



## Drumbeat: July 24, 2013

Posted by [Leanan](#) on July 24, 2013 - 10:33am

### [Fed Criticized on Oversight of Bank-Owned Commodity Units](#)

The Federal Reserve faces new pressure to explain why it lets banks trade raw materials and control supplies after congressional witnesses said regulators can't really grasp what lenders are doing in industrial businesses.

Officials from the Fed and Commodity Futures Trading Commission may testify at hearings in September, U.S. Senator Sherrod Brown said in an interview yesterday after witnesses told his Senate subcommittee that commodities operations owned by lenders are hurting customers and endangering the financial system. He'll also seek testimony from bankers.

"Should the public generally be forced to feel around in the dark to figure this stuff out?" Brown, an Ohio Democrat, said during the hearing. "This is too important," he added later. "It does significant potential damage to the economy."

### [Biggest Banks Face Fed Restoring Barriers in Commodities](#)

The Federal Reserve's review of its decision to let banks store, transport and trade raw materials signals a potential rebuilding of the wall between banking and commerce that legislation and rulemaking have eroded.

### [Morgan Stanley Oil Tankers Raise Market Power Concern at Hearing](#)

Morgan Stanley's involvement in an oil tanker business, petroleum transportation service and crude markets raised concerns at a Senate hearing today that the owner of the world's largest brokerage wields too much market power.

### [After Costing Americans Billions, Federal Reserve Reexamines Bank's Commodity Speculation](#)

It is one of the grossest miscarriages of Wall Street power and government obeisance resulting in billions of consumer dollars going into the pockets of banks, hedge funds and traders producing and adding nothing to the economic well-being of the nation, other than lining their own pockets.

## [Warren Says Banks Using Enron Commodity Model Face Risk](#)

Banks such as JPMorgan Chase & Co. may have adopted the model for commodity trading used by Enron Corp., adding "more and more risk" to the financial system, U.S. Senator Elizabeth Warren said.

JPMorgan, Morgan Stanley and Goldman Sachs Group Inc. are among lenders whose commodity trading is in jeopardy as the Federal Reserve reconsiders letting banks ship crude oil and run warehouses for industrial metals. Warren, a Massachusetts Democrat, spoke today at a Senate subcommittee hearing on bank ownership of metal and energy assets. Enron, once the world's biggest trader of power and natural gas, collapsed in 2001.

## [WTI Oil Retreats as China's Manufacturing Slowing](#)

West Texas Intermediate fell for the second day in three after fluctuating amid data showing a slowdown in China's manufacturing in July and shrinkage in crude stockpiles in the U.S., the world's largest oil consumer.

## [Abu Dhabi Boosts Oil Output in \\$40 Billion Plan](#)

Abu Dhabi National Oil Co. is pumping about 1.5 million barrels of crude a day from its main onshore fields and is halfway through a planned \$40 billion investment plan, company officials said.

## [Peak oil lives, but will kill the economy](#)

Since 2005, though the price of oil has increased, production has still plateaued, suggesting that "supply is no longer able to match demand." This "inelastic supply of oil" creates a "price-production buffer against increasing economic growth." As global demand for oil increases, driven largely by emerging markets, this "leads to an increase in the price of oil." But this in turn means that "more unconventional resources become economically viable for development", leading to an increase in oil production.

However, the "potential for recession increases", because the whole cycle was set in motion by "an increase in the price of oil." As a seeming glut in unconventional production permits a nominal relaxation in prices, economic demand ramps up, once again pushing up oil prices as the economy hits the supply ceiling, reigniting the process. The result is an undulating production plateau correlating with higher but more volatile oil prices, as well as a prolonged recession punctuated by small cycles of 'recovery' and contraction.

## [The Oil Drum website set to close as peak oil fears vanish](#)

The decision to shutter “The Oil Drum”, the leading website devoted to peak oil, has come to symbolise the end of an era – and sparked a furious debate about whether the theory was all along based on a fundamental mistake.

### [Peak oil isn't dead; it just smells that way](#)

But the reason The Oil Drum has been lacking for good original content wasn't that it had lost the argument and there wasn't anything left to say. Far from it. The flow of content simply moved to where good analysts and writers on the subject could actually get paid for their work. That was inevitable, because a publishing model that relies on a steady flow of free articles that take days or weeks or even months of hard, highly skilled work to create simply isn't sustainable. Freelance writers like me moved on to paying publications like SmartPlanet where we could actually make a living. Consultants and hedge funds began restricting their work to their private clients and subscribers, with maybe a teaser of free stuff posted in their blogs and newsletters. Investors and oil and gas companies began hiring capable analysts to do the work privately, after many years of enjoying the assembled intelligence on The Oil Drum (and trading it very profitably, I might add) for free. The volunteers who had put so much time into the site all these years discovered that they needed to spend their energies elsewhere. And the public got accustomed to higher prices, so the media stopped talking about peak oil, which led to a dropoff in traffic. Hey, that's show biz.

