



## DrumBeat: August 2, 2007

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Topic: [Miscellaneous](#)

### [West pressures OPEC to increase oil production](#)

Western countries are turning up the heat on OPEC to ramp up oil production, analysts said Thursday, a day after crude prices soared to record heights.

Analysts said OPEC, which has not commented on the record price, was now obliged to consider increasing production after consistently resisting calls from the International Energy Agency, the consumer country watchdog

Philippe Chalmin, a specialist in raw materials, said pressure was intensifying on OPEC, which has "no interest in having such high market prices."

OPEC "must ask itself the question. We see small cracks" in its position, said Francis Perrin, the editorial director of the magazine Arab Gas and Oil.

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### [Paying the Peak Oil Power Bill](#)

The real issue is not whether "our oil is under their sand," but the fact supplies of oil and gas worldwide are nearly at the point where they will no longer be able to easily meet demand. The shorthand term for this reality is "peak oil," or "peak fossil fuels."

### [Democrats discard fuel mileage change](#)

House Democrats decided Wednesday not to try to raise fuel mileage standards for cars and trucks as part of the energy package lawmakers will vote on this week.

### [Pakistan: Uncontrolled Population Blamed for Climate Change](#)

When it comes to climate change population matters, particularly for countries in South Asia, Africa and some Arab countries, says Prof. Khalid Rashid. A mathematician and physicist in Pakistan, he has long been studying the phenomenon of global warming and views the uncontrolled population explosion with much trepidation.

### [The high cost of going nuclear](#)

...The largest remaining obstacle to such plans? Cost. Consider a typical scenario in which a utility with a \$9 billion market cap wants to build a nuke plant with a \$5 billion price tag. "You put that on your balance sheet," as one former utility executive explained to me, "and you know what Wall Street would do with your bond ratings."

The cost factor is the background to the generous set of nuclear subsidies contained in the Energy Policy Act of 2005. Among them: a tax credit of 1.8 cents per kilowatt hour for early movers, capped at \$6 billion; regulatory risk insurance to cover licensing delays, potentially worth \$2 billion; and federal loan guarantees that could pay up to 80 percent in the event of default. (Only the risk insurance applies specifically to nukes; the others cover wind, solar and biofuels as well.)

### [China, Spielberg and Energy](#)

Steven Spielberg may soon resign as artistic director of the Beijing Olympics. The world is up in arms over China's involvement in Sudan's Darfur genocide. Why doesn't China care? Energy is the answer, and the problem.

China says it's trying to curb its energy consumption and intensity (how much energy is used per unit of GDP). What it says and what it does are two different things, though, especially as regards the targets that Beijing has set for national economic progress.

### [Warming of glaciers threatens millions in China](#)

More than 3 miles above sea level in these jagged, wind-scoured mountains, there's little doubt that global warming is endangering China's future.

The glaciers that ripple off the peaks of Anyemaqen, a mountain range in the western China province of Qinghai, are shrinking rapidly, endangering hundreds of millions of people who depend on the waters flowing eastward through the Yellow River.

### [New Nepal - A Country Out of Whack](#)

Electricity too has become a rare commodity. While half of the population still lives without electricity, the other half is getting used to the darkness too. As vast swathes of land lie inundated due to the monsoon rains, the Nepal electricity authority (NEA) still claims that there is inadequate supply of water for electricity generation. So with hours of load-shedding, electricity is intermittent and utterly unreliable.

Another inadequacy is fuel shortage. Acute fuel shortages have also been a common phenomenon. Queues for fuel have been a frequent sight around Kathmandu. Laden with an unbearable debt, the Mecca of corruption and mismanagement - the Nepal Oil Corporation (NOC), is coming to a grinding halt. With losses of over 180 million dollars

over the past five years and 250 million dollars of debt to Indian oil corporation (IOC) and other financial institutions, IOC may cut off supply if NOC doesn't cough up soon. Given the heavily indebted status of NOC, the future of fuel supply looks inexorably bleak.

### [South Africa: BP strike affecting fuel supplies](#)

The department of minerals and energy expressed concern over fuel supply problems on Thursday after BP warned customers of supply problems due to a strike.

"This is exactly the concern we had all the time and we were hoping it would not come to this," said spokesperson Sputnik Ratau.

### ['Green' teams go for auto race](#)

Thirty-one teams say they'll line up to compete for at least \$10 million by developing a marketable 100-mpg automobile ... if the Automotive X Prize program can come up with the cash, that is. The X Prize Foundation says it's hoping to do that by the end of the year, in time for the big auto shows.

