



DrumBeat: September 22, 2007

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[\\$80 oil price no fluke to analysts](#)

Michael Economides, an oil expert at the University of Houston, said the market has become largely desensitized to upward movement.

Also, politically volatile yet oil-rich countries that have squeezed foreign access to their resources, like Venezuela and Russia, could restrict access further to maintain high oil prices, he said.

"The price of oil is on its way to \$100. I am convinced," Economides said.

[OPEC sees oil prices offsetting weak dollar](#)

The surge in oil prices to record highs will shield OPEC nations, some of which peg their currencies to the US dollar, from current dollar weakness, a Saudi newspaper quoted OPEC sources as saying on Saturday.

[Mexico Ruling Party Rejects Dialogue with Guerrillas](#)

The president of the Mexican Senate rejected on behalf of the governing rightist National Action Party a proposal that the legislature should initiate a dialogue with a guerrilla group that bombed fuel pipelines to press for the safe return of two comrades the rebels say are in government hands.

[Gas prices hit rock bottom for utilities](#)

It was like buying a \$400 iPhone for \$4, or a Big Mac for 3 cents. Colorado Springs Utilities hit on a unique bonanza this week when events converged to sink natural gas prices to the lowest point in a generation.

Gas, which normally trades at \$3 to \$4 per million British thermal units (MMBtus) this time of year, sold for 2.6 cents starting Monday. An average home uses about 430 MMBtus per year.

“In my lifetime, I don’t remember ever seeing anything like that,” Utilities CEO Jerry Forte told the Utilities board on Wednesday. “Gas was sold for whatever you wanted to pay for it.”

[Meeting the Challenge Matt Simmons: Fix Energy Infrastructure before the ‘Bridge Collapses’ \(Part 5 of 6\)](#)

Much as the world was riveted by the recent collapse of a highway bridge in the U.S. state of Minnesota, Matthew Simmons fears it may soon be riveted by an energy pipeline or refinery disaster.

Simmons, one of the critical thinkers whose innovative ideas form the basis of EnergyTechStocks.com’s new series on how to meet the challenge of rising global energy demand, said the United States needs to wake up – and fast – to the fact that much of its energy infrastructure is in as bad shape as many of its bridges.

[Meeting the Challenge Matt Simmons: Save U.S. Agriculture; Cut Corn-based Ethanol Production \(Part 6 of 6\)](#)

The corn-based ethanol industry is a disaster in the making and it must be reined in before it causes major damage to the farm industry.

[Iran exhibits homemade weapons in show of force](#)

Iran showed off homemade armaments today at annual army celebrations meant to highlight the oil-rich nation's military self-sufficiency and prowess in the face of international sanctions and U.S. hostility.

[Russia says it will invest more oil wealth in its economy](#)

The Russian government said Friday that it would invest more of its oil wealth directly into the economy, mainly in infrastructure, as it sought to maintain its longest expansion since the fall of the Soviet Union.

[Saudi foreign assets soaring](#)

Rising oil prices are continuing to support Saudi Arabia’s foreign asset accumulation, according to published reports.

The Arab News, citing SABB’s Q4-2007 report, said Saudi Arabia’s foreign assets in the hands of Saudi Arabian Monetary Agency would break the SR1 trillion mark as of 2007,

having grown by SR16.17 billion per month on average so far this year, which could support any future pressure which might be exerted on the Saudi riyal.

[1,000 leading Chinese enterprises ordered to meet global energy standards](#)

Under the program, China's 1,000 largest domestic enterprises are required to meet global energy efficiency requirements and take the lead in the field domestically as part of the country's endeavors to reduce energy consumption.

[Weekly Offshore Rig Review: Construction Conscious](#)

We recently spent some time examining the relative ages of the different segments of the offshore rig fleet by type and by manager. As an extension of that information, this week's offshore rig review focuses on the construction trends and costs that have shaped the competitive rig fleet over that last 30 years and those that are shaping it today.

[StratFor's Friedman: Iran Gets Iraqi Oil; U.S. Creates Korea-like Demilitarized Zone to Protect Saudi Oil](#)

As U.S. Gen. David Patraeus makes the rounds of Washington reporting on the status of the Iraq war, here's a startling forecast of the political and energy future for that crucial region of the world from George Friedman, noted political scientist and head of the private intelligence firm Stratfor.