It's also true that many of us, having cut our teeth on the data and the dialogue at The Oil Drum, moved on to other pursuits. Once you've learned something, you don't need to keep relearning it. Just speaking for myself, I moved on to grappling with the solutions to the peak oil problem: efficiency upgrades, financing, policy issues, transportation paradigms, and the transition to renewables. Merely revisiting the peak oil problem didn't seem like a good use of my time, though I have continued to write about it as a context. I know that some other former contributors to the site changed their tacks similarly.

### [Suncor Back in Favor as Alberta Heavy Oil Price Doubles](#)

Suncor Energy Inc. and other Canadian oil stocks have risen almost twice as much as global competitors after the country's crude rose to a one-year high on optimism that pipeline bottlenecks are easing.

### [Not surprised by Statoil foreign relocation](#)

“The government's aim with the new oil tax was to reduce industry activity and temperature. They now complain when Statoil is doing just that. It doesn't fit together,” added Mr Solvik-Olsen.

Progress was the only Party that voted against when parliament introduced the new oil tax scheme in June, to major protests by Statoil and the oil industry.

## [Total Nears Sri Lanka Study Contract for Deepwater Oilfields](#)

Total SA, Europe's third-largest oil company, may win a contract from the Sri Lankan government in a month to study the prospect of oil and natural gas deposits deep off the island's fabled white-sand beaches.

## [Big Oil's Alaska problem](#)

FORTUNE-- Oil companies operating in Alaska scored a long-awaited victory this spring when Gov. Sean Parnell signed legislation significantly cutting state taxes on oil profits. But even before Parnell put his pen to the tax cut bill, opponents were seeking to overturn it, raising questions about whether the industry was too ambitious in its lobbying efforts—and whether the legislation will ultimately ramp up production on the state's North Slope as promised.

## ['Nobody understands' spills at Alberta oil sands operation](#)

Oil spills at a major oil sands operation in Alberta have been ongoing for at least six weeks and have cast doubts on the safety of underground extraction methods, according to documents obtained by the Star and a government scientist who has been on site.

Canadian Natural Resources Ltd. has been unable to stop an underground oil blowout that has killed numerous animals and contaminated a lake, forest, and muskeg at its operations in Cold Lake, Alta.

## [Gas Well In The Gulf Continues To Burn](#)

NEW ORLEANS (AP) — An out-of-control natural gas well off the Louisiana coast continued to burn Wednesday after it caught fire following a blowout that prompted the evacuation of 44 workers, authorities said.

Meanwhile, officials stressed that Tuesday's blowout wouldn't be close to as damaging as the 2010 BP oil spill, in which an oil rig, the Deepwater Horizon, exploded off the Louisiana coast, killing 11 workers and eventually spewing millions of gallons of oil into the Gulf of Mexico.

## [Louisiana Agency to Sue Energy Companies for Wetland Damage](#)

Louisiana officials will file a lawsuit on Wednesday against dozens of energy companies, hoping that the courts will force them to pay for decades of damage to fragile coastal wetlands that help buffer the effects of hurricanes on the region.

### [House Lawmakers Say Renewable-Fuel Mandate Will Change](#)

Republican and Democratic U.S. lawmakers said legislative changes probably will be made to the Renewable Fuel Standard while a repeal of the quotas as demanded by refiners is unlikely.

### [Tomari reactor checks suspended](#)

The Nuclear Regulation Authority will suspend safety checks for two nuclear reactors run by Hokkaido Electric Power Co. because the utility's applications were far from adequate.

Hokkaido Electric is "clearly unprepared" for checks to be carried out on reactors 1 and 2 at its Tomari nuclear power station in Hokkaido, NRA Commissioner Toyoshi Fuketa said Tuesday.

### [Energy companies are paying a heavy price for shunning renewables](#)

The argument for green solutions is not just about climate change – traditional sources of power will soon cost more.

### [India solar firms wants probe against dumping broadened](#)

Indian clean-energy companies that claim manufacturers in the US and China dumped solar cells below cost on the market are seeking to extend their case to include imports from Europe and Japan.

### [Solar Energy Storage About To Take Off In Germany and California](#)

Visitors to last week's Intersolar North America conference in San Francisco could not help but notice the presence of a benign invader: energy storage vendors. Half the second-floor exhibition space at the Moscone West convention hall had been rented by energy storage companies.

### [Worse floods ahead for UK as climate warms, say scientists](#)

Heavy and prolonged rainfall will cause both more frequent and more severe flooding across the UK and the rest of north-west Europe as the atmosphere continues to warm, say British and American scientists.

### [Arctic thawing could cost the world \\$60tn, scientists say](#)

Rapid thawing of the Arctic could trigger a catastrophic "economic timebomb" which would cost trillions of dollars and undermine the global financial system, say a group of economists and polar scientists.



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