ODAC Newsletter, Monday 15 October

Posted by Doug Low on October 16, 2007 - 2:05am in The Oil Drum: Europe
Topic: Miscellaneous
Tags: coal, economy, oil prices, peak minerals, population, unconventional oil, united kingdom [list all tags]

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1/ Oil Rises Above $86 to a Record on Turkey-Iraq Border Tension (Bloomberg, Mon 15 Oct)

http://www.bloomberg.com/apps/news?pid=20601072&sid=aHoS5p90QflU&refer=e...

Comment: Funny how $70/barrel now looks cheap. Highlights:

Today's intraday high passed the previous all-time inflation-adjusted record reached in 1981 when Iran cut oil exports. The cost of oil used by U.S. refiners averaged $37.48 a barrel in March

1981, according to the Energy Department, or $84.73 in today's dollars.

Citigroup Inc., Deutsche Bank AG and HSBC Holdings Plc have predicted over the past month that oil prices would decline because of falling gasoline demand and a slowing U.S. economy.

"Eventually this speculative move will exhaust itself because the fundamentals don't justify these prices. There's plenty of supply."

"You don't hear a lot of complaining about high prices except in the U.S.," Ebel said. ``The rise in prices is a lot less impressive in other currencies."

> Crude oil rose above $86 a barrel for the first time in New York on concern Turkish forces may pursue Kurdish militants in Iraq, curbing shipments as refiners prepare for the peak-demand heating season.
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> Prices climbed as much as 3 percent because Turkey's military may attack Kurdish bases in Iraq, which has the world's third-largest oil reserves. Futures also increased after the Organization of Petroleum Exporting Countries said production outside the group will be lower than previously forecast.
>
> ``Everything imaginable is going wrong as far as the oil market is concerned," said Robert Ebel, chairman of the energy program at the Center for Strategic and International Studies in Washington. ``Turkey is saber rattling, Iraq isn't calming down, Iran is also saber rattling and supplies are tight."
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> Crude oil for November delivery rose $2.44, or 2.9 percent, to settle at a record $86.13 a barrel at 2:54 p.m. on the New York Mercantile Exchange. Oil reached $86.22, the highest since the contract was introduced in 1983. This is the fifth straight rise. Prices are 47 percent higher than a year ago.
>
> Today's intraday high passed the previous all-time inflation-adjusted record reached in 1981 when Iran cut oil exports. The cost of oil used by U.S. refiners averaged $37.48 a barrel in March 1981, according to the Energy Department, or $84.73 in today's dollars.
>
> Citigroup Inc., Deutsche Bank AG and HSBC Holdings Plc have predicted over the past month that oil prices would decline because of falling gasoline demand and a slowing U.S. economy. Oil may end the year below $70 a barrel, forecast Adam Sieminski, the global oil analyst at Deutsche Bank in New York.

2/ This economic crisis is bound to hurt (The Telegraph, Thu 11 Oct)

http://www.telegraph.co.uk/opinion/main.jhtml?xml=/opinion/2007/10/11/do...

> We Britons tend to import stuff. It won't have escaped your notice that the vast majority of things you buy in the shops these days — whether it's trinkets, televisions or toys — comes from foreign climes.
>
> To this long list, we can now add economic crises, if Alistair Darling is to be believed. In his Pre-Budget Report, the Chancellor blamed America's financial woes for the slowdown facing Britain next year.
>
> The chaos that culminated in the Northern Rock crisis — the first run on a major British bank for more than 140 years — now threatens to leave a major dent in the wider

