



## DrumBeat: October 29, 2007

Posted by [Leanan](#) on October 29, 2007 - 8:54am

Topic: [Miscellaneous](#)

### [Crude Oil Climbs to Record \\$93.80 as Mexico Cuts Gulf Output](#)

Crude oil for December delivery rose \$1.59, or 1.7 percent, to \$93.45 a barrel at the 2:30 p.m. close of floor trading on the New York Mercantile Exchange. Futures climbed to \$93.80, the highest since trading began in 1983.

Brent crude oil for December settlement rose \$1.53, or 1.7 percent, to \$90.22 a barrel on the London-based ICE Futures Europe exchange. Brent reached \$90.49, the highest since trading began in 1988.

The oil market "may be only one or two events away from" \$100-plus oil, Daniel Yergin, chairman of Cambridge Energy Research Associates, said in remarks prepared for a conference today at Georgetown University.

### ["Golden age" of oil refining margins to end](#)

The global "golden age" of record refining profits is likely to be over by the end of the decade thanks to more capacity from new plants and higher costs due to record crude prices, industry analysts say.

Signs the boom is faltering have already emerged. ConocoPhillips suspended production at its German refinery for a month in August due to low margins, an unusually long shutdown in the peak summer driving season.

### [China diesel squeeze persists as oil tops \\$93](#)

China's worst diesel rationing in four years may last several more weeks as record oil prices choke output from independent refineries and the top suppliers show no rush to top up imports, industry officials said on Monday.

### [Tokyo Electric to Pay Record Price for Fuel Oil From Nippon Oil](#)

Tokyo Electric Power Co., Oji Paper Co. and other Japanese fuel oil users will pay Nippon Oil Corp. record prices in the three months to December.

### [Enbridge to Further Expand N.D. Pipeline](#)

The \$150 million expansion will increase total system capacity from 110,000 barrels per day to 161,000 barrels per day. The project will add 40,000 barrels per day of capacity from the western end of the system to Minot, N.D., and 51,000 barrels per day of capacity from Minot to Clearbrook, Minn. Enbridge expects the expansion to come into service by late 2009.

### [Flying J Shuts Unit at California Refinery After Power Failure](#)

Flying J Inc., a closely held operator of refineries in Utah and California, shut a hydrocracking unit after losing an electrical transformer.

### [Russia to open oil futures exchange](#)

Russia's Ministry of Economic Development and Trade is setting up a domestic oil futures exchange, which will trade not only the best-known Russian crude, Urals, but also the new export blend REBCO.

### [PetroChina to Raise \\$8.9 Billion in China Share Sale](#)

PetroChina Co., the nation's largest oil producer, will raise 66.8 billion yuan (\$8.9 billion) in the world's biggest share sale this year to expand refineries and increase output at oilfields.

### [Supreme Court to review Exxon Valdez case](#)

The Supreme Court on Monday agreed to decide whether Exxon Mobil Corp. should pay \$2.5 billion in punitive damages in connection with the huge Exxon Valdez oil spill that fouled more than 1,200 miles of Alaskan coastline in 1989.

The high court stepped into the long-running battle over the damages that Exxon Mobil owes in the spillage of 11 million gallons of oil into Alaska's Prince William Sound, the worst oil spill in U.S. history.

### [A breakthrough in the India-US nuclear deal](#)

India's nuclear deal with the US might be saved. After weeks of bad news, with the Indian government failing to get its Communist-led parliamentary allies on side, the ground is at last shifting and it looks as if the Bharatiya Janata Party, India's main opposition which has been objecting to the deal, might save the day.

### [The Last Days of the PetroDollar](#)

The world's economy runs on oil, and as long as all the oil producing nations demanded dollars for their crude then American dollars were in reality backed by oil. In other words, it was Bretton Woods II.

...Being able to print the world's reserve currency at no cost also means that interest rates are kept at an artificially low level because foreigners need our dollars more than we need their savings. It also means that massive trade deficits are not an important issue because we can always print more dollars to pay for the goods that other nations produce.

### [Mexico Pemex Halts One-Fifth of Crude Output on Storm](#)

State oil monopoly Petroleos Mexicanos, the third-largest supplier to the U.S., shut down output of 200,000 barrels at noon New York time yesterday and was planning to idle wells that produce a further 400,000 barrels by midnight in Mexico, Carlos Ramirez, a company spokesman in Mexico City, said late yesterday. The wells would be shut until at least Oct. 30, Ramirez said, without elaborating. Mexico pumps about 3.1 million barrels of crude a day.