### [Reviewing Linda McQuaig's "It's the Crude, Dude"](#)

McQuaig cited a US Department of Energy National Energy Laboratory report saying: "The world has never faced a problem like this....Previous transitions (like 'wood to coal and coal to oil') were gradual and evolutionary; oil peaking will be abrupt and revolutionary," and may already have occurred. Further, with America waging two costly oil-related wars for much of what's left, gaining control has become violent with no letup in sight and more oil-rich nations in Washington's target queue. More on that below as well and the fact that oil consumption keeps increasing, two huge emerging nations (China and India) need growing amounts of it, just at a time production peaked and is declining. That's a combustible mixture now playing out in Iraq, Afghanistan, and Somalia. It also affects Iran, Venezuela, Sudan (for its Darfur oil riches) and other strategically important oil-rich nations that dare defy America by wanting control of their own resources along with the major share of revenue from them.

### [National Hurricane Center: Tropical Depression may form in Caribbean](#)

All weather models predict the system will remain south of Cuba and Haiti over the next week before slamming into Honduras, Guatemala, Belize or the Yucatan Peninsula in Mexico.

Two of the weather models show the storm crossing the Yucatan and the Bay of Campeche in the southern Gulf of Mexico before striking central Mexico. The Cantarell

Complex of Mexican oil fields lies beneath the Bay of Campeche. It is one of the most productive oil fields in the world, supplying about two thirds of Mexico's crude oil output.

### [Can ecological economists stop the mainstreamers before it's too late?](#)

Mainstream economists are trying to kill us. They don't think of it that way, but they should. The standard policies promoting endless economic growth of the conventional sort are destroying the ecosystem. Converging and interacting with other threats such as population growth, peak oil, and excessive per capita consumption, such policies and the economic growth they promote are hastening a looming global ecological collapse. And when influential economists push ecocidal policies when they could instead play a central role in protecting the ecosystem, how is that not homicide?

### [J.D. Power and Associates Reports: Hybrid Vehicle Sales on Pace to Reach Record Sales in 2007](#)

Hybrid vehicles are on course to achieve record sales in 2007, increasing by 35 percent compared with 2006, according to the J.D. Power and Associates 2007 U.S. Hybrid Vehicle Forecast Second Quarter Update.

According to the report, an estimated 187,000 hybrid vehicles were sold in the U.S. market through the first half of 2007, accounting for 2.3 percent of the total U.S. new light-vehicle market through June. While sales of hybrid vehicles are projected to decline slightly in the second half of the year, the market is still on track to sell 345,000 hybrids in 2007 -- a 35 percent increase from the 256,000 hybrids sold in 2006.

### [Energy giants get green light](#)

The Irish government has opened up swathes of the Atlantic Ocean to energy giants searching for undiscovered oil and gas fields.

But multi-national companies hoping to take advantage of relatively low taxes previously afforded to the industry may be disappointed with an overhaul of the regime.

Natural Resources minister Eamon Ryan said new exploration licences will see hiked taxes of up to 40% on profits from newly-discovered oil and gas reserves off the west coast.

### [Aramco deal in doubt](#)

Sinopec Group will delay the startup of a \$1.2 billion refinery in east China by at least nine months, adding uncertainties to a joint-venture and oil supply deal with Saudi

Arabia, industry sources told Reuters.

### [Iran, Nicaragua deepen links despite U.S. concerns](#)

Iranian government officials met leftist President Daniel Ortega on Wednesday for the third time this year as Nicaragua seeks help for its energy crisis in a deepening of ties with Tehran that worries the United States.

### [Schools demand fuel as Zimbabwe's economic crisis worsens](#)

An acute shortage of fuel in Zimbabwe is beginning to affect the country's education sector, with some schools now demanding petrol and diesel from desperate parents, APA learnt here Thursday.

One of the leading private schools in the capital Harare, has told parents that their children's education risked being affected unless they donated fuel to enable teachers to come to school.

### [Report: No end to New England reliance on natural gas](#)

New England's electricity market will continue to heavily rely on natural gas as a fuel source over the next two decades, even if the region invests more in alternative sources, the operator of the region's power grid says.

### [South wants to be biofuel breadbasket](#)

The brightly painted vehicles lined up outside the Southeastern Bioenergy Conference seemed like they were built to run off of a suburban grocery list.

There was the newspaper delivery car that runs on corn. The sedans that run on peach and watermelon juice. And the gleaming tractors fueled by peanuts, poultry fat, soy and cotton.

### [A cure for oil addicts](#)

Amory B. Lovins talks big. He proposes to wean America off oil by the 2040s, touts ultralight cars and tells some of the most powerful corporate executives in the world, like those at Wal-Mart and Texas Instruments, how to behave more efficiently. But perhaps a former Oxford don—one who built a nuclear magnetic resonance spectrometer in his basement during high school, anticipated global warming in 1976 and lives in a house that can run on the same amount of energy as a conventional light

bulb—is allowed to be bold. In the first of a series of conversations with thinkers and executives about the future of energy, NEWSWEEK's Fareed Zakaria spoke to the Rocky Mountain Institute's cofounder and chairman to see how this optimist makes sense of the world's energy woes.

