



## DrumBeat: July 10, 2007

Posted by [Leanan](#) on July 10, 2007 - 8:56am

Topic: [Miscellaneous](#)

### [Prediction #1 \(of 3\) from Oil Expert Matt Simmons: 'Real Risk' Gas Pumps Run Dry This Summer](#)

"You won't see it until it's happened," he said. It could start in any region of the U.S., he added, and once the media gets wind of it, Americans everywhere will rush to "top off" their gas tanks, exacerbating the situation until it becomes a full blown emergency.

### [Prediction #2 \(of 3\) from Oil Expert Matt Simmons: World to Soon Realize Oil Production Peaked](#)

Matthew R. Simmons, head of Simmons & Company International, a Houston-based energy investment bank, doesn't just believe that peak oil has already happened. He told EnergyTechStocks.com that in another year or so the world will wake up and say – in Simmons' words – "Oh, damn. We peaked in May 2005."

### [Kurt Cobb: Napping on the railroad tracks](#)

Napping on the railroad tracks sounds risky on its face. But it may not feel that way if you don't *know* you're napping on the tracks.

Humans seem programmed to believe that the future will look pretty much like the past. But the narrative of history is the narrative of unexpected events. And, so it is surprising that when it comes to resource depletion, cornucopian thinkers love to refer to history. Daniel Yergin, chairman of Cambridge Energy Research Associates, likes to say, "This is not the first time the world has run out of oil. It is more like the fifth." But even though Yergin admits that oil is a finite resource (and that therefore its total quantity is declining), he invites us to snooze with him on the railroad tracks because history has shown that so far that it's been safe to do so.

### [Russian oil supply threat - Europe can't choose between more or less](#)

Russian oil producers have been losing oil output at Russia's onshore fields since February of this year, and a combination of tax, investment, and technical factors has led to a forecast of "dire straits", according to a new report by Moscow's Alfa Bank.

But these straits appear to be deeper and direr for oil consumers, than for Russia as a

producer; especially since new oilfield developments are likely to swing the direction of oilfield growth in the direction of China, Korea, and Japan.

### [Alfa Report Sees Trouble Looming in Oil Sector](#)

Alfa Bank warned on Monday that "production stagnation is unavoidable" at the country's oil fields and further downgraded its target prices for shares in most Russian oil companies.

The dramatic worsening in its outlook was the result of the government's reluctance to consider lowering taxes on oil firms and a higher proportion of water in the declining output, the bank said in a research report.

### [IEA Sees Oil Output Plateau](#)

Russian oil production may level out from 2010 to 2012 and stall until the middle of the decade, the International Energy Agency said Monday.

The IEA, adviser to 26 industrialized consumer nations, said it had based its forecast on a study of the top 20 development projects through to 2012 and an assumed 3 percent annual net decline rate for baseload production.

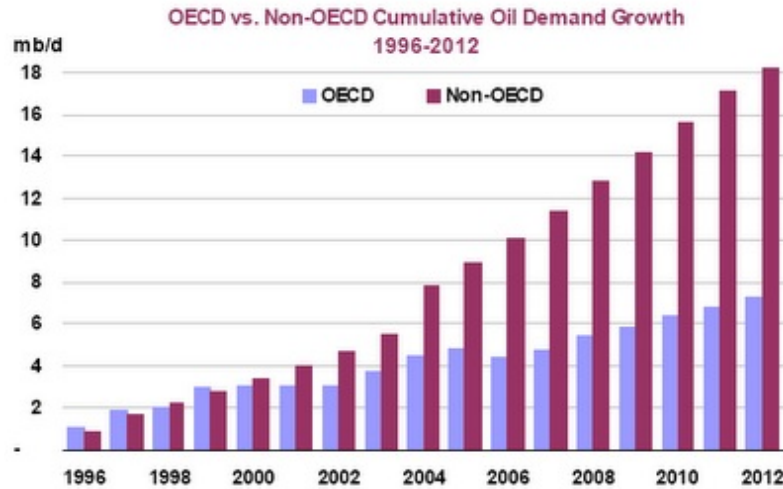
### [Air conditioning, gadgets drive up energy use](#)

By now, it should come as no surprise that Americans like their houses big, and they like them comfortable. That is boosting demand for energy providers — especially, as is the case now, when heat waves envelope large swaths of the country.