"We stopped production because there's no way to move the crude," he said.

### [Oil barons turn to hi-tech solutions](#)

Rising energy costs and uncertain reserves are prompting the oil industry to look to technology to increase output from existing fields and find new sources.

The industry is gearing up for higher prices and is trying out new technological methods to extract the maximum from each well.

Most fields yield only 35 per cent of their oil, but Saudi Aramco has raised that to 50 per cent using technological innovation and is aiming for 70 per cent by 2027.

### [James Mound's Weekend Commodities Review](#)

The market suckered in a lot of shorts, me included, and then rocketed back to fresh

highs amid growing geopolitical concerns. While the concept of peak oil (the end of the growth cycle of this limited life natural resource) is well supported, it does not necessarily support the current extremes. The market is in a short covering frenzy, overextended beyond what any normal relative strength scale would measure and setting up for a serious bull suck-in and shakeout.

### [UK: Energy questions that will need to be answered](#)

Environmentalist Jeremy Leggett, who wrote a book about oil depletion called *Half Gone*, says that the British government and our energy industry is in “institutionalised denial”.

It’s chilling (and will get chillier) and we can’t say we weren’t warned, but both answers and action seem as elusive as ever.

### [Hydrogen for the future](#)

“Hydrogen is a very promising fuel for the future,” says Greg Naterer, a UOIT professor and researcher.

Dr. Naterer has much reason to be optimistic. He is the lead researcher on a multi-million dollar project that is hoping to solve at least part of the world’s energy crisis.

Deffeyes has updated his web site: [Feedback Loops](#)

Jeff Vail posted on [www.theoil Drum.com/node/3017](http://www.theoil Drum.com/node/3017) a list of feedback loops that would diminish oil availability after the oil peak. Vail's piece is thoughtful. I highly recommend reading it, preferably before reading my comments about it.

Vail identifies five feedbacks from a diminished oil supply that would make the problem even worse. I'll take the risk of stating them briefly...

### [Peak Oil And Famine: Four Billion Deaths](#)

At some point in the early years of the 21st century, there will be a clash of two giant forces: overpopulation and oil depletion. That much has been known for a long time. It is also well known that population must eventually decline in order to match the decline in oil production. A further problem, however, is that it will be impossible to get those two giant forces into equilibrium in any gentle fashion, because of a matter that is rarely considered: that in every year that has gone by — and every year that will arrive — the population of the earth is automatically adjusted so that it is almost exactly equal to its carrying capacity. We are always barely surviving. Population growth is soaring,

whereas oil production is plunging. If, at the start of any year, the world's population is greater than its carrying capacity, only simple arithmetic is needed to see that the difference between the two numbers means that mortality will be above the normal by the end of that year. In fact, over the course of the 21st century there will be about 4 billion deaths (probably about 3.6, to be more precise) above normal.

### [Strategic Implications of the Surge in Oil Prices](#)

The enrichment of the oil-producing states and the growing dependence on Arab oil will strengthen those states politically, particularly in the eyes of oil importers, including those in Asia whose role in global affairs is growing. Moreover, some companies may prefer not to do business with Israel or invest in Israeli companies in order not to harm ties with Arab states and Iran. At the same time, political use of the oil weapons is not likely in the foreseeable future given the lack of solidarity in the Arab world and the state of relations between the oil-producing states and the West.

### [More heat than light](#)

We cannot allow institutions like the World Bank to impose ill-conceived carbon-based energy reforms on developing nations.

### [Great Lakes key front in water wars](#)

While the West burns and the Southeast bakes, there is little to suggest a large-scale, climatological catastrophe playing out any time soon in the Midwest. In fact, farmers in Iowa and Minnesota had trouble last week harvesting their corn and soybean crops because there had been too much rain.

But potentially huge battles over water are looming in the Great Lakes region as cities, towns and states near and far fight for access to the world's largest body of fresh surface water, all of it residing in the five Great Lakes.

### [Massachusetts: Water levels fall; drought fears on rise](#)

The lawn is scorched, the saplings are shriveled, and the local ponds and streams are lower than usual.

It's not as bad as Malibu, Calif., Atlanta, or the Great Lakes, but Massachusetts is suffering from drought.

