The Oil Drum: Europe
DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

ODAC Newsletter, Thursday 13 December

Posted by Doug Low on December 13, 2007 - 8:00pm in The Oil Drum: Europe
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1/ IEA exec says oil supply crunch looms (Business Week, Tue 11 Dec)

http://www.businessweek.com/ap/financialnews/D8TFC1300.htm

Comment: Just as media interest in oil supplies was waning, the IEA's Fatih Birol takes it back into the limelight again.

> A prominent energy economist warned Tuesday that global oil markets are at risk of being under-supplied as national oil companies gain greater control of the world's petroleum supplies.
>
> Some 37.5 million barrels a day of additional oil-production capacity is needed by 2015, but only 25 million barrels a day are planned, International Energy Agency Chief Economist Fatih Birol said.
>
> To narrow the gap, major oil producers, especially OPEC members, must ramp up production, Birol said, while major oil consumers, including the U.S., must make policy changes to ease demand.
>
> While those changes are possible, there are "no major reasons to be optimistic," Birol said at an event hosted by the Council on Foreign Relations. Birol said he is worried that oil-producing nations will allow parochial political interests to get in the way of global economic interests.
>
> ... But top global energy consumers, especially the U.S., China and India, also need to do their part by implementing policies aimed at easing demand, Birol said.
>
> If those two things do not happen, oil prices will remain near historic highs and that is not good for anyone, including the producers, he said. The average price of crude oil averaged $66 in 2006, and is expected to rise to $72 this year and reach $85 a barrel in 2008, the U.S. Energy Information Administration said Tuesday...

2/ How coal is the future (The Sunday Times, Sun 14 Oct)

http://www.timesonline.co.uk/tol/news/uk/science/article2631117.ece

Comment: An excellent but lengthy article (6 pages font size 10 printed) questioning how the UK will keep the lights on over the next 10-15 years or so while reducing carbon emission. On current trends, we would achieve neither. The author, Richard Girling, though avoids discussion of the 'Peaks', peak oil, peak gas, peak coal and peak uranium (but then again, so does everyone else). This leads to a wrong conclusion about natural gas supplies for the UK. He identifies correctly that the UK will have severe problems getting enough natural gas supplies in near future, and that another "dash-for-gas" (for gas-fired power stations) would be madness. But he puts the potential shortage of gas down primarily to geopolitics when the main problem is lack of gas, demand increasing much faster than supplies, and ultimately Peak Gas.

'How coal is the future' refers to underground coal gasification (UGC). See: Wikipedia, DBERR (for some reason or other this is in the renewables section of the DBERR website), World Coal Institute.

“Streets after dark belong to armed gangs operating black markets in everything from clean water to butchered pets... Fantasy it may be... ” Aren’t some of our streets like this already?

At 16 minutes after midday on October 17, 1956, at Calder Hall in Cumberland, the Queen pulled a lever and declared open the world’s first nuclear power station. In a high wind that crackled the pages of her script, she spoke of the “limitless opportunities which providence has given us”, and predicted that the peaceful application of nuclear power would be “among the greatest of our contributions to human welfare”. When the cheering died down, men with watch chains spoke of “epoch-making” events, and “energy too cheap to meter”.

Fifty-nine years later, in 2015, someone in the UK will flick a switch and nothing will happen. Eight years from now, the country will have only a fraction of the power it needs. Towns and cities blank out as the National Grid fizzles and dies. Pensioners die of cold, then putrefy in unchilled mortuaries. The only light comes from families burning their furniture. Streets after dark belong to armed gangs operating black markets in everything from clean water to butchered pets. Shop staff flee as customers brawl in the aisles over torch batteries and out-of-date Pot Noodles. The prime minister declares a national state of emergency but nobody hears him.

