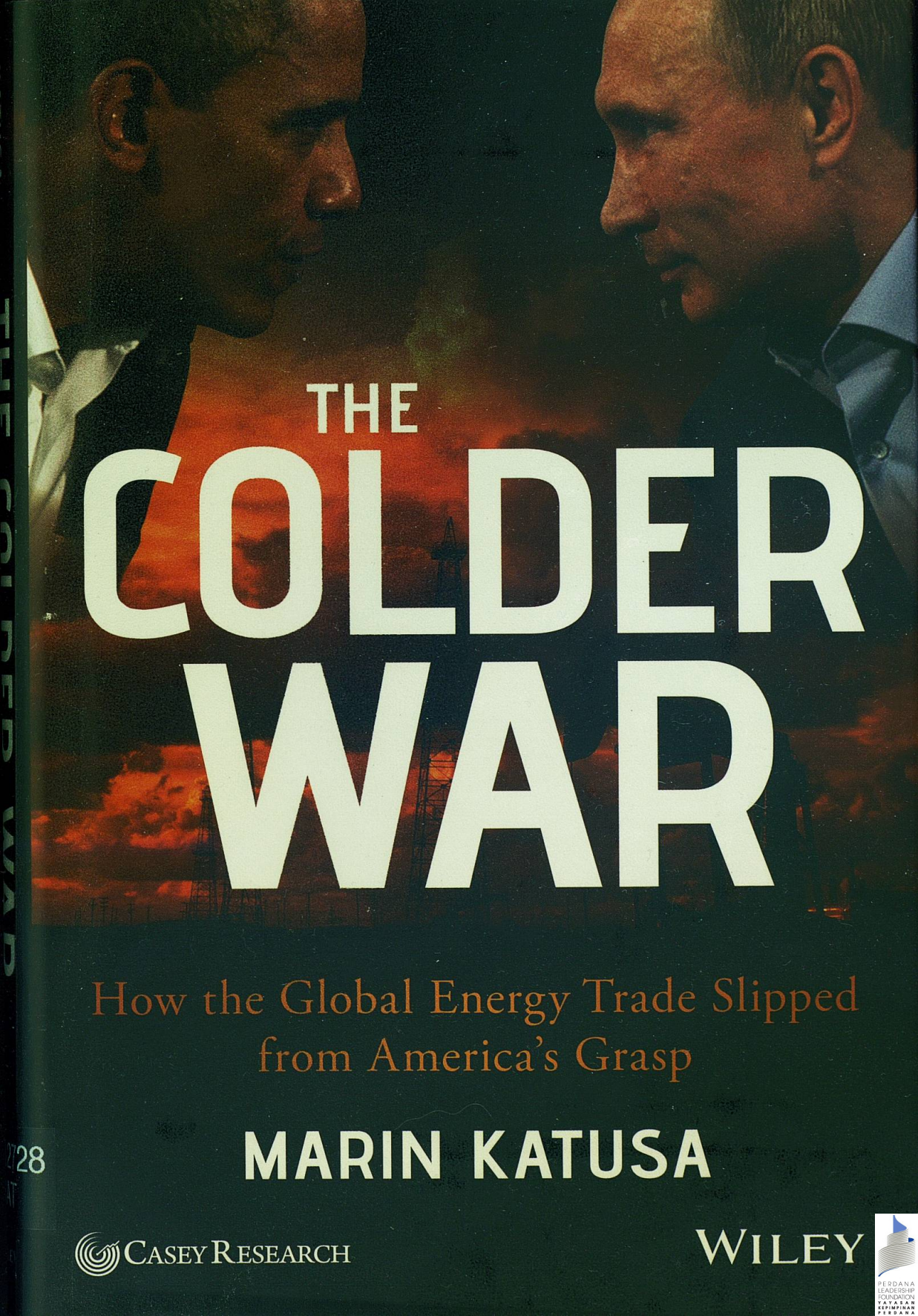


THE COLDER WAR



# THE COLDER WAR

How the Global Energy Trade Slipped  
from America's Grasp

MARIN KATUSA

 CASEY RESEARCH

WILEY



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**R**umbling underneath the surface of the short-term dramas that enthrall us from day to day is a slowly moving trend that threatens to completely unravel U.S. power and stability. At its helm is Vladimir Putin, the Russian leader who has too often been satirized and simplified in the American media. And at its center is the very stuff that makes the world go: *energy*.