### ['Nothing' Prods Oil to Record \\$78 a Barrel](#)

Oil prices shattered another record on Tuesday, settling at \$78.21 per barrel, driven by the familiar drumbeat of energy demand outpacing supply.

No hurricanes appeared poised to ravage Gulf of Mexico oil production on Tuesday, geopolitical hot spots were relatively quiet, and economists weren't predicting big changes in the economic growth pushing China's thirst for energy.

So what caused the price to hit the latest milestone on Tuesday in particular?

"Nothing," said Philip Verleger, an oil economist who heads PK Verleger in Aspen, Colo.

### [Dave Cohen: What About the Poor?](#)

Today's front month oil contract stands at about \$77/barrel. Such prices have not dampened demand in China, where demand growth is running at 11%, or in the United States, where finished motor gasoline consumption reached 9.71 million barrels per day in the week ending July 13, 2007. The volatile but rising oil price since 1999 is the primary signal of a growing supply and demand imbalance in a market with little spare capacity. This indication of scarcity now only inconveniences the wealthy, whose past income growth still allows mostly pain-free purchases. But what about the poor?

### [Energy Heats Up the Hill](#)

Energy is the hot topic on Capitol Hill this summer. Separate bills are emerging that include increasing mileage standards and encouraging the use of alternative fuels.

### [CNOOC to exploit oil with US firm despite new tax policy on oil exports](#)

China National Offshore Oil Corp. (CNOOC), the country's largest offshore oil producer, is in talks with a U.S. firm for a possible product-sharing contract on an oilfield in the South China Sea.

The contract, likely to be inked in a few weeks, will make Texas-based Newfield Exploration Co. the first to be affected by a new policy, which will levy a five-percent tax from Aug. 1 on offshore oil exports by foreign firms that co-develop Chinese oilfields with domestic firms.

### [No dealing with unions, says Iraq's oil ministry](#)

Iraq's oil ministry has directed all its agencies and departments not to deal with the country's oil unions.

The unions and Iraq's government, especially the prime minister and oil minister, have been at odds for months now over working conditions and the draft oil law.

### [Nigerian Oil Worker Employed By Total Seized](#)

A Nigerian oil worker was seized outside his church in the country's restive south, the latest in a wave of hostage takings to hit the volatile region, a colleague said Wednesday.

Gunmen seized the employee of Elf, a subsidiary of French firm Total SA (TOT), Tuesday evening in the oil city of Port Harcourt, said the colleague.

### [Compressed gas hits the metals markets](#)

...I conducted a thought experiment, imagining what the implications would be if the world converted all its vehicles to natural gas.

To convert and re-fit every car, bus and truck on our planet, the sheer volume of metal required would drive base metal prices to never-before-seen levels. In 2004, there were 880 million motor vehicles worldwide; this included passenger vehicles, heavy trucks and buses. To convert all of these vehicles, the world would need tanks fabricated from high-strength steel, aluminum or wound fiberglass to contain compressed natural gas, base plates for the tanks, stainless steel hoses, brass couplers, aluminum or steel brackets to hold the tank in place, all of the metal screws, nuts and bolts for the complete assembly of each unit, fuel control valves, oxygen sensors, vacuum hoses, vacuum fittings, fuses, tee fittings, high- and low-pressure regulators and particulate filters, plus solder and welding rods to hold it all together.

### [Russian Firm May Cut Gas Supply to Belarus](#)

Gazprom, Russia's state-controlled natural gas monopoly, said Wednesday it will cut off nearly half of its shipments to Belarus within two days, raising fears that the gas supply to many European countries could be disrupted.

The Russian company said that Belarus owes it \$456 million but that it will keep the gas flowing if Belarus offers an acceptable settlement by Friday morning.

## [Oil Hits All-Time High Amid Peaking Supplies, Soaring Demand](#)

Perhaps most worrisome for oil markets are growing indications that Saudi Arabia, the world's top oil exporter, may have peaked. Crude output has fallen 10% over last year and many observers say the desert kingdom -- and by extension OPEC -- may be unable to boost flows to cool prices.

"A new meta-concern is beginning to take hold," says Richard Katz with SF Informatics, an energy-education organization based in San Francisco. "Everywhere you look, crude production has either hit a plateau or is declining." If the trend continues, he says, world oil production as a whole may tip into permanent decline, if it hasn't done so already. "Welcome to peak oil," says Katz.

## [Where are oil prices headed from here?](#)

When the price of a commodity rises, economists tell us, demand eventually goes down. But with oil prices setting new records, there's apparently no let-up in demand from gas-guzzling drivers, businesses posting strong growth around the world and investors betting that crude prices are headed even higher.