Fantasy it may be, but it’s hardly more preposterous than the government’s faith in miracles. Somehow, it seems to think, by native genius, good luck and the glad hand of beneficent world markets, the looming energy deficit will not take so much as a kettle off the boil. It invites us to have faith in the power of prayer. North Sea oil and gas are running out and world oil stocks are falling. The UK’s last few nuclear plants are of interest only to demolition contractors; so are its older coal-fired power stations. A third of the UK’s current generating capacity will be out of use by the middle of the next decade. International supplies of natural gas will be controlled by unstable countries on the wrong side of the ideological divide, while worldwide demand will soar. Sellers, not buyers, will rule the market. We’ll be okay, though. We can cover the fields in windmills; burn straw and cow dung; dam a few estuaries...

... The problem is easily stated. On current trends, the world will need 50% more energy in 2030 than it does today, which is a lot more than it’s got in the tank. Worse: energy-related emissions of greenhouse gases by then will be 55% higher, which means we’ll fry our grandchildren if not ourselves. These, I should say, are the government’s own figures, published in this year’s energy white paper, not some doodle on a muesli packet by the People’s Yoghurt Collective. To keep itself humming, and to compensate for the exhaustion of North Sea oil and the closure of power stations, the UK pretty desperately needs a strategy. For all its length (342 pages), the white paper is much more about “need to do” than “how to do”. It leaves that to “UK companies”, which will “need to make substantial new investment in power stations, the electricity grid, and gas infrastructure”. On how that investment is to be assured, or even encouraged, it remains largely mute (carbon-trading schemes are its best shot).

... Officials in the former DTI told ministers earlier this year that Britain had no chance of meeting the EU’s 2020 energy target, and suggested they should use “statistical interpretations” (ie, spin the figures) to get out of it. There is, in short, an orthodoxy of hopelessness in which wriggling deputises for action. The only excuse offered by friends of the civil service is that ministers failed to understand the difference between “electricity” and “total energy”, and that Tony Blair thought it was safe to back unattainable targets because the French and Polish would block them (they didn’t)...

3a/ Oil Price Rise Causes Global Shift in Wealth (Washington Post, Sat 10 Nov)

http://www.washingtonpost.com/wp-dyn/content/article/2007/11/09/AR200711...

Comment: “Prime Minister Gordon Brown, who took office in June, has made energy independence a priority.” Excuse me while I choke on my organic, gm-free cornflakes. Gordon Brown is an economist, and his govt shows absolutely no sign of understanding Peak Oil, or the fast approaching endemic natural gas and electricity supply problems.

A fairly good summary of one of the reasons why the USA and UK economies are going downhill, fast. Lengthy but worth reading.

> High oil prices are fueling one of the biggest transfers of wealth in history. Oil consumers are paying $4 billion to $5 billion more for crude oil every day than they did just five years ago, pumping more than $2 trillion into the coffers of oil companies and oil-producing nations this year alone.
>
> The consequences are evident in minds and mortar: anger at Chinese motor-fuel pumps and inflated confidence in the Kremlin; new weapons in Chad and new petrochemical plants in Saudi Arabia; no-driving campaigns in South Korea and bigger sales for Toyota hybrid cars; a fiscal burden in Senegal and a bonanza in Brazil. In Burma, recent demonstrations were triggered by a government decision to raise fuel prices.
>
> In the United States, the rising bill for imported petroleum lowers already anemic consumer savings rates, adds to inflation, worsens the trade deficit, undermines the dollar and makes it more difficult for the Federal Reserve to balance its competing goals of fighting inflation and sustaining growth...

3b/ Without reform, Mexico's crude exports will collapse: ministry (Platts, Tue 11 Dec)

http://www.platts.com/Oil/News/6652231.xml?p=Oil/News&sub=Oil?src=energy...

> Mexico's days as a major crude exporter are numbered unless deregulation and fiscal reforms -- along with better management of state oil company Pemex -- can release the nation's further oil potential, the energy ministry warned in a major document published Tuesday.
>
> The document, Crude Oil Market Prospectus 2007-2016, found that if Pemex continues to work within its current legal and fiscal constraints, crude production will fall over the period from 3.26 million b/d to 2.14 million b/d.
>
> As domestic consumption continues to rise, exports would slump from 1.87 million b/d to just 289,000 b/d over the period, a drop of 85%, the document predicted. Also, to meet the requirements of the Pemex refineries, light crude would have to be imported, peaking at 191,000 b/d in 2013. There would be no deepwater production until 2022 and only marginal deepwater exploration.
>
> However, the document also paints an "optimum" scenario in which reforms will free Pemex to launch deepwater exploration in the Gulf of Mexico and -- beginning in 2014 -- production. By deepwater the document says it refers to depths of more than 500 meters.