In *The Colder War: How the Global Energy Trade Slipped from America's Grasp*, author Marin Katusa argues that Putin's dream to restore Russia to its former glory revolves around taking control of the world's energy resources. Energy demands are skyrocketing, and while the United States mucks around in political quibbles, Russia is acquiring powerful connections and key resource holdings. If we don't wake up to this reality, it could mean the rapid collapse of the American way of life.

Marin Katusa is uniquely qualified to explain this against-the-grain perspective. By age 30, he had built one of Canada's largest copper mines from the ground up. His experience in commodity production led him into the financial world, where he now runs four successful energy and resource hedge funds. Katusa is one of the best suited people around to go beyond the conventional wisdom, as he does in *The Colder War*.

Everyone knows the global geopolitical landscape is shifting, but *The Colder War* presents a stark picture of just what that shift will look like. More importantly, Marin Katusa explains what the coming changes will mean for American bank accounts. Readers who want to understand, hedge against, and even profit from the decline of the petrodollar are advised to read *The Colder War* without delay.

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*Daripada :*



**TENAGA  
NASIONAL BERHAD**



# THE COLDER WAR



BY DR. MAHATHIR MOHAMAD

# THE COLDER WAR

*How the Global Energy  
Trade Slipped from  
America's Grasp*

Marin Katusa

WILEY

 CASEY RESEARCH  
PUSTAKA PERDANA



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*To my wife, Marina.  
Your support and undying love carry me in all I do.*



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# Foreword

Let me be candid. I really like this book because it's original, it's well reasoned, and its conclusions are correct. It's important that you read it.

Let me take a couple of pages to explain why the subject of energy is even more important than most people imagine, and why Marin is not only the right man to explain it but a winning player in the rough-and-tumble energy arena.

Marin wasn't planning to write a book until I twisted his arm. Although he's a competent writer, as you'll see, he's first and foremost a deal maker. But what has brought him so much success in that career is being a preternaturally shrewd analyst and an independent big-picture thinker. His take on many things—not least the Putinization of energy and the incipient Colder War—is likely to give you a new view on what is going on in the world. He won't be echoing the conventional wisdom you're likely to hear on network TV or read in the *New York Times*.

## Energy

It's a commonplace that "the world runs on energy," but few appreciate the mercilessness of that truth for an industrialized world. Putting it quite simply, energy is the sine qua non of civilization itself. Without large quantities of it, most of us would literally starve and would do so while freezing in the dark.

Your food requires large quantities of fossil fuel to be grown, packaged, transported, refrigerated, and later cooked. That dependence may not be ideal, but it's reality for at least another generation of mankind. For your car to run, for planes to fly, and for trucks and trains to deliver goods, it's going to take a lot of fossil fuel for many years to come. Fossil fuels are the raw material for many of the things we use, from plastics to clothing. Without a river of energy, you can forget about communications, TV, computers, and the Internet. Without oil, natural gas, coal, and nuclear power, modern civilization would wither in a matter of days.

But that's only a description of how things are now. Despite greenism and the widespread enthusiasm for the idea of conservation, energy isn't going to become less important; it's going to become vastly more important. The Second Law of Thermodynamics states, in essence, that without continual inputs of energy, all systems wind down. Entropy, like gravity, conquers all. Only inputs of energy can hold the process at bay.

The world's population will likely grow to 10 billion people by the end of the century, and their energy requirements will grow much, much faster. Today two-thirds of all people are still poor and consume little energy. As they approach a Western standard of living, they're going to want more—say, about 10 times more—than they have now of the things you and I take for granted. And all those things are made with energy inputs and run on more energy inputs.

Now, it's true that technology is making rapid improvements in the efficiency of renewable or sustainable energy, mainly solar and wind. They will likely become economical, at some point, for many applications. But in the foreseeable future, there is no remotely practical substitute for the high-density energy of fossil fuels.

There eventually will be such a substitute, I'm sure, if only because there are more scientists and engineers alive today than have lived in all of previous history. Vastly improved, much smaller, much cheaper, much safer uranium-fueled power plants are on the way. So are thorium reactors. Fusion may eventually obviate all energy problems. And in the meantime, we're always improving the efficiency of using fossil fuels. The Boeing 787, for instance, is more than three times more fuel efficient than a Boeing 707; a 2014 Corvette can cruise at 30 miles per gallon, whereas its 1960 predecessor would be pressed to make 12.

Solutions will be found and innovations will appear. In the meantime, the use of fossil fuels will continue to rise, albeit at higher costs per unit of energy. The commercialization of fracking, horizontal drilling, coal bed methane recovery, deep-sea drilling, and tar sands recovery are just a few new sources of oil and gas.