### [We'll Need a Good Recession to Avoid Higher Energy Prices](#)

The International Energy Agency released their "Medium-Term Oil Market Report" a short time ago - it looks like we're going to need a good recession to avoid much higher energy prices over the next few years.

Thought you might like to hear that - here's why:



### [Green future demands a radical shift in lifestyles for British](#)

MEAT-FREE menus, battery- operated cars and an end to affordable flights.

These are among the radical visions outlined in a report which says Britain could be carbon neutral within 20 years - but only if major steps are taken to change our lifestyles.

Tumble-dryers would disappear and an "armada" of wind turbines would need to be built around the coast to achieve the goal, says the research by scientists from the Centre for Alternative Technology (CAT).

But there is scepticism as to whether any of the scenarios suggested in the report are achievable.

### [Egypt needs renewable energy for growing industry](#)

Egypt, a significant natural gas exporter, needs to develop renewable energy including wind generation if it is to power its growing domestic industries, a senior Egyptian official said on Monday.

### [Botswana: Coal Production to Increase Ten Fold](#)

The Permanent Secretary in the Ministry of Minerals, Energy and Water Resources has said that coal based projects will increase coal production for the country by more than ten folds by 2012.

### [Research must continue on biofuel technologies, says panel](#)

Despite recent questions over the feasibility of biofuels, research into future biofuel technologies must go ahead. In order to reap the quickest and most sustainable results, an integrated approach involving all stakeholders should be taken. These were the resounding messages from a panel discussion on future research needs at an international conference on biofuels, which took place in Brussels on 6 July.

### [30 companies bid for Kuwait refinery](#)

Kuwait state refiner KNPC said on Monday around 30 companies have submitted preliminary bids for Kuwait's planned 615,000 bpd al-Zour refinery, the Middle East's biggest refinery project.

### [Oil and gas interest bubbling in Yukon](#)

The Yukon's oil and gas industry is suddenly seeing signs of growth, as more companies are showing interest in energy exploration in the territory.

### [Russia to begin China oil pipeline in 2008](#)

Construction work will begin next year on a much-anticipated pipeline to deliver crude oil directly from Siberia to China, Russia's energy minister said Monday, according to news reports.

### [Shell, Rosneft agree oil, gas cooperation accord](#)

Royal Dutch Shell PLC and Russian energy group Rosneft have reached a strategic cooperation agreement covering projects in the oil and gas sectors, Rosneft said.

### [Shtokman offers hope of turning tide for big oil](#)

It may be only a small success but the Shtokman field looks like a victory for international energy companies.

### [IEA chief urges OPEC to increase output - Le Monde](#)

The head of the International Energy Agency urged OPEC on Tuesday to increase its output immediately, saying there was a risk that stocks of refined oil might not suffice.

"OPEC knows the situation. The market is not well stocked. It should quickly increase its production," IEA executive director, Claude Mandil, said in an interview with Le Monde daily.

### [Canada 'to reclaim Arctic waters'](#)

Canada has announced plans for six naval patrol vessels and a deep-water port in the north to assert its claim to territorial waters in the Arctic.

Other countries, including the US, say the waters are international territory.

### [The Coming Warfare of Oil Shortage](#)

If the conflict-ridden and oil-rich Middle East today is crucial to the national interest of superpowers and stability of the global economy, future worldwide dependency on the region for oil will push the international system into new frontiers of conflict and chaos. The region has been a vital source of oil not only for western but also eastern powers. China, Japan, and India have been and will be as much depended on Middle Eastern oil supply as the United States and Western Europe.

### [End of cheap-food era bad news for poor](#)

The era of cheap food is over. The price of corn (maize) has doubled in a year, and wheat futures are at their highest in a decade. The food price index in India has risen 11 per cent in one year, and in Mexico in January there were riots after the price of corn flour (used in making the staple food of the poor, tortillas) went up fourfold. Even in the developed countries food prices are going up, and they are not going to come down again.