> Under the optimum scenario, Pemex would continue to produce about 3.2 million b/d of crude through 2016 while exports would drop to 1.5 million b/d from just under 1.8 million b/d in 2006.
>
> The ministry stated that almost 88.7% of Mexico's current crude exports go the US, a higher proportion than is usually reported by Pemex.
>
> The Crude Oil Prospectus was one of five reports presented Tuesday by Energy Secretary Georgina Kessel. But while prospectuses for natural gas, electricity, liquefied petroleum gas (LPG) and petroleum products have been presented for years by the ministry, this is the first time it has applied its crystal ball to crude.
>
> The no-reform scenario assumes that Pemex will invest an average of $9 billion a year over the decade. The optimum scenario points to 50% more investment.

3c/ Saudi Industrial Drive Strains Oil-Export Role (Zawya [Wall Street Journal], Wed 12 Dec)

http://www.zawya.com/story.cfm/sidDN20071211018063/SecMain/pagSaudi%20Ar...

Comment: An excellent and lengthy review of Saudi energy consumption, discussing both oil and natural gas, booming human population, booming industrial growth. Gives the impression that Saudi oil exports are on the way down due to domestic consumption, thus questioning the IEA's mantra Saudi-Arabia-will-provide. The amount of industrialisation described / yet-to-come is astounding.

> Long the biggest spigot for crude oil, Saudi Arabia now has broader ambitions. It wants to become a big exporter of chemicals, aluminum and plastic, and in the process to create jobs.
>
> So Saudi Arabia is on a building binge. In the works are new seaports, an extended railroad system, a series of new industrial cities and a score of refineries, power stations and smelters. Over the next dozen years, such Saudi investments are expected to consume $600 billion.
>
> But they'll also consume something else: large quantities of Saudi oil -- oil that otherwise could help slake other countries' growing thirst.
>
> ... The problem is that with output slumping in places like the North Sea and Mexico, the world is counting on increased oil supplies from the Middle East, and above all from Saudi Arabia. Global oil demand, now just over 85 million barrels a day, is expected to exceed 100 million barrels a day within 10 years. So the question arises: Can the kingdom continue to satisfy the world's growing oil needs at the same time as its own economic engine demands ever more crude?
>
> Within Saudi Arabia, there's heated debate over the wisdom of staking development on industries that use so much energy. A big aluminum smelter being built on the Persian Gulf coast, for instance, will consume upwards of 60,000 barrels of oil a day -- because the Saudis are turning to crude oil to make electricity. Yet the smelter will create fewer than 10,000 jobs.
>
> Some boosters want to build 10 smelters. They'd devour nearly 7% of the Saudis' current oil production.
>
> ... The result is that 22 barrels of every 100 the Saudis produce stay at home, compared

with under 16 of 100 seven years ago. Forecasts from the U.S. Energy Department and the International Energy Agency say that by 2020, Saudi Arabia will be consuming more than a third of its own oil -- leaving a lesser share for American cars, Indian airliners and Chinese factories.

... But bringing fresh batches of oil to market has become harder, even here. Average daily output in the kingdom, at just over nine million barrels, is almost identical to what it was 10 years ago, or, for that matter, 30. As some wells decline, the Saudis must bring on line an additional 600,000 barrels a day in production capacity each year, according to various estimates.

... Saudi leaders had a different model in mind when they launched their bid to remake their economy a decade ago. The plan was to fuel the industrial boom -- from new power stations to petrochemical plants -- with fresh stocks of natural gas. Saudi Arabia is thought to sit on the world's fourth-largest gas reserves, after Russia, Iran and Qatar. Geologists spent years in the mid-1990s identifying deep pockets of gas below giant oil fields. [ODAC: Note that Iran is a net gas importer, and at current rates of growth in domestic consuption, 9-10% since 1990, may be for years yet, and Saudi Arabia is neither an exporter or importer of gas, but may well become an importer in future, if it can get any.]