Mankind's sources of energy will continue to evolve. But for the next few decades, fossil fuel will be critical just for maintaining civilization as it is today, and the expected escape from poverty by billions of people will require even more of it. The Second Law is always there, grinding away. And over the coming generation, the companies and countries that control fossil fuels are going to have more influence on the rest of the world than they ever had before. It's going to be, at the nicest, the Colder War that Marin posits.

## ... and the Man

Marin is that rare person who is both academically smart and street smart. He was a university math professor and has a bent for science. And it didn't take him long to put theory into practice, analyzing the fundamentals of mining companies and oil companies—geology, mineralogy, engineering, permitting, management, and a score of other disciplines.

There are thousands of such companies, and they're represented by the most volatile class of stocks you can find. Over the course of a commodity cycle, many of the small ones are capable of moving 100 to 1 in price, or more. Most of them turn out to be just black holes for capital, however. Speculators in this area seldom appreciate how great the potential can be and the severity of the risk. Paradoxically, however,

companies with the lowest risk can have the highest potential—if the speculator knows what to look for.

And this is an area where Marin really shines. He not only has a strong academic background in oil, gas, unconventional energy, uranium, and mining, he also has a proven hands-on, boots-on-the-ground record of building and running successful companies. In particular, he's largely responsible for putting Canada's third-largest copper mine into production—all the way from property acquisition to financing, construction, and profitable operation. That's a rare accomplishment and extraordinary for a 30-year-old (his age at the time).

He was one of the largest investors in the company early on. He's even now one of the most successful financiers in the resource exploration business and runs four hedge funds, where he and I are the largest investors. (He puts his money where his mouth is.) The funds have outperformed the TSX-V index by 600 percent over the past five years, despite holding large cash balances. In both relative and absolute terms, it's one of the most exceptional performances I've ever seen.

But it's not just knowledge and technical expertise that put Marin at the top. It's also his people skills. The son of Croatian immigrants, Marin had (what turned out to be) the good fortune to be born on the wrong side of the tracks. So he's not just book smart, but street smart. Whether it's with the president of a company or the president of a country, he knows how to relate to them over a bottle of something potent. Watching him ask questions and get answers as few people can, I'm forced to remark that he could have been the type of police detective they do TV shows about. And he's a world-class poker player.

With that background, he's now concentrating on finance. I've been in the resource finance business for about 40 years and have gotten to know most of the movers and shakers. Many of them—like Robert Friedland, Lukas Lundin, Frank Giustra, and Ross Beaty—are multibillionaires. Marin will join their ranks, quite possibly in this cycle—since, as I write, resource stocks are at a historic bottom. I saw him cut the deal that founded the largest shale gas company in Europe. And we were recently in Albania together to assess what may become Europe's largest onshore oil producer.

I've been to more than 135 countries, but Marin is starting to close in on me. We've traveled through the Balkans, across Iraq, through Asia

and South America, as well as all over North America together. Travel becomes an aggravation once you've done enough of it, but it's essential in this business. One reason is that you want to meet a company's management in their element and see how things are going with your own eyes. Another is to understand the local political situation, a theme that's central to this book. In today's world—much more so than in even the recent past—the world's 200+ governments are the biggest factor in resources. Their leaders and bureaucracies determine whether a resource can even be exploited, what workers are paid, and how much will be left over after the government extracts its royalties and taxes.

Hence, a good part of this book explains how international politics relate to energy and how the worldwide energy picture is likely to evolve over the next decade—especially with regard to Russia, and more particularly with regard to Vladimir Putin, who, at age 62 as I write, is likely to be on the scene for years to come. He's both a lot smarter and a lot tougher than any of his counterparts in the West, and he will be a big part of what will make the next decade among the most “interesting” (to use that word as the Chinese do) in world history.

You're going to be glad you read this book.

Doug Casey

Author of *The International Man*, *Strategic Investing*,  
*Crisis Investing*, *Totally Incorrect*, and *Right on the Money*,  
Chairman, Casey Research



# Acknowledgments

**A**s I sit at my office desk, in midsummer 2014, going through the last chapter of the manuscript and responding to all of Terry Coxon’s comments and edits, I wonder how many wrong turns I might have left uncorrected but for the attention Terry and other members of the Casey Research team have given the project.

When Doug Casey, the founder of Casey Research, broached the idea of writing about my theories of the Colder War, I was reluctant. I’m much more of an investment analyst than a writer, and I’ve never felt a yearning to see my work sitting on a bookshelf. But Doug persisted, and when I took up his idea of writing the book, he responded with advice that helped make it what its first reviewer termed “such a good read.”