Cheap food lasted for only 50 years. Before the Second World War most families in the developed countries spent a third or more of their income on food (as the poor majority in developing countries still do). But after the war a series of radical changes, from mechanization to the Green Revolution, raised agricultural productivity hugely and caused a long, steep fall in the real price of food. For the global middle class, it was the Good Old Days, with food taking only one-tenth of their income.

### [The source of the crude: Scenes from the wellhead in oil country](#)

First in a three-part series that explores the production - and the costs - of gasoline.

### [Gresham's Law and the Indian Coin Shortage](#)

Gresham's Law is popularly known as, "Bad money drives out good money". In effect, people will hoard valuable money but will spend (and thus get rid of) money that is

relatively more worthless.

The case in point that JMR Ben thoughtfully provided was a link to the news.bbc.co.uk report titled "Sharp Practice of Melting Coins". It seems that inflation in prices in India (due to the Indian central bank creating so damned much money and credit every freaking day, just like all the other stupid central banks of the stupid world) has made the rupee almost valueless, but the little bit of metal in the coins is so valuable that "Millions of Indian coins are being smuggled into neighbouring Bangladesh and turned into razor blades".

How much more valuable is the metal in the coin? The conversion ratio is a one-rupee coin can be made into seven razor blades, worth 35 rupees!

### [Fuel shortage brings Zimbabwe to halt](#)

Zimbabwe's economy was approaching paralysis yesterday as petrol stations across the country ran dry.

President Robert Mugabe's regime has ordered all retailers to cut fuel prices by 60 per cent, a move that forces them to sell petrol at a loss.

As a result, filling stations across the country have stopped selling altogether and petrol is only available on the black market, at five times the official price. advertisement

Without fuel, the entire economy is steadily shutting down.

### [For fliers, airline fares are still ascending](#)

According to the trade group Air Transport Assn. of America, the airlines' costs rose 10% in the first quarter of 2007, mostly as a result of a 12.6% increase in the cost of fuel.

To compensate, airlines have been raising fares and jamming more passengers on fewer planes.

### [Panda Ethanol Withdraws Private Offering of Convertible Redeemable Senior Notes](#)

Panda Ethanol Inc. today announced that it has withdrawn its offer to issue \$140 million aggregate principal amount of 6 percent convertible, redeemable senior notes. Panda officials felt that current market conditions were not conducive to achieving a per-share valuation which reflects the long-term value of the common stock.

### [First China-Made Generator Began Operation At Three Gorges Dam](#)

The first China-made 700,000-kw turbine generator began operating at the Three Gorges Dam on Tuesday, Xinhua news agency reports.

The No. 26 turbine generator, made by Harbin Electric Machinery Company Ltd, began producing its first kilowatt of electricity at around 11 a.m. after passing a 72-hour trial period.

### [U.S. Looks to Canada for More Oil](#) - *Pipelines Reverse Flow As Imports Slow From Latin America*

The future of the U.S. oil industry arrived last year in Cushing, Oklahoma, moving along at three kilometers an hour.

It was the first crude from the Albertan oil sands to reach as far south as the giant Cushing pipeline hub, one of the locations where global oil prices are set. To get there, the crude traveled through a pipeline that for decades carried oil in the opposite direction.

### [Iran needs nuclear energy for its economic survival](#)

Three days ago I returned from Tehran where I witnessed how introduction of petrol rationing resulted in riots which in turn signalled crisis point in Iran's energy problems which can no longer be denied or ignored. This in the context where billions of dollars of Iran's oil export revenues is spent importing refined oil from Russia and elsewhere and the government having difficulty expanding oil refining industries because of well placed reluctance in refining for domestic use the oil that is meant to be for export.

### [Iran Won't Allow Extra Gasoline Buying](#)

Iranian President Mahmoud Ahmadinejad made clear Monday that drivers who use their fuel rations won't be allowed to buy more gasoline at higher prices, calling suggestions to do so a "killer poison" that would worsen inflation.

Before rationing started last month, officials had suggested that drivers would be able to purchase extra fuel at a higher price than the low, subsidized cost for rationed fuel, but Ahmadinejad said that won't happen.

### [Costs Surge for Building Power Plants](#)

General Electric called in reporters yesterday for a briefing on a nuclear plant it is trying to sell in partnership with Hitachi, a plant it said can be built faster than before, operated reliably and have a vanishingly small chance of an accident.