But AramcoAramco has been slow in bringing this gas on line. Saudi Arabia broke with longstanding practice starting in 2003 by signing deals with foreign oil companies to prospect for gas in the Empty Quarter. Despite more than $1 billion spent, the companies haven't found commercial quantities of gas.

So the Saudis switched course. Last year, King Abdullah mandated that crude oil be used to fire nearly all of the kingdom's soaring electricity needs. Natural gas, the government said, would be reserved increasingly for the booming petrochemical sector.

... The government's aim is to convert oil into jobs. "We want to use our oil to move beyond oil," says Fahd al-Rasheed, a former AramcoAramco finance officer. As deputy director of the Saudi Arabia General Investment AuthoritySaudi Arabia General Investment Authority, he is championing the creation of four new economic cities.

... The first of the new cities, the King Abdullah Economic City, is being built along a barren strip of Red Sea coastline about an hour's drive north of Jidda. For now, it's little more than an ornate stone entryway opening onto a network of roads lined by tall palm trees, with the Red Sea shimmering in the distance. Mr. Rasheed insists the city will open, at least in skeletal form, by early 2009. The king, he notes, "wouldn't have given his name to something that isn't going to happen."

The plans are nothing if not ambitious. The residential area will feature 108,000 apartments and 14,000 villas scattered in enclaves surrounded by factories. Construction is under way on a seaport, billed as the biggest on the Red Sea. Also in the works is a rail line to carry freight from the new port some 900 miles across the desert to a Persian Gulf port, Dammam.

A 3,000-megawatt power plant will provide electricity for King Abdullah Economic City. The plant will burn oil.

The government has broken ground on a similar city about 500 miles to the south, at the port of Jazan. There, the emphasis will be on heavy industries such as petrochemicals, copper refining and aluminum smelting, all big huge consumers of energy.

> ...The coup de grace is the $7.6 billion aluminum smelter, which Ma'aden is building in partnership with Rio Tinto Alcan, a unit of Rio Tinto Group. The smelter will mark Saudi Arabia's first plunge into one of the most energy-intensive industries, with others sure to follow. And similar smelting projects are in the works for the UAE, Qatar and Oman [ODAC: and Egypt].
>
> "Eventually," Mr. Dabbagh says, "everybody is going to come to the Gulf to make aluminum because this is where the energy is."

4/ What is Progress? (Monbiot.com, Tue 04 Dec)

http://www.monbiot.com/archives/2007/12/04/what-is-progress

Comment: Monbiot on climate change / cutting carbon levels. He argues convincingly that we still do not understand the nature / seriousness of the problems facing us. Ditto Peak Oil / Gas / Coal/ Uranium, although the latter may well solve the former (Monbiot argues that it won't).

> The numbers show that this should be the real question at the Bali talks. When you warn people about the dangers of climate change, they call you a saint. When you explain what needs to be done to stop it, they call you a communist. Let me show you why.
>
> ... The government proposes to cut the UK's carbon emissions by 60% by 2050. This target is based on a report published in 2000(3). That report was based on an assessment published in 1995, which drew on scientific papers published a few years earlier. The UK's policy, in other words, is based on papers some 15 years old. Our target, which is one of the toughest on earth, bears no relation to current science. Over the past fortnight, both Gordon Brown and his adviser Sir Nicholas Stern have proposed raising the cut to 80%(4,5). Where did this figure come from? The last G8 summit adopted the aim of a global cut of 50% by 2050, which means that 80% would be roughly the UK's fair share. But the G8's target isn't based on current science either.
>
> ... An 85% cut means that (if the population remains constant) the global output per head should be reduced to 0.537t by 2050. The UK currently produces 9.6 tonnes per head and the US 23.6t(9,10). Reducing these figures to 0.537t means a 94.4% cut in the UK and a 97.7% cut in the US. But the world population will rise in the same period. If we assume a population of 9bn in 2050(11), the cuts rise to 95.9% in the UK and 98.3% in the US.
>
> ... To stabilise temperatures at 1.5° above the pre-industrial level requires a global cut of 100%. The diplomats who started talks in Bali yesterday should be discussing the complete decarbonisation of the global economy.
>
> ... The real issues in Bali are not technical or economic. The crisis we face demands a profound philosophical discussion, a reappraisal of who we are and what progress means. Debating these matters makes us neither saints nor communists; it shows only that we have understood the science.