The support and guidance I received from Doug’s partner, Olivier Garret, the CEO of Casey Research, were critical to making *The Colder War* happen, and to making it happen well. Olivier believed in the concepts and ideas I’ve been sharing with Casey Research subscribers for most of the past 10 years, and he saw the value in assembling the core of those ideas into a book for a wider audience. Without Olivier, the group of funds I manage would never have happened, and together we have been able to deliver to our shareholders some of the best returns

in the sector over the past five years, beating our comparable index by over 600 percent.

Doug Hornig and Terry Coxon both were prime movers in the evolution of *The Colder War*, and they deserve much credit for any success it enjoys. Doug Hornig worked tirelessly to organize my early jumble of notes and jottings, to identify and hunt down needed details, and, most important, to impose some literary discipline on the technical topics—material that for me is music, but for most readers just isn't. Terry Coxon, as you may notice as you read the book, is an exceptional editor; he did much to streamline the story and ease its flow from the first page to the last.

I've been fortunate to find a career I love and that has invited me to travel the world many times over—and doubly fortunate for the friends and colleagues who've greeted me along the way. Jim O'Rourke, a member of the Canadian Mining Hall of Fame, and Rick Rule of Sprott Global have been generous mentors who for many years have shared their knowledge and experience. David Galland, of Casey Research, gave me a platform to excel at what I most enjoy, which is finding the best resource investments around the world.

My parents came to Canada with nothing but a dream of a better life for their kids than they had experienced growing up under the communist regime of Yugoslavia. I can never thank you enough. My appetite for work came from watching the two of you work to live out that dream. And to my brothers, Jad and Karlo, who nurtured my competitive, never-give-up attitude in the uncompromising way only big brothers can, thank you.

It is my brilliant and beautiful wife, Marina, whom I must thank the most. Her support and undying love carry me in all I do.

Marin Katusa  
Vancouver, British Columbia, 2014

# THE COLDER WAR

# Praise for THE COLDER WAR

"*The Colder War* provides a reversing contrast from the hysterical 'Putin is Stalin, Jr., restart the Cold War' message emanating from the neocon think tanks and the mainstream media. Marin Katusa provides an objective examination of Putin's history and goals, and shows the real threat to the American people is not Putin but the U.S. Government's hyper-interventionist foreign policy, our destructive monetary policies, and government policies that inhibit the development of America's energy resources."

—**Dr. Ron Paul**, Former U.S. Congressman and Founder of The Ron Paul Institute for Peace and Prosperity

"There are few more important questions to the future of Western economies than the fate of the petrodollar and direction of the energy trade. Marin Katusa's book tells the story of raging battles in the least covered and most misunderstood war of our time, a war that is already starting to redraw the world's map. Marin is an intense individual and has structured mining and energy deals the world over. This book offers a perspective from the trenches in the high stakes world of energy security."

—**Ian Telfer**, Chairman of Goldcorp and Director of Renaissance Oil Corp

"In this book, the difficult realities of *The Colder War* and the serious quest for energy security are set forth in a well written and thoughtful manner. The global race for security provided by civil nuclear energy is happening now and the western world may be in the process of losing. Marin Katusa's detailed account of the geopolitical race to control resources is an insightful page turner."

—**Lady Barbara Judge**, Chairman Emeritus, UK Atomic Energy Authority (UKAEA)

"Marin has written a fascinating page-turning history of energy and Russia with a dash of humor and style. I read it in one sitting and suggest you do the same. You will get a much different view than what you read in the main stream media."

—**John Mauldin**, Chairman, Mauldin Economics

"Marin Katusa is raising some good questions about how the world's energy markets really work. He provides some good answers too. Many readers are not going to like them. Those are the people who most need to read this book."

—**William Bonner**, Founder of Agora Inc. and bestselling author of *Empire of Debt* and *Financial Reckoning Day*

"Years before Putin annexed Crimea and invaded Ukraine, Marin was warning me and anyone else who would listen about a looming 'Colder War'—a battle between civilization and fascism. This coming conflict will be different than all other wars before it—a global battle of economies, currencies, and energy resources. Right now, only one nation knows it is at war—Russia. But soon, the rest of the world will begin to stir, and to fight back. Marin's new book—*The Colder War*—explains what is about to unfold. It is a must read for any student of global politics and for all investors."

—**Porter Stansberry**, Founder of Stansberry Research

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