Friedman told EnergyTechStocks.com that he anticipates the U.S. will withdraw its troops from Iraq, sending some home but redeploying others in a newly-created demilitarized zone (DMZ) along the border between Iraq and Saudi Arabia, just inside Iraq. The purpose of this DMZ, which would stretch down into a big U.S. base in Kuwait, would be to protect Saudi Arabia – and its oilfields – from any attempt by Iran to exert political or possibly even military influence over the Saudis.

[Nightmare of high oil prices](#)

Throw away all those theories and formulas. Even the mighty OPEC is baffled by the continued record-breaking rises in oil prices, even as it insists that its little black book says there is enough oil being pumped out of the ground to cover what is being consumed by the world's economies.

[Nuclear energy to be key in low-carbon energy policy: Brussels](#)

Nuclear power will remain a key element as the world seeks to move toward low carbon

energy, the European Commission said Friday, announcing a new forum for nuclear energy research.

[China to Tap Global Uranium for Nuclear Expansion](#)

China plans to tap the global uranium market to feed the rapid expansion of its nuclear power sector, a top economic planner said on Thursday, although strong demand for the metal has pushed prices above historical levels.

[Alaron Analyst Phil Flynn: Within 5 Years, Oil Will be \\$120 a barrel, Gas in U.S. Will sell for \\$5.50 a gallon \(Part 1 of 3\)](#)

Flynn sees the price of oil rising to \$120 a barrel and gasoline in the United States selling for \$5.50 a gallon within five years, as commodity markets respond to the historic and ongoing global increase in oil demand being fuelled largely by China. "Even the International Energy Agency can't keep up with demand. I don't think China knows itself" how fast its need for oil is growing, Flynn said.

[Phil Flynn: Hey, Uncle Sam – Stop Picking on Big Oil! \(Part 2 of 3\)](#)

Noted energy analyst Phil Flynn of Alaron Trading is certain that America's energy problems are best solved by letting markets work without government interference. But if government simply must butt in, Flynn says the worst thing it could do is what many in Washington seem inclined to do: punish the oil industry through higher taxes.

[BP Returning to Normal Operations in Gulf After Storm Passes](#)

BP Plc, Europe's second-largest oil company, said it was returning to normal operations in the U.S. Gulf of Mexico after evacuating personnel who were under threat of a potentially dangerous storm.

[\\$80 Oil Boosts Service Cos' Stocks, But No Milestone](#)

Although \$40 oil ushered in an era of skyrocketing project costs in 2004 and \$60 oil turned a rig shortage into a famine a year later, \$80 oil isn't likely to have the same transformative effect.

[Recycling wind turbines](#)

The development of wind power promises much in terms of providing us with renewable energy for the future and wind turbines could be the most effective way to harness that

power. Danish researchers now suggest that in order to assess the overall environmental impact of wind power, however, the finite lifespan of wind turbines and the need to replace and recycle them must be taken into account. Such an assessment will help policy makers and the industry to develop the green credentials of wind power more effectively.

[Canada: Losing Water Through NAFTA](#)

Under the North American Free Trade Agreement, Canada lost control over its energy resources. Now, with "NAFTA-plus", it could also lose control over its freshwater resources, say experts.

...Under NAFTA rules, Canada cannot reduce its energy exports to the United States, according to Gordon Laxer, director of the Parkland Institute, a research network at the University of Alberta. "The U.S. is the most energy wasteful nation on Earth. And Canada is sacrificing its environment to feed America's addiction to oil," Laxer said in an interview.

"Respected energy analyst Matthew Simmons told me Canada should stop furthering the U.S. addiction to liquid fuels and make it illegal to use fresh water in tar sands," said Nikiforuk.

[Rapeseed biofuel 'produces more greenhouse gas than oil or petrol'](#)

A renewable energy source designed to reduce greenhouse gas emissions is contributing more to global warming than fossil fuels, a study suggests.

[Uganda: Forecast for 2008 - Famine, Floods, Fear And Fighting](#)

At the beginning of August as the rainy season started, the United Nations' Food and Agricultural Organisation, in a report, spoke optimistically about the prospects for a good food harvest in several countries of West Africa.

