



DrumBeat: July 1, 2007

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Topic: [Miscellaneous](#)

[Practical responses to peak oil](#)

For those who came in late, it is increasingly clear that global oil reserves are reaching the point where half has been used up, called “peak oil”. After this point supply will no longer meet demand, and prices will rise increasingly steeply until oil becomes inaccessible.

We don't really know how this will play out in the complex modern world because we have never faced anything like this before. The markets may give a real indication of the change by steadily rising prices, there may be a ratchet effect with an overall rise but regular short decreases in price (as already seems to be happening), or there may be sudden rises and falls until the price becomes meaninglessly high.

[Grim worldview from the deck of the Titanic](#)

Throughout history, whenever a new energy source was exploited, human population skyrocketed. But never has it increased as quickly as it has since the oil age arrived in 1859 and the world population was a little more than 1 billion. The exponential growth in population going hand-in-hand with the use of hydrocarbons is not just a coincidence.

In just a little more than 130 years, humans have run through more than half the world's reserves of oil and natural gas. Since population growth is contingent on a readily available supply of cheap oil, collapse is inevitable. The slippery slide down the slope of Peak Oil will be quicker than the trip up.

[20 Burning Questions](#)

In today's paper, the special section, 20 Burning Questions, explains the concept of peak oil. It refers to the time after which the oil that's being pumped out of the ground can no longer rise to meet the needs of an increasingly industrialized, congested and demanding world.

The situation is out of control, but we don't notice until prices at the gasoline pump spike. Presently, gas at \$2.79 a gallon seems like a bargain. That speaks eloquently to how high prices have risen in the matter of just a few months. We all would have been

squawking "price gouging!" three years ago if gasoline had exceeded even \$2 a gallon. But the reality is that it's still a relatively cheap fuel source.

[A pipeline into the heart of Europe](#)

Russia has used the energy card in breaking through the *cordon sanitaire* assembled by Washington. Three major developments in the past month have brought Russia back into the Balkans. First came what an alarmed American specialist called Moscow's "Anschluss of Austria". The reference was to Putin's visit to Vienna on May 23-24, which has laid the foundation for an Austrian role on Europe's energy map as a "hub" for natural gas sourced from Russia.

[What happens to a Gas Station that doesn't have any gas?](#)

Well, here is what the Iranians answered.

Over 50 gas stations were burned over night by Iranians protesting a new fuel rationing law in Tehran and other cities, Wednesday, 27 June.

[Iran leader backs "brave" gasoline rationing move](#)

Iran's supreme leader on Saturday threw his weight behind a gasoline rationing scheme which sparked angry protests and left more than a dozen petrol stations burnt out in the world's fourth largest oil exporter.

Supreme Leader Ayatollah Ali Khamenei, Iran's highest authority under its system of clerical rule, hailed the government's "bravery" in a speech to President Mahmoud Ahmadinejad and senior officials, state television reported.

[Iranian Leaders Defend Fuel Rationing](#)

Iran's top leaders defended a new fuel rationing plan Saturday that sparked violence earlier this week, saying it will free up funding for development projects and make the country "invincible," state-run television reported.

[Iran's stress on pricing flexibility, a reflection of tight energy market](#)

While India and Pakistan want to fix the price for the next 25 years, Tehran is insisting on a contract clause that allows it to revise the selling price of its gas every three years.

[\\$250 Billion in Subprime Losses?](#)

Before we touch on the credit world, I want to briefly look at a development in the oil markets which I find intriguing. Dr. Woody Brock, in a recent paper on oil prices, wrote a rather interesting sentence, to wit, that Iran would not have net oil to export in 2014. I found that rather remarkable. Woody is very serious and sober-minded even for an economist, not given to rash analysis, but this was certainly a new idea to me. I knew they were importing most of their gasoline, as they do not have a great deal of refining capacity. As it turns out, there is much more to the story.

[NOCs knocking on the market door](#)

Historically, the large international oil companies (IOCs) such as BP, Total and ExxonMobil - all of which are have very high credit ratings - may have had the upper hand in global oil as a result of their expertise, technology and financial resources.

However, many of today's national oil companies (NOCs) have become equally formidable players, putting both very much on an equal playing field.

[UN: Sri Lanka Govt. blocking fuel supplies to its Wannai offices](#)

The United Nations is accusing the Sri Lankan government of starving its humanitarian agencies of much-needed fuel to operate vehicles and also generators which power freezers storing life-saving vaccines and other medicines. The continued power shortages, caused by lack of fuel, will soon affect the preservation of vaccines and essential medicines, the UN warned in a letter to Defence Secretary Gothabaya Rajapaksa.

[Zimbabwe senator arrested for defying price controls](#)

The state-run Sunday Mail said a crack unit on price controls arrested Zanu-PF senator Siriro Majuru, of Murehwa-Goromonzi east of Harare, for allegedly over-pricing and hoarding basic commodities.

...Zimbabwe, reeling under hyperinflation, is critically short of essential items like wheat, fuel and food.

[Fiji: Fuel price hike a worry](#)

Rising fuel prices, deplorable road conditions and the increased number of competitors is threatening the future and viability of the bus industry in Fiji, says the Fiji Bus

Operators Association.

[South Korea and Ukraine sign uranium mining and nuclear power deal](#)

South Korea has signed a deal to cooperate in building nuclear power plants and developing uranium with Ukraine, the country's energy ministry said on Sunday.

South Korea will help Ukraine build and operate nuclear power facilities and Ukraine will allow South Korea to join its uranium development projects, according to a memorandum of understanding signed between the two countries.