5/ Is biofuel industry boom going bust? (Arkansas Online, Sun 02 Dec)

http://www2.arkansasonline.com/news/2007/dec/02/biofuel-industry-boom-go...

Comment: The full article is for subscribers only. But the gist of the article can be fully understood from this comment from an ODAC contact:

Dear Doug,

The Arkansas Democrat-Gazette carried a long story today, "Is biofuel industry boom going bust?"

I sent the author the following email.

Dear Nancy Cole,

When I read your well done comprehensive piece I failed to see where biofuels have any bearing on alleviating the oil crisis. Sure, it's important to those in the business of biofuels but arithmetic shows it's too puny to have a detectable effect on petroleum. But it's not too puny to increase starvation and make eating more expensive for everyone on the planet.

Almost nobody touting solutions to the energy crisis does any arithmetic. When people see biodesiel production they see large numbers. One reason the numbers look impressive is the they are quoted in gallons per year. Put them in production units for oil. B/D, and they almost disappear. One measly B/D, barrel per day, is 42X365 or 15,330 gallons per year.

You show 225 million gallons of biodiesel produced in 2006. That's about 15,000 B/D. The US uses about 22 million B/D, then 99.93%of our oil consumption is not biodiesel. The really depressing fact is that just the annual demand increases swamp increses in biodiesel production.

I understand that yours was a business article and not meant to address the energy crisis but I still think some perspective ought to be shown.

Regards, Don Hirschberg

> The fledgling U.S. biodiesel industry is struggling to cope with soaring soybean-oil prices, a glut of production capacity and a poorly developed distribution system.
>
> One of Arkansas' two biodiesel producers operates only seasonally, yet four new plants are scheduled to open during the first half of 2008, adding more than 63 million gallons of annual production capacity to the existing potential of 27 million gallons.
>
> Industry experts say a shakeout is inevitable, with many plants closing and others operating at well below their production capacities.

6a/ The Business Show [video] (The Telegraph, Tue 11 Dec)

http://link.brightcove.com/services/link/bcpid1155270086/bclid1171884836...

Comment: The Telegraph's Business Show (4 minute video) discusses nationalisation of Northern Rock.

6b/ British businesses set for more 'busts' in 2008 (The Telegraph, Tue 11 Dec)

http://www.telegraph.co.uk/money/main.jhtml?xml=/money/2007/12/11/bcnins...

> The number of British companies going bust next year will reach its highest level since

the fall-out of the dot.com crash five years ago, according to accountant BDO Stoy Hayward.

Business failures are forecast to rise 9pc in 2008 to 17,697, as the credit crunch, higher interest rates, and slowing economic growth all take hold.

The situation is expected to get even worse in 2009, with the number of insolvencies up by a further 2.5pc to 18,142.

The fate of UK businesses looks worse next year than it was in 2003, when the aftermath of the dot.com bubble burst resulted in 17,546 business failures.

BDO said that the worst hit sectors were likely to be retail, manufacturing, property and construction, and services.

The services sector is expected to be hardest hit, with an estimated 15pc increase in the number of businesses going bust, to 3,757, as financial services companies take the brunt of the collapse of the US sub-prime mortgage market...

6c/ Food prices rising at highest rate for 14 years (The Telegraph, Tue 11 Dec)

http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2007/12/11/nprices1...

Food prices are accelerating at their highest rate for 14 years - and running at more than three times the rate of inflation, official figures show.

Increasing wheat and dairy prices mean food factories are having to pay 6.6 per cent more for their raw ingredients than a year ago - the highest annual rise since 1993, according to the Office for National Statistics (ONS).

These increases will inevitably be passed to consumers, and economists warned that families would have to face even higher prices next year while having to cope with other rising living costs as the credit crisis starts to bite.