### [Oil leaps to record over \\$93 on Mexico, dollar](#)

Oil leapt to a record high for a third day on Monday, surpassing \$93 as Mexico briefly halted one-fifth of its production and the dollar struck new lows.

U.S. crude, which hit a high of \$93.20 a barrel earlier, was up \$1.02 cents at \$92.88 by 8:07 a.m. EST. London Brent, which hit a record high \$90, was up 89 cents at \$89.58.

### [Oil price likely to hit high of 1979](#)

Crude oil prices appear increasingly likely to hit their real terms record, that was reached during the second oil crisis in 1979, as nominal prices soar above Dollars 90 a barrel.

### [Could Crude Oil \\$100 Cause the Next Credit Crunch?](#)

The Financial Sector is still coming to terms with the US Subprime Mortgages induced credit crunch, could again be in the line of fire of a new credit crunch caused by crude oil surging to \$100, triggering a similar collapse of hedge funds and put the banking sector under renewed pressure as the crude oil credit crunch contagion spreads.

### [China to reach peak oil production as early as 2015](#)

China will see domestic oil production peak as early as 2015 with an annual output of 190 million tons, while gas production is expected to peak sometime around 2035 with an annual output of 120 billion cubic meters, a leading energy scholar said at an industry forum held in Beijing over the weekend.

### [Middle East can leave oily old cycle in the past](#)

A new power is taking its place in the world economy. After the disruptive emergence of China and India as key players with a decisive role in shaping global economic events, the Middle East is joining the race to challenge the dominance of the industrial West.

### [Iran Adapts to Economic Pressure](#)

Confronted by mounting U.S. and U.N. pressure, Iran has been steadily shifting its trade from West to East and, with the benefit of record high oil prices, is likely to be able to withstand the new U.S. sanctions, according to U.S., European and Iranian analysts.

### [California gears up for car emissions fight](#)



California plans to sue the Environmental Protection Agency this week for delaying a decision over whether to let the state aggressively reduce car and truck tailpipe emissions. The lawsuit's outcome could affect not only the California law aimed at cutting greenhouse gases but also the ability of other states to take similar actions.

### [GM to set up research center in Shanghai](#)

General Motors Corp. said Monday it will set up a \$250 million alternative-fuel research center in Shanghai amid efforts by global automakers to produce commercially viable alternatives to gasoline engines.

### ['Wall of money' set to flow into Asian renewable energy](#)

Green investors, pension funds and private equity managers have a "wall of money" poised to flow into renewable energy ventures in Asia where demand for energy is growing exponentially, say observers. Investable opportunities may remain frustratingly elusive but the sector could soon explode into life.

### [The Philippines: 170 scientists urge halt to oil exploration](#)

Marine scientists from all over the Philippines have called on the government to stop the oil exploration initiated by the Department of Energy in Tañon Strait because of threats it poses on whales, dolphins, fish and other marine creatures, people's livelihood, and potentially irreplaceable and invaluable natural heritage.

### [Climate Change's Uncertainty Principle](#)

The Intergovernmental Panel on Climate Change in its first report in 1990 predicted that temperatures would warm by 0.5 degree Fahrenheit (0.3 degree Celsius) per decade if no efforts were made to restrain greenhouse gas emissions. But the panel of scientists and other experts was wrong: By 2001, the group estimated that average temperatures would increase by 2.7 to 8.1 degrees F (1.5 to 4.5 degrees C) in the 21st century, and they raised the lower end to 3.6 degrees F (2 degrees C) this year in their most recent report. In essence, neither this international team of experts nor any other can say with any certainty just how bad global warming may get.

### [Cement Industry Is at Center of Climate Change Debate](#)

But making cement means making pollution, in the form of carbon dioxide emissions. Cement plants account for 5 percent of global emissions of carbon dioxide, the main cause of global warming. Cement has no viable recycling potential; each new road, each new building needs new cement.

Now, green incentives may be increasing pollution. The European Union subsidizes Western companies that buy outmoded cement plants in poor countries and refit them with green technology. But the greenest technologies can reduce carbon dioxide emissions by only about 20 percent.

### [Now with 50 percent less truth](#)

WHEN THE top public health official of the United States addressed the Senate last Tuesday on the health impact of global warming in this country, the senators - and the public - had a right to expect Julie Gerberding's full, unvarnished thoughts on this important issue. That's not what they got. In another case of the White House censoring what the public learns about climate change, the administration cut her testimony in half.



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