> economy.
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> He didn't dwell too much on it in his speech, of course, but the Treasury's documents leave you in no doubt that the outlook is poor.
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> It's not merely that economic growth will be slower than previously thought. Growth of two per cent rather than three per cent is no disaster: we grew by just under two per cent as recently as 2005. The point is that, this time, pain will be felt not by businesses but by households, whose finances are looking far more unhealthy than two years ago.
>
> This means higher unemployment, higher mortgage bills, and more and more families giving in to insolvency. It means years — not months — of belt-tightening as we pay back debts built up over a decade of easy living and easy spending. It means that house prices will fall — probably by only a small amount, but perhaps by a lot.
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> If it sounds like a consumer slump, the likes of which we have seen in Britain again and again in past decades, that's because it is.
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> It is disingenuous, to say the least, for the Chancellor to blame nasty foreigners for our plight...
>
> ... Step forward Northern Rock, which of all the European banks was probably most exposed, since its overriding philosophy was to borrow to lend. Meanwhile, home-owners around the country are squeezed because the money market freeze is forcing almost all the other mortgage lenders to raise their rates in order to stay afloat.
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> ... The rapid and inexorable rise in house prices over the past decade is one of the main reasons for our prosperity. We have not experienced an annual fall in house prices since the mid-1990s, but, with the market already turning, there will probably be one next year.
>
> The number of repossessions is rising rapidly; this will accelerate even further in the coming months. Many of the biggest losers will be poorer families and first-time buyers, who have taken out unaffordable mortgages to get on the property ladder...

3a/ US home foreclosures double (Financial Times, Thu 11 Oct)

http://www.ft.com/cms/s/0/88747b04-781e-11dc-8e4c-0000779fd2ac.html

> US home foreclosure filings doubled last month from a year ago and the nation's biggest mortgage lender said late payments rose, suggesting the US mortgage crisis is not abating.
>
> The number of foreclosures jumped to 223,538 in September, 99 per cent higher than the number last year, though down 8 per cent from August, according to RealtyTrac, which compiles housing data. California had the largest number of foreclosures, with 51,259, and Florida was second, with 33,354...

3b/ Wall Street trio poised to unveil $100bn fund to fight American credit crisis (The Times, Mon 15 Oct)

http://business.timesonline.co.uk/tol/business/industry_sectors/banking_...

Three Wall Street banks are expected this morning to unveil firm plans to create a $100 billion (£49 billion) bailout fund designed to avert a worsening credit crisis on Wall Street.

Citigroup, JPMorgan and Bank of America (BoA) have agreed to pool together and launch a fund that will buy risky securities backed by mortgages at risk of default.

The plan marks the biggest bailout on Wall Street since 1998, when Alan Greenspan, former Chairman of the US Federal Reserve, pushed seven American investment banks to prevent the Long Term Capital Management hedge fund from collapsing.

Although the three banks have agreed how much they will put into the fund, they were last night still trying to agree who will run it, how long it will exist, and the quality of assets that it will buy. Citigroup is putting the most into the fund.

It is understood that Henry Paulson, the US Treasury Secretary, has tried to help the three banks by urging other Wall Street institutions to join the pool.

Although Citigroup, JPMorgan and BoA are the core banks backing the fund, insiders claimed last night that HSBC and Barclays had also been contacted about whether they were prepared to join the consortium. HSBC is understood to be still considering whether to participate.

Talks began three weeks ago, after Mr Paulson asked senior bankers to devise a plan to prevent a worsening credit crisis. The three core banks suggested the $100 billion fund and discussions took place in Washington, hosted by Robert Steel, UnderSecretary for Domestic Finance.

Wall Street banks fear that as the credit crisis worsens, they will have to sell billions of dollars of securities backed by risky mortgages. That sell-off would flood the market, further depressing the price of those assets and force the banks to admit to big writedowns. As a result, banks nursing those losses would find it even harder to borrow money from each other – which would lead to financial institutions reining in mortgage and credit card lending to ordinary Americans, a move that would threaten US economic growth...

4a/ Australia - Largest population increase ever (Beyond Oil News / Australian Bureau of Statistics, Thu 11 Oct)

From the Beyond Oil News newsletter. No link.

COMMENT-- At a time when resources in Australia are looking grim (water, oil, the natural environment), the government has pushed hard to increase our numbers. Driving this is the blind belief that economic growth will continue forever.

Sustainable Population Australia newsletter - http://www.population.org.au/media/newslet/nl200710.pdf (516 Kb)

Largest population increase ever: ABS

http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/3101.0Media%20Rel...

Australia recorded its largest annual population increase ever, according to figures

> released today (24- 09-07) by the Australian Bureau of Statistics. Australia grew by an estimated 307,100 people for the year ended March 2007, the largest increase since record keeping began in 1789. The increase gave Australia an annual growth rate of 1.5% (the highest rate since 1990), and brings the population to an estimated 20.9 million. Net overseas migration contributed 54% (162,600 people) to this growth, the natural increase was 46% (138,100 people or 273,500 births minus 135,400 deaths).