Ruth Lea, a leading economist and adviser to the Arbuthnot banking group, said: "All sorts of things are hitting people next year, from higher mortgage payments - despite last week's cut - to council taxes, which are likely to be much higher. Then look what is happening at the petrol pumps.

"Now you have pressure on food prices. They are all conspiring to undermine people's disposable income."

The data from the ONS came as separate figures showed milk prices hitting their highest level for 11 years...

6d/ 1.5m 'will struggle to find affordable mortgage' (The Telegraph, Thu 06 Dec)

http://www.telegraph.co.uk/money/main.jhtml?xml=/money/2007/12/05/cnmort...

Almost 1.5 million people who have to remortgage next year could find it "difficult, if not impossible" to find an affordable deal, the City's financial regulator has said.

In one of the starkest warnings yet over the impact of the credit crisis on Britain's housing market, Clive Briault said higher mortgage costs could prove "too much" for many homeowners to afford.

Interest rate rises, tighter lending criteria and higher borrowing charges would leave the more than 1.4 million homeowners coming to the end of cheap fixed-rate deals in a near impossible situation, he warned...

6e/ Housing market on the brink (The Telegraph, Mon 03 Dec)

http://www.telegraph.co.uk/money/main.jhtml?xml=/money/2007/12/03/ccom10...

Comment: Another excellent article analysing the current problems within the property market in the UK. Apparently it is not the subprime crisis that is the root cause of the falling house prices, but high interest rates and the fact that property prices are just so high people can no longer afford the ridiculous asking prices.

... The credit crunch is not the root cause of what is going wrong in the housing market. The decline in new buyer inquiries began at least six months before the onset of the problems in wholesale markets - as did the downward move in completed sales. There are two fundamental causes of the housing market slump, one proximate and the other underlying. The proximate cause is interest rates. Official interest rates began to rise last August and they are up in total by 125 basis points.

The second, fundamental reason is that property has become too expensive. What goes up too far must come down - and often too far as well. There are several indicators of housing market excess. My own favourite is the house price to earnings ratio, which currently stands in unheard-of territory at over six.

... Meanwhile, gross rental yields on property are running at around 5.3pc - below mortgage rates of roughly 6pc. This means that once you take account of all the incidental costs, landlords are making a running loss. It is only the hope of future capital gains that can justify hanging on.

On top of these pre-existing fundamental causes comes the credit crunch. The number of new mortgages approved by specialist lenders - those without a retail deposit base and who thus rely on raising funds in wholesale markets - is down 46pc over the past three months. Mortgage approvals by building societies by contrast are up 5pc over the same period. And there may be even more of an effect in the months to come as pressure on lenders intensifies.

... At present, there is acute downward pressure on the prices of purpose-built flats in city centres built for the buy-to-let market. In some cases the prices of such property are already 30pc down or more. By contrast, so far, the prices of good family houses in leafy suburbs are holding up well.

... In the last major downturn, prices started to fall in 1989 and continued to fall, depending upon which measure you look at, for between three and a half and six and a half years. In real terms house prices did not regain their 1990 level until 2002. Accordingly, during the recent housing boom, only the last five years have been breaking new ground; the previous 12 were simply recovering the ground lost since 1990.

Still, this time it's different - isn't it? Don't worry, I have learned enough not to throw away the humble pie just yet. It may well come in handy in relation to other awful forecasts. But at least as regards house prices, somehow I suspect that over the coming year I will not be forced to eat it.

Roger Bootle is managing director of Capital Economics and economic adviser to Deloitte.

7a/ China maintains thirst for power (Financial Times, Mon 10 Dec)

http://www.ft.com/cms/s/0/697c61ac-a74f-11dc-a25a-0000779fd2ac.html

The surge in Chinese power demand continued unabated this year, with the country adding capacity equivalent to that of the UK's entire electricity grid.

About 85 per cent of the new generating capacity of 90GW is coal-fired, highlighting the significant pressure on China at the talks in Bali this week over a global agreement to cut greenhouse emissions.