## [Oil search escalates](#)

THE world's biggest oil producers have boosted their search for oil and gas to one of the highest levels in two decades as prices yesterday neared record highs of more than \$US78 a barrel.

The Organisation of the Petroleum Exporting Countries, the cartel that controls three-quarters of global oil reserves, said its members operated 336 oil rigs last year, an increase of 11.5 per cent since 2005, in response to strong demand from developing countries.

## [Oil Field Costs Crimp Supply Search](#)

Fierce cost escalation in the oil patch is complicating the industry's ability to respond to higher prices with new supplies, setting the stage for still-higher prices in the months and years to come.

During past surges, higher oil prices pinched consumers and the economy but also made a greater amount of untapped oil economical to pump. As a result, new supplies eventually came online, putting downward pressure on prices. That dynamic helped tame the high oil prices of the early 1980s.

But during the current four-year rise in oil prices, inflation for equipment, labor and



other crucial oil-field needs has largely kept up with the rise in oil prices. In recent quarters, this has crimped results at the world's oil producers, including Western majors such as Exxon Mobil Corp. as well as the world's biggest state-run oil companies, and has also led to delays and cancellations of major projects. While plenty of activity remains in place, the high prices are nibbling away at other projects that were expected to bring significant new supplies of oil and natural gas to the world.

### [Russia plants its flag on North Pole seabed](#)

Russia planted its tri-colour national flag on the seabed more than 4km beneath the North Pole on Thursday, staking a symbolic claim to a vast swathe of Arctic territory believed to be rich in oil and minerals.

### [Gazprom says it hopes for major Arctic hydrocarbon discoveries](#)

A Gazprom spokesman said Wednesday that the Russian energy giant expected "major new discoveries" of oil and gas reserves under the Arctic Ocean, and had large-scale prospecting plans for the region.

### [Gas and Glory Fuel Race for the North Pole](#)

The race for the North Pole is on again, and this time there's more at stake than pride at seeing a national flag fluttering on the icecap: There's oil and gas too.

Russia is one of a handful of nations vying to lay claim to the vast untapped resources of the Arctic, and the competition — like the region itself — is likely to heat up as global warming and new technology make previously undreamed-of exploration feasible.

### [Natural Gas Cartel Still A Long Way Off](#)

A cartel of natural gas-producing nations similar to OPEC (Organization of Petroleum Exporting Countries), an idea floated by countries like Iran, Russia and Venezuela, remains a distant possibility due to the nature of the market.

"It's not at all feasible this decade or the next; perhaps in the distant future, but even then only for liquefied natural gas (LNG)," Luis Giusti, former head of the state oil company Petroleos de Venezuela (PDVSA), told IPS. LNG is natural gas that has been condensed, usually by cooling to low temperatures.

### [OPEC oil output climbs in July - Reuters survey](#)

OPEC, excluding Iraq and Angola, pumped more crude oil in July than in June, led by a rebound in supply from Nigeria after a spate of outages, a Reuters survey showed on Wednesday.

### [Why oil prices are at a record high](#)

Real and threatened disruptions to crude oil supplies, constraints at refineries in consuming countries, resilient global fuel demand and a flow of investor money into oil and other commodities have pushed prices higher.

### [Focus on carbon 'missing the point'](#)

The focus on reducing carbon emissions has blinded us to the real problem - unsustainable lifestyles, says Eamon O'Hara. In this week's Green Room, he argues that bigger problems await us unless we shift our efforts.

### [Marathon to pay \\$1M oil price manipulation fine](#)

Marathon Oil Corp. agreed to pay a \$1 million fine to settle charges that its Marathon Petroleum Company subsidiary attempted to manipulate crude oil prices in 2003, the Commodity Futures Trading Commission announced Wednesday.

### [Venezuela Oil Rig Count Stable But New Wells Fall in 2006](#)

Petroleos de Venezuela managed to keep stable the number of oil rigs operating last year, but total new wells drilled fell and the company relied more on old ones to keep up production.

### ['Siberian forest fires due to climate change'](#)

Devastating forest fires in Siberia that send a pall of smoke worldwide are happening more frequently because of climate change and in turn accelerating the pace of global warming, scientists claim.

### ["Asian Brown Cloud" is speeding melt of Himalaya glaciers: study](#)

The haze of pollution that blankets southern Asia is accelerating the loss of Himalayan glaciers, bequeathing an incalculable bill to China, India and other countries whose rivers flow from this source, scientists warned on Wednesday.

## [U.N. climate chief skeptical about global carbon tax](#)

A top U.N. climate change official voiced doubt on Wednesday about a global tax on carbon, but said national taxes were possible and laws to cap global warming emissions were better for business.

"I personally am skeptical on the notion of global carbon taxes," said Yvo de Boer, who heads the U.N. Framework Convention on Climate Change.



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