4b/ Australian conference: Population, Peak Oil, Climate Change: their impact on the Millennium Development Goals, 14-15 March 2008, Canberra

See page 4 of the Sustainable Population Australia newsletter - http://www.population.org.au/media/newslet/nl200710.pdf (516 Kb)

4c/ Feedback on Population (Tue 09 Oct)

Comment: From an ODAC News subscriber

> What I am talking about is what seems to be a pervasive taboo about advocating world population reduction. For decades I have had a very high percentage of my letters to newspapers published and in more recent years nearly every comment I made on-line to US and UK sites has been posted. Not any more.
>
> In recent years I have been writing that any proposed solutions or serious mitigation that I am aware of to Peaking\depletion\CO2\ problems that do not incorporate drastic population reduction are fatuous and doomed to failure. Now I do not get published nor posted. It's as if there is an agreement in the media that population reduction is a taboo.
>
> A few years ago the Zero Population Growth organization changed its name because they could not get the media to mention them or print their releases. With their new name, Population Connection (http://www.populationconnection.org/), they get much better coverage. My point is that If advocating zero world population growth is abhorrent, then proposing population reduction is far too wicked to consider.

5/ Forget Your Silver Bullet (EV World, Thu 04 Oct)

http://www.evworld.com/article.cfm?storyid=1333

Comment: Bill Moore at EV World writes about a set of recent publications from the United States' Task Force on Strategic Unconventional Fuels.

> The United States' Task Force on Strategic Unconventional Fuels (www.unconventionalfuels.org) has made public its findings and recommendations on the future role to be played by five non-petroleum energy sources found in America: shale oil, heavy crude, tar sands, coal-to-liquids and enhanced oil recovery (EOR) using captured carbon dioxide.
>
> In three volumes, the Task Force, made up of the U.S. Secretaries of Energy, Interior and Defense, along with the governors of Wyoming, Colorado, Utah, Kentucky and Mississippi, takes a comprehensive look at the potential contribution these, heretofore under-utilized resources can make in supplementing the nation's declining petroleum production. They conclude that even under the most aggressive development scenario,

> these resources could produce about 7.6 million barrels a day of synthetic liquid fuel by 2035. Ander current, business-as-usual, conditions -- and assuming a whole host of issues from socioeconomic to technical can be resolved -- unconventional fuels might add 2.3 mbld by 2035, about one-tenth of what America currently consumes.
>
> While there are no known proponents of "peak oil" to be found among the senior task force members, nonetheless, Volume One of "America's Strategic Unconventional Fuels" reads as if it might have been produced by the Association of the Study of Peak Oil. There are references to M. King Hubbert and energy return on energy invested (EROI).
>
> The accompanying charts prove equally sobering. The graph (reproduced below) showing oil discoveries from 1930 and projected out to 2029 resembles geologist Hubbert's prescient peak. And a companion graph showing the contributions made by the various unconventional energy sources under three different utilization scenarios shows America continuing to be largely dependent on imported oil with energy conservation and efficiency making greater contributions then unconventional fuels put together…

6/ The new coal age (The Guardian, Tue 09 Oct)

http://www.guardian.co.uk/environment/2007/oct/09/energy

Comment: George Monbiot writes about a huge new open cast coal mine that is planned for Wales. There are various reasons that spring to mind as to why the UK government would want to pursue a pro-indigenous coal industry policy that Monbiot may want to discuss more fully in a subsequent article. The so-called 'Energy Gap' looms i.e. electricity gap. A few UK coal and nuclear-fired power stations are due to be shut down by 2017 or so, and need replacing. It is probably too late to replace with nuclear, but not gas or coal. The UK imports about 80% of its coal and global prices are going up. UK indigenous natural gas production is falling such that by 2020 we will have to import 80-100% of our needs, and there is no guarantee that our imported needs will be met. The worry is – they won't be. The UK does still have coal reserves, and 10-15 years from now, along with coal imports, they could be the most reliable source of fuel for producing new-generation electricity we have. At least, this might be what the UK govt is thinking. Others might suggest a robust program, pushed by strong leadership, of energy efficiency, conservation and renewables might be a better move.