Although its economy is one-quarter to one-third the size of the US, China will take over as the world's biggest emitter of greenhouse gases this year, says the International Energy Agency.

Even with the surge in capacity, the newly generated power has easily been absorbed by a fast-growing economy still propelled by big investments in energy-intensive industries, such as steel, aluminium and cement.

... Power demand this year has grown at an annualised rate of 16.2 per cent, well ahead of the 2006 rate of 13.7 per cent, although it has slowed slightly in recent months.

... The figure could be even higher if there were a repeat of 2006 when 34GWs of new capacity were added in the last months of the year, largely due to official acknowledgment of power stations built illegally. A record 102GWs was added in 2006.

The rapid growth has produced a surge in new coal-fired plants, as they provide the only affordable energy that can be brought online quickly enough to meet rising demand.

China is investing billions of dollars in nuclear power and renewable energy such as wind power, but none can keep pace with the short-term demands of the economy.

In the 11 months to November, China closed 365 small coal power stations, according to the China Sustainable Energy Foundation, equal to 11GWs of generating capacity.

Once they are taken into account, the net additional capacity is about 80GWs.

7b/ Cities told to keep food, oil reserves (China Daily, Wed 12 Nov)

http://www.chinadaily.com.cn/china/2007-12/12/content_6314411.htm

The central government Tuesday instructed 36 major cities to each maintain a minimum 10-day reserve of food and cooking oil supplies, as part of its measures to ensure market stability during the current period of rising food prices.

A notice jointly issued by five ministries led by the country's top economic planning agency, the National Development and Reform Commission, said the move was necessary to ensure a "ready" emergency production and distribution system.

The cities include Beijing, Shanghai and Guangzhou.

Local governments were also asked to designate companies to ensure the sound production and distribution of food and cooking oil.

"Local governments should also inspect those companies regularly to ensure the quantity and quality of their reserves," the notice said.

Warning of major increases in the prices of corn, wheat and cooking oil, yesterday's notice came with an announcement from the National Bureau of Statistics that the country's key inflation indicator, the consumer price index (CPI), surged to an 11-year high of 6.9 percent last month, of which 5.4 percentage points were a result of food price hikes.

Grain prices last month rose 6.6 percent over the same period last year, while cooking oil prices increased 35 percent.

Pork prices, which have been blamed for the recent increase in the CPI, soared by 56 percent.

Nine straight months of consumer price hikes, fueled by the rising cost of food, have taken their toll on the public...

8a/ Hauliers split over fuel depot protests plan (Financial Times, Tue 11 Dec)

http://www.ft.com/cms/s/0/731f8c34-a777-11dc-a25a-0000779fd2ac.html

Comment: Most adults in the UK probably still remember very clearly the fuel demonstrations of Sept 2000, that were apparently within 24 hours of bringing the UK to its knees (no food in shops, no fuel for the emergency services etc.). Thus, the reason why this article states: "However, the memory of the fuel shortages of 2000 could be enough to provoke panic-buying, as it was in 2005."

Truckers angry about fuel duties have announced protests at refineries and fuel depots for Saturday.

Transaction 2007, a newly formed group, announced on its website that it planned "legal" protests across Britain and Ireland. A map showing the locations of Britain's 11 refineries was also posted on the site.

The Road Haulage Association [RHA], the main road freight trade association, distanced itself from the planned protest.

Fuel industry sources have pointed out that although the protests of September 2000 brought the country to a halt, an attempt to repeat the feat in September 2005 was short-lived and ineffectual.

It was not clear exactly what form the weekend's protest would take. One website contributor wrote urging people not to talk about a "blockade". However, other posters on the talk forums appeared to disagree.

... The RHA said it also wanted a cut in fuel duty, which it described as "absolutely crazy".

But it had surveyed its 9,000 members, which range from large transport companies to small owner-driver businesses, by e-mail and fax, and only 2 per cent of them had said they wanted to get involved in protests.

Transaction 2007, which says it includes RHA members among its supporters, had 1,186 registered users on its website as of Monday evening. It said the decision to mount protests was taken unanimously at a meeting in the Midlands last Thursday night.