But what will it cost? After some hemming and hawing, company executives gave figures by the standard industry metric, dollars per kilowatt of capacity, but in a huge range: \$2,000 to \$3,000.

“There’s massive inflation in copper and nickel and stainless steel and concrete,” said John Krenecki, president and chief executive of GE Energy. The uncertainty is not just in nuclear plants, he said; coal plant prices are now similarly unstable.

### [Makansi Warns Of Looming Energy Crisis](#)

Jason Makansi warned the Chattanooga Engineers Club on Monday that decisions must be made soon if America is to avoid a looming energy crisis that he said could cripple the world’s economy.

Mr. Makansi said his new book, *Lights Out - The Electricity Crisis, The Global Economy, and What it Means to You*, presents, in layman terms, a foundation for understanding just how complex power generation and its delivery truly is.

### [Spitzer on NYRI route: 'It's not going to happen'](#)

Gov. Eliot Spitzer said Sunday he's confident New York Regional Interconnect will not build a power line that will cut through the heart of Upstate New York communities.

"It's not going to happen," Spitzer said in an exclusive interview after completing the Carbone 5K Training Run on Sunday morning. "I think the folks who are from NYRI need to understand there's overwhelming community opposition. We have an energy crisis, but that's the wrong way to deal with it."

### [The world has two energy crises but no real answers](#)

The world is, in fact, facing two energy crises. The first is rooted in scarcity and traditional power politics. It involves the struggle by the world’s largest and most energy-hungry economies to get hold of the natural resources they need. Just yesterday the International Energy Agency warned that the world oil market would be “extremely tight” over the next five years. Demands from China and other emerging economies are rising. But Mary Kaldor – co-author of a new book called *Oil Wars (Pluto)* – points out the struggle to find new oil is a familiar sort of conflict, reminiscent of the 19th century “great game” or earlier imperial clashes.

The second energy crisis is new. It is driven by climate change. It demands international co-operation rather than competition. While the first crisis leads politicians and businessmen to search out ever more oil and gas, the second demands that they radically reduce their economies’ dependence on hydrocarbons.



## [U.K. Parliament Members Form 'Peak Oil' Group to Study Reserves](#)

The U.K. parliament formed a group to study peak oil, the theory that world oil production is approaching its zenith, as British lawmakers face up to the country's future as an energy importer.

...It aims to collate predictions for when production may peak and consider the implications for energy policy, rather than push a particular view, said the group's chairman, John Hemming, a Liberal Democrat MP for Birmingham Yardley, central England.

## [The Fundamental Things Apply](#)

In 2002 oil was \$20 per barrel. In 2004, \$50 per barrel. Now it is \$72+ per barrel and demand is still increasing at 2% per year (which exceeds growth in supply). The world is adjusting to a higher cost of energy, but it is functioning like a global tax, which is beginning to bite into US consumers.

In the future, oil will be even more critical to global prosperity, as it will be more and more coveted by every nation on earth, both sellers and buyers. The arrival of Peak Oil will likely be the most critical and defining event of the 21st century. Energy and other tangible assets will form the mirror opposite of the global currency glut, as the particularly debased currencies become less and less coveted, as time goes by.

## [Norway: Energy Minister admits knowledge of energy crisis](#)

Oil and Energy Minister Odd Roger Enoksen admits that the authorities were aware of the approaching energy crisis, and that too little has been done to prepare for it.

## [Head of Hurricane Center Replaced](#) - *Inspectors Perceived 'Anxiety and Disruption' at the Agency*

The embattled director of the National Hurricane Center was replaced here today after a brief but turbulent tenure in which he publicly criticized his bosses and then lost the support of much of his staff.

## [Buenos Aires has first snow since 1918](#)

A government minister, Alberto Fernández, called on people to conserve energy and said gas exports to Chile would be reduced while the cold weather continued, La Nación

newspaper reported.

### [China's energy and pollution woes need urgent attention: Wen](#)

China's Premier Wen Jiabao has reiterated that China needs to urgently face the challenges of climate change by curtailing its polluting inefficiencies, a government statement said Tuesday.