> As I watched the machine scraping away the first buckets of soil, one thought kept clanging through my head: "If this is allowed to happen, we might as well give up now." It didn't look like much: just a yellow digger and a couple of trucks taking the earth away. But in a secure compound behind me were the heaviest beasts I have ever seen - 1,300 horsepower or more - lined up and ready to start digging one of the largest opencast coal mines in Europe. In Romania perhaps? The Czech Republic? No, on a hilltop in south Wales.
>
> The diggers at Ffos-y-fran, on the outskirts of Merthyr Tydfil, are set to excavate 1,000 acres of land to a depth of 600ft. There has never been a hole quite like it in Britain, and our government's climate change policies are about to fall into it.
>
> Everything about this scheme is odd. The edge of the site is just 36 metres from the nearest homes, yet there will be no compensation for the owners, and their concerns have been dismissed by the authorities. Though local people have fought the plan, their council, the Welsh government and the Westminster government have collaborated with the developers to force it through, using questionable methods. I have found evidence

that suggests to me that a member of Tony Blair's government used false or outdated information to seek to persuade the Welsh administration to approve the pit. But perhaps the most remarkable fact is this: outside Merthyr Tydfil, hardly anyone knows it is happening.

It looks as if we are about to re-enter the coal age. Though the electricity companies spend millions telling us about their investments in renewable energy, at least four of them - E.On, RWE npower, ScottishPower and Scottish and Southern - are developing plans for new coal-burning generators, which produce roughly twice the carbon emissions of gas burners. According to one government document, there are "£20 billion [worth of] of new coal-fired power stations planned to be built in the UK before 2020".

... There is another policy buried in the white paper that is already being implemented. This is to "maximise economic recovery ... from remaining coal reserves". In 2006, British planning authorities considered 12 applications for new opencast coal mines. They rejected two of them and approved 10. They have done so, the story of Ffos-y-fran shows, with the active support of the government...

7/ Peak Minerals (The Oil Drum: Europe, Mon 15 Oct)

http://europe.theoildrum.com/node/3086#more

Comment: Judging by the comments after the article, investigation into Peak Minerals is still in its early days. Two points stand out from the discussion though. The energy that is used to extract the minerals / process the ores is in all likelihood cheap now compared to what it might be say 10-20 years from now. And the fifth comment form Will Stewart is on potash (potassium) and phosphorus, which are "are absolutely crucial to agriculture production" and suggests that some articles should be posted on these minerals specifically. Potential shortages of, or to put it another way very expensive, potash and phosphorus have implications in our ability to feed 6B+ people.

Abstract: We examined the world production of 57 minerals reported in the database of the United States Geological Survey (USGS). Of these, we found 11 cases where production has clearly peaked and is now declining. Several more may be peaking or be close to peaking. Fitting the production curve with a logistic function we see that, in most cases, the ultimate amount extrapolated from the fitting corresponds well to the amount obtained summing the cumulative production so far and the reserves estimated by the USGS. These results are a clear indication that the Hubbert model is valid for the worldwide production of minerals and not just for regional cases. It strongly supports the concept that "Peak oil" is just one of several cases of worldwide peaking and decline of a depletable resource. Many more mineral resources may peak worldwide and start their decline in the near future.

... We need also to consider that the costs of extraction are not just monetary but involve energy costs as well. This fact introduces a further factor that may hasten peaking and decline. The energy involved in the extraction of a mineral commodity, say, copper, does not just depend on the energy needed to extract it from the ore and refine it. It depends also on the energy needed for extracting oil (or coal, or gas, or uranium) and turning it into power and machinery useful for extracting copper. Since fossil fuels are being depleted, more energy is needed for their production and the result is a further increase in the energy needed for the extraction of all minerals. The whole world extractive system is connected in this way. This connection may explain why the peaking of most mineral commodities appears to be clustered in a period that goes from the last decades of the 20th century to the first decades of the 21st century, the period when difficulties in the production of fossil fuels started to be felt worldwide. This connection may also explain why several minerals are peaking for values of the cumulative extraction that are lower than what would be derived from the USGS estimation of the available reserves. Unless new and inexpensive sources of energy become available, we may never able to exploit the abundant "reserve base" of most minerals, and not even the reserves as they are estimated today...