[Protests by Native Groups in Canada Close Road and Rail Links](#)

Canadian travelers faced road closings and rail shutdowns on Friday as they set out for the Canada Day holiday weekend during nationwide protests by native groups against the Conservative government over several recent disputes about land claims and financing.

[Ethanol boom, retirements fuel railroad hiring](#)

Myriad other factors also contributed to boosting the demand for railroad workers: the growth in container shipping; limits on how many hours long-haul truckers could drive; soaring gas prices; the Wyoming coal boom; and the demand for Midwestern corn for ethanol development.

[Back on track: Railroads are acquiring competitive edge in shipping](#)

Nobody likes the rising price of oil better than U.S. railroads.

As the cost of crude soars, rail is gaining a competitive edge after losing ground to trucks for half a century. Even as automotive plant closings and reduced U.S. housing construction have contributed to a 4.4 percent drop in train shipments this year, investors including Warren Buffett and Carl Icahn are flocking to railroad shares, betting that higher oil prices and surging Asian imports along with congested highways will boost long-term demand.

['We want our customers to know we plan to stay downtown'](#)

While full- and mid-sized SUV sales are down, light truck sales are doing well. I'm optimistic that the third- and fourth-quarter sales should be strong. Our local economy continues to be very strong, with low unemployment and stable housing. What effect is

this era of gasoline prices near \$3 a gallon having on sales? Now that people are used to \$2 to \$3 gas, it's not as big a shock as it used to be. Although \$3 is considered a psychological barrier, it has already been broken ... One thing has changed though: People in the past didn't ask about fuel mileage much. They do now. Gas prices are factoring more in people's buying decisions.

How is your dealership responding to concerns about gas prices in terms of your inventory?

GM and Chevrolet have come out with new products to address concerns about gas mileage. The Silverado pickup and Tahoe SUV were redesigned for 2007 and have sold really well. There is a gas electric hybrid Tahoe coming out in the fourth quarter of 2007 as an '08 model. They are looking to get a 25 percent increase in gas mileage.

[Reducing need for coal power plants](#)

South Carolina is one of the least energy-efficient states in the nation. We consume more electricity per capita than all but a few states and roughly twice as much as California. Efficiency and conservation are truly "low-hanging fruit" for our state. Other utilities recognize this and are taking bold steps to avoid the construction of new plants by promoting conservation.

[Energy companies squirm under Congressional attention](#)

"It shocked me the speed with which that legislation went from committee to the Senate floor," said Ben Shepperd, executive vice president of the Permian Basin Petroleum Association.

While the tax provision was bad enough, he said, the fact that it took oil company dollars to fund alternative energy sources was "robbing Peter to pay Paul."

[Venezuela: It's our oil](#)

WHEN Venezuela's government announced this week that two American oil giants, Exxon Mobil and ConocoPhillips, would walk away from their large investment in the Orinoco heavy-oil belt rather than accept tough new contract terms, officials presented it as the recovery of sovereignty over another slice of the country's all-important oil industry. Some other Venezuelans saw a government blunder that could accelerate the decline of the state oil company, Petróleos de Venezuela (PDVSA). Either way, the impact of the walkout may not be immediate.

[Big Oil and Big Media V. Hugo Chavez](#)

If these actions by Venezuela and Russia succeed as is likely, they may influence other oil producing nations to follow a similar course and pursue plans for larger stakes in their own resources as well. Why not? They own them and even with less ownership interests, Big Oil will still earn huge profits from their foreign investments. They just won't be quite as huge as they once were with one-sided deals benefiting them most.

[Little mileage left in carmakers' excuses](#)

Detroit needs to do something to get out of their self-dug rut, and this legislation may be just the ticket. Congress is handing them a golden opportunity to reinvent the wheel, so to speak, because they can't afford to lose out to Toyota, Honda and others for too much longer. Is it of little coincidence that in this day of perpetually rising gas prices the "greenest" companies also sell the most cars? A new, higher-mileage fleet will help to free the Big Three from their stubborn and failing old ways of business — and may lead them back from the brink.

[Ethanol is an Alice-in-Wonderland solution](#)

Corn ethanol now barely makes a dent in the nation's oil dependence, and this Alice-in-Wonderland solution to the energy crisis is so divorced from economic reality that it must be regarded as disingenuous. Ethanol production this year will reach 6 billion gallons, but that amounts to just 4.3 percent of the gasoline sold. If ethanol production were three times greater, it would replace only 10 percent of the gasoline in a country that depends on imports for two-thirds of the oil it uses.

[Price of oil and water still mix](#) - *Boaters ignore high fuel prices*

"Just our gas is going up, but since fiberglass is a petrol product, I think we'll find the price of the boats themselves go up. The biggest impact will probably be on people thinking of buying boats."

[Companies adapt to steep fuel costs](#)

High gas prices don't slow down Iowa businesses. They modify routines, adopt new technology and reward employees who conserve.

Several Iowa firms come to a simple realization: Saving fuel equals saving money.

[South Jersey family farms struggle to make ends meet](#)

"With the cost of fuel that went up, that affects the cost of everything. Fertilizer went up through the roof because it's petroleum-based."

[Creating an Energy Descent Action Plan](#) (audio)

Rob Hopkins of TransitionCulture.org and Sonya Wallace of Creating a Sustainable Sunshine Coast (CASSC) tell GPM's Andi Hazelwood about creating an Energy Descent Action Plan (EDAP) and dealing with the associated challenges.



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