



DrumBeat: May 21, 2007

Posted by [Robert Rapier](#) on May 21, 2007 - 9:05am

Topic: [Miscellaneous](#)

Note: Leanan is on vacation, but I just realized I have the power to edit these Drumbeats. I won't be posting the extensive stories she posts, but I may throw a few out there before they take my power away. :-) RR

[Gas prices: Worse than '81 oil shock](#)

Gas now at highest level, even adjusted for inflation; AAA's reading of nearly \$3.20 a gallon marks ninth straight record high in current dollars. Gasoline prices soared to levels never seen before as even the inflation-adjusted price for a gallon of unleaded topped the 1981 record spike in price that had stood for 26 years.

Note: I don't know how many times I have told people that my opposition to corn ethanol has nothing to do with my employer. As I have pointed out, my employer is one of the largest natural gas producers in the U.S. As illustrated in the next story, the ethanol boom is great for natural gas producers. RR

[7 ways to invest in the oil boom](#)

Historically, gas markets have been tied to seasonal demand for heating and cooling. Prices rose in winter and summer and fell in the spring and fall. This spring, however, gas prices have held up unexpectedly well, with prices staying near \$7.50 per million BTUs. A key driver has been commercial and industrial demand, up 8 percent in January and February, according to the Energy Information Administration.

One surprising explanation is the ethanol boom. Most of the new ethanol plants dotting the Midwest are gas-fired. In addition, corn growers are using much more fertilizer, which is produced using natural gas. "That's why we're seeing \$7-plus natural gas now," says Parlanti. XTO, an independent gas producer, has a P/E of 12 and is projected to increase profits 11 percent this year.

[Tough decisions to ensure a low-carbon world](#)

There is a sense of total unreality in our public rhetoric. We are continually reminded we

have never had it so good - the economy is doing splendidly, the stockmarket is booming and employment is at full stretch after 15 years of growth.

At the same time we are looking at the most serious issue to confront humanity in centuries - human-induced climate change - largely caused by the unsustainable energy consumption and exports on which our prosperity is based. After years of denial, we are beginning to accept this reality and seek solutions.

[Iraq's Oil Law Gives International Oil Companies Too Much -VP](#)

Iraq's Vice President Tariq Al Hashimi said Sunday he opposes a draft oil law that is crucial to Iraq's future because it gives too many concessions to international oil companies and the country's regions. "We disagree with the production sharing agreement," Al Hashimi told Dow Jones. "We want foreign oil companies but not with big privileges."

[The Energy Report for Monday, May 21, 2007](#)

Talk about a gasoline pop top. All those people saying that gasoline had already topped got popped in last week's explosive gasoline market. With the country running on fumes for supply and another bad week for refiners with outages, (or good luck if you look at it from the profit angle) the market seems to be adjusting to its bullish destiny.

This week I expect crude oil supply to be down 2.0 million barrels. As for gasoline I'm looking for an increase of 1.5 million barrels and I am looking for distillates to be up 1.0 MB with refinery runs up 0.5%. Refineries had a run of bad luck last week. Are we in for more this week?

[Brazilian Biofuels Can Meet World Gasoline Demand - Expert](#)

Currently, Brazil uses only 0.8% of its entire territory (8.5 million square kilometres) for the production of biofuels - an insignificant patch of land, so to speak. But if it were to cultivate energy crops for biofuels on a quarter of its territory (around 212 million hectares), the country could supply the entire world's current gasoline needs (which stand at around 24 million barrels per day).

[Valero can't win with regulators](#)

Southern California air-quality regulators are fining Valero Energy Corp. \$5,000 a day because the San Antonio-based company delayed upgrades to its Wilmington refinery — at the request of California energy officials.

Although the state badly needs more fuel production, the few refinery expansion projects on the drawing board face fierce neighborhood opposition and California's new goals for reducing greenhouse-gas emissions. Similar conflicts are becoming acute at the state's ports, the only lifeline to outside supplies of crude oil and gasoline.

[Biofuels Producers See Big Barriers To Targets Set By Bush](#)

"I've yet to meet anyone who thinks more than half could be from ethanol and biodiesel," Pearce Hammond, an analyst at Simmons & Co. International, said of the targets. He said total production of ethanol and biodiesel could reach 17.5 million gallons by 2017. Hammond said there could be other solutions to the conundrum, such as coal-to-liquids technology or the use of natural gas as a transportation fuel. But Hammond, who emceed some of the sessions Friday, also warned that U.S. gasoline demand is forecast to grow by some 35 million gallons a day over the next decade.

[Oil steadies as US crude backlog offsets worries over Nigerian output](#)

US refinery outages have caused a backlog of crude oil in Cushing, Oklahoma, arguably the most significant trading hub for crude oil in North America, sending US crude prices lower despite continued fears of gasoline shortages when the peak US summer driving season begins this weekend.

[Expert: "Peak oil" will force changes](#)

Pahl maintains that the most critical -- and under-reported -- issue facing the world right now is that we're approaching the time of "peak oil," the historic moment when world oil production and reserves begin to decline.

[Retail gasoline prices set new record](#)

A gallon of regular unleaded costs an average of \$3.196, up from \$3.178 on Sunday, according to AAA and Oil Price Information Service.

[Crude Oil Rebounds, Climbs Above \\$65 on US Gasoline Concern](#)

Crude oil climbed above \$65 a barrel in New York amid concern the U.S. won't have enough gasoline when the summer driving season starts next week.

[Instead of posting the following as a stand-alone TOD essay, I will just throw a link here in the Drumbeat. I have received a response from Professor Jacobson, and I will post it tomorrow. RR]

[Vinod Khosla on Mark Jacobson](#)

The NRDC specifically sent out a "debunking Mark Jacobson" memo. Why would an environmental organization disagree with him? He has heckled me at my speeches for a while and when somebody asked him why he told them that he was upset that biofuels were taking away funding from wind research.

Here's one from me - SS:

[General Electric to Sell Plastics Division](#)

General Electric agreed today to sell its plastics division for \$11.6 billion to the largest public company in Saudi Arabia, the Saudi Basic Industries Corporation.

...

Most analysts quickly honed in on Sabic, because of its access to Saudi Arabia's vast petroleum supplies. After all, it was the ever-rising cost of benzene, a petroleum derivative and a key raw material for G.E.'s plastics products, that had sucked the profitability out of the unit for G.E. A company like Sabic, with an inexpensive and inexhaustible supply of benzene could far more easily turn a profit.



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