"Cutting energy consumption and pollutant emissions and dealing with climate change are urgent, critically important tasks," Wen said in remarks posted on the central government's website.

### [Australia fights jet-flight guilt over global warming](#)

Australia's tourism authorities Tuesday launched a campaign to fight claims that long-distance air travel is a major cause of global warming.

With long-distance flights virtually the only way of reaching "Down Under", guilt over climate change is seen as a threat to the country's 75 billion dollar (62.7 billion US) tourism industry.

### [Cows that burp less seen helping in climate fight](#)

Using modern plant-breeding methods to find new diets for cows that make them belch less is a way to reduce greenhouse gas emissions, scientists said on Monday.

### [Crude surges as producers slash discounts](#)

The actual cost of crude oil has surged to a record high through a combination of world benchmarks rising and a sharp reduction in the discounts that large producers, such as Saudi Arabia, Iran or Mexico, are offering to refineries.

The latest in a series of cuts to discounts – known as "differentials" in industry jargon – has cut the most important markdowns to the lowest level since 2004.

The reduction has gone largely undetected outside the refinery industry because financial markets pay more attention to the price of the oil futures traded in London and New York, where prices have come within \$2.50 of record highs. The reduced discounts reflect a tighter oil market after two cuts in production by the Organisation of the Petroleum Exporting Countries in the past year and its recent rejection of calls from industrialised nations to increase supplies.

### [If it smells like peak oil, it probably is](#)

Demand for oil products -- primarily transportation fuels -- is growing fast. You can blame all those developing countries whose populations are approaching the critical \$3,000 per capita GDP level -- that magic moment when, according to the IEA, "a middle class usually emerges, eager to purchase cars, fly in aeroplanes, install air-conditioners and, more generally, use energy-consuming appliances." Don't blame a lack of refinery capacity -- the IEA says investment in refinery upgrades is proceeding apace, and is not likely to be a problem in the near future. But overall, supply of the raw product -- oil and gas -- is having a harder and harder time keeping up with demand.

This would seem to be the definition of a world approaching "peak oil" -- that moment when supply stops growing and begins to decline, while demand continues to chug along. But it is not until Page 30 of the IEA's very detailed 82-page report that those all important words are even mentioned. Here are some excerpts from the critical section...

### [IEA wakes up and smells the Peak Oil](#)

That Polyanna of energy price prediction, the International Energy Agency (IEA), issued a new report today which, while it still does not acknowledge peak oil, predicts a supply crunch in the 2010-12 time range.

### [Dear oil is here to stay, so let's explore what that means](#)

The latest report from the International Energy Agency makes scary reading. You don't have to be a "peak oil" doom-monger to believe the world faces an energy crunch. Investors, and everyone else for that matter, need to think through the implications of a significantly higher oil price.

### [Oil Experts: 'Extremely Tight in 5 Years'](#)

When scientists say oil production could peak soon, the reports are met with skepticism, especially in industry. When economists talk, industry pays more attention. That makes Monday's forecast from the International Energy Agency (IEA) significant.

### [Plains states waive trucking rules](#)

Minnesota and South Dakota have waived hours-of-service restrictions for fuel haulers, while Kansas has waived restrictions because of flooding.

### [Play peak oil before you live it](#)

On April 30, 2007, an oil crisis shook the world. Supply chains were interrupted, and in the ensuing weeks the price of gas pushed higher and higher, peaking around \$7 per gallon. The American economy sputtered to a halt as shortages spread -- Detroit's car factories cited lack of demand and shut down for the duration, trucking fleets scrambled for fuel to move their cargo, supermarkets jacked up their prices, and commuters bitched and moaned and grudgingly changed their lifestyles. Looting broke out, along with the occasional riot.

A month later, good news began to emerge. When gas hit \$7 per gallon, America didn't disintegrate into chaos with warring clans jealously guarding their oil tanks. No further Middle Eastern countries were invaded, although there was a surreptitious scuffle in the oil fields of Alberta, Canada. The U.S. government hastily invested in public transit and alternative energy, and the grumbling populace began making lifestyle changes. People carpooled and bought bikes. They moved out of the exurbs. They planted gardens in their backyards, and religiously visited their local farmers markets.



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