Sure enough the rain came. But this was not rain. It was something maniacal. When you start getting 12 inches of rain in a week, it becomes the worst of nightmares. In this case, they are worst nightmares in living memory for Africa.

[Kenya: Anger Over Petrol Pump Price Increase](#)

The Motorists Association of Kenya is against this week's increases in petrol pump prices.

...Speaking to The Standard, the association's chairman, Mr Peter Murima said if the

global prices were to determine the local prices, it should be reflected in the local pumps when the prices come down.

[Bharat Petroleum Corporation Ltd to create movie halls at petrol pumps](#)

Bharat Petroleum Corporation Ltd (BPCL) has launched a pilot project to construct cinema halls at its petrol pumps along national highways, as part of a strategy to derive 30 per cent of its revenues from non-fuel sales.

...Says George Paul, general manager, says that gradually, BPCL's petrol pumps are becoming happening places, and the company needs to leverage its customers for non-fuel revenues, which offset a large degree of risk that arises from government administered fuel prices which are later compensated by the ministry through issue of oil bonds.

[Dominican Republic: Gas prices on the up](#)

The Industry and Commerce Ministry has announced new increases in fuel prices as a result of the high oil prices on the international market.

[Dominican Republic: Fuel prices a national problem - official](#)

The government says that the increases in fuel prices represents "a real problem" for the Dominican Republic, and that this is exacerbated by the fact that there are no medium-term contingency plans to deal with the situation.

[Tunisian pottery industry struggles to stay competitive](#)

When asked about the impact of the smoke on the village, Rachid said with complete confidence, "All research and studies conducted by the region confirmed that the materials we use—primarily dried wood—do not damage the environment at all. However, there are greedy craftsmen who, due to its lower cost, use plastic to fuel their kilns, but when the monitoring agency gets hold of them, they pay a heavy fine."

[Witnesses: Monks protest near Suu Kyi house](#)

The monks' activities have given new life to a protest movement that began a month ago after the government raised fuel prices, triggering demonstrations against policies that are causing economic hardship.

The number of protesters Saturday indicated that the anti-government protests were

growing.

[Businesses flip-flop on electricity deregulation](#)

As Allegheny Technologies weighs its options, company officials have been up front about what they consider to be the biggest strike against Pennsylvania: electricity deregulation.

It wasn't supposed to be this way. In the 1990s, industrial energy customers such as Allegheny Technologies were among the first and most forceful advocates of ending the state's traditional regulatory control over the electric industry. They wanted prices to be determined by market forces.

[Paper or plastic? Retailers struggle with fees as customers increasingly use bank cards over cash](#)

Tedeschi Food Shops typically would make a profit of 2 cents on a \$3 gallon of gas, but transaction fees gobble up 9 cents per gallon, causing shops to oftentimes lose money on gasoline sales, Tedeschi said.

..."This is the second-largest expense to a gas merchant (after the cost of fuel)."

[Bankruptcy on upswing](#)

An unsteady economy, rising costs for fuel and other essential living expenses, plus a deepening national mortgage and foreclosure crisis, have pushed many households into insolvency, experts say. The resurgence comes after filings dropped sharply following a 2005 run-up in bankruptcy cases prior to a tightening of rules.

"They're back up - people are struggling," said Nancy Jacob, a debtor's lawyer in Dent whose small practice filed six new cases this past week.

[Richard Heinberg on *Financial Sense Newshour* \(audio\)](#)

The September 22, 2007 edition of *Financial Sense Newshour* features an interview with Richard Heinberg, author of *Peak Everything: Waking Up to the Century of Declines*.

It's in the second hour. MP3, RealMedia, and Windows Media formats available.

[Taking Cues From Fed, Speculators Bid Up Oil](#)

Federal Reserve Chairman Ben S. Bernanke may have cooled off the credit crisis by cutting interest rates, but he may also have heated up oil prices this week.

For seven consecutive business days, crude oil prices have hit new highs. Even after dropping slightly yesterday, crude oil on the New York Mercantile Exchange finished the week at \$81.62 a barrel, up a third since Jan. 1 and not far short of the inflation-adjusted peak set in January 1981, when Saddam Hussein's Iraq was at war with Iran.