8b/ More cars need extra roads, say experts (Financial Times, Wed 28 Nov)

http://www.ft.com/cms/s/0/4737695e-9d3e-11dc-af03-0000779fd2ac,dwp_uuid=...

Comment: A report from the RAC Foundation. 'experts' = experts at nonsense, but the public love them because they lobby for more roads: "to prepare the system for growing car ownership and use over the next 30 years". The lead 'expert' is a professor at Imperial College, London. Worst of all, "It [the report] is likely to be influential". He who pays the piper calls the tune.

Britain should be building roads at more than three times its current rate to prepare the system for growing car ownership and use over the next 30 years, according to a report published on Wednesday by the RAC Foundation.

The report, by three transport experts led by Stephen Glaister, professor of transport and infrastructure at Imperial College London, also says the country needs a scheme to charge for road use to make the best possible use of the network.

It is likely to be influential. A previous RAC Foundation report in 2002 was seen as important in persuading ministers to adopt road-user charging as policy.

The latest report argues there is a strong economic case for the UK to build at least 600 lane-kilometres of trunk road a year – equivalent to 100km of six-lane motorway. Current plans by the Highways Agency for England foresee the building of only about 125 lane-kilometres a year until 2015.

... The RAC report suggests that – after the costs of the charging scheme and the building of trunk roads – income from road users would be £15bn-£20bn higher in 2041 than current levels.

8c/ Italian truck strike stops fuel, food supplies (Reuters, Tue 11 Dec)

http://today.reuters.com/news/articleinvesting.aspx?type=bondsNews&story...

Filling stations across Italy ran dry and factories closed on Tuesday as truckers closed motorways for a second day in a protest over high fuel prices and contracts that threatened to bring the economy to a halt.

Blockading strategic points on highways, the truckers stopped cars and freight deliveries in a strike that business leaders said should be broken up by force if necessary.

Fiat shut down its car factories for lack of spare parts and told 22,000 workers to stay at home. Bewildered drivers in Rome were turned away from gas stations displaying hand-written signs to say there was no fuel due to the strike.

"If it doesn't stop by this evening all gas stations will close," said trade association Confesercenti which represents part of the fuel distribution trade. "Already 80 percent of them are without fuel."...

9a/ Iranian oil no longer available for U.S. dollars (RIA Novosti, Tue 11 Dec)

http://en.rian.ru/analysis/20071211/91913059.html

Comment: The author, Dr Igor Tomberg, discusses the evidence for where the USA dollar is headed. Mostly nothing to do with Iran.

Iran has decided to abandon oil export settlements in U.S. dollars.

Our current policy is to sell crude oil for any currency but U.S. dollars, Iran's Oil Minister Gholam Hossein Nozari said in a statement, adding that all settlements in the U.S. currency had been ruled out.

Iran has been considering this move for a long time, consistently limiting the inflow of petrodollars in the past two years. Iranian officials claim that the reason behind their decision is the devaluation of the dollar. An Iranian source said that the dollar's decline was greatly harming the oil exporting nations' economies and that they had no more trust in the U.S. currency.

However, there must be a political motive here as well. Parliament speaker Gholam Ali Haddad-Adel told a news conference in Baku in late November that "making most international settlements in U.S. dollars provides the United States with a tool to pressure other countries."

... Incidentally, on November 30, Gazprom's Deputy CEO Alexander Medvedev said in New York that the Russian gas monopoly was considering a possibility of selling gas for rubles instead of dollars or euros. The gas giant was compelled to change its currency policy by the current situation on the global financial markets. Although he did not specify the date, Andrei Kruglov, head of Gazprom's Finance and Economics Department, said the decision would be made soon enough.

Export operations pegged to the dramatically weakening U.S. currency are certainly economically inefficient. With gas, for example, the price is often fixed by long-term contracts, and the dollar may well lose 15% to 20% over the contract's term, given its current rate of decline. In any case, the dollar has lost 10% against the currency basket since the beginning of this year. The revenues of Russian gas exporters fell accordingly.

... In late November 2007, the General Manager of Dubai World Finance Center, Dr. Omar