[Selling America In Exchange for Oil](#)

What's driving the price of oil? You can point to many culprits, including rising demand from China, India and other emerging industrial countries. But you can also hang a big part of the blame on President Bush and the Congress.

[A \\$7 billion gamble on oil refining](#)

Motiva Enterprises made a huge bet Friday that America's appetite for gasoline will keep growing well into the future, giving final approval to a \$7 billion expansion of its Port Arthur refinery that will make it the largest in the nation.

The decision came after more than three years of study by Motiva, a joint venture of Royal Dutch Shell and Saudi Arabia's state-owned oil company, and after a jolt in costs doubled the project's price tag.

With the move, two of the world's biggest oil companies have signaled their belief that petroleum-based fuels are here to stay despite the growth of biofuels like ethanol and calls to curb U.S. gasoline use.

[SEC files complaint against 'Sweet 16' oilman](#)

A new federal lawsuit reveals more information about the finances of a Kentucky oilman who investors say swindled them out of millions at the same time he was throwing his daughter an extravagant 16th birthday party on a reality TV show.

The U.S. Securities and Exchange Commission said in a complaint filed last week in a Kentucky federal court that Gary Milby spent millions of investors' money on vehicles and personal trust funds.

[Nobel conference to focus on energy](#)

Global warming and oil depletion are the twin specters of fossil fuels, said Timothy Robinson, psychology professor and conference director.

A longtime voice on global warming, NASA climatologist James Hansen developed the scientific basis for the argument that rising carbon dioxide levels are stimulating the greenhouse effect. He's one of seven speakers at the conference.

...Oil depletion — more commonly known as peak oil — will be tackled by Kenneth Deffeyes, professor emeritus of geosciences at Princeton University. The hypothesis gets its name from the belief that oil extraction will eventually “peak” at a certain date and decline thereafter.

[Russia warns war with Iran would block oil flows](#)

Russian Foreign Minister Sergei Lavrov warned Friday that any attempt to wage war on Iran could disrupt the flow of oil to Western countries and prompt a flow of refugees to Russia.

[Peak Oil Passnotes: The Only Way Is Up](#)

U.S. crude inventories have dropped 10 weeks in a row to leave the U.S. looking increasingly exposed to any spurt in demand or outages on the market over the winter months. Add to this the slow crawl back to full capacity of the U.S. refining system, ready to suck up more and more crude oil, and one can see continued tightness in U.S. markets to the end of the year.

Meanwhile any hope that increased OPEC output will come to the rescue may prove to be short lived. It appears that the 500,000 barrel per day increase proposed by the cartel is not actually 500,000 barrels per day, but something far less. As we all know, OPEC does not stick to its quotas and this occasion seems no different.

[Russia to deliver fuel oil to DPRK: senior diplomat](#)

Russia will deliver fuel oil to the Democratic People's Republic of Korea (DPRK) in November, Deputy Foreign Minister Alexander Losyukov said Friday.

"Moscow will meet its commitments and deliver fuel oil," Losyukov said after China announced Friday the six-party talks on the Korean Peninsular nuclear issue will resume in Beijing from Sept. 27 to Sept. 30.

[Scramble for the seabed: or how Rockall could be the key to a British oil bonanza](#)

Britain is poised to get much bigger. South Africa, Russia, France, Brazil, Australia and Ireland are hoping to expand too. In fact, 45 countries with coastlines qualify for potential "extended underwater territory" rights under the new UN Law of the Sea Convention.

This new law, due to come into force in a few years time, has provoked a scramble for underwater land almost as fierce as the one for Africa in the 19th century when European countries divided up the continent between them.

[Deal reached on cutting ozone-damaging emissions](#)

Delegates from almost 200 countries agreed late on Friday to eliminate ozone-depleting substances faster than originally planned, the United Nations said.

[Pope to make climate action a moral obligation](#)

The Pope is expected to use his first address to the United Nations to deliver a powerful warning over climate change in a move to adopt protection of the environment as a "moral" cause for the Catholic Church and its billion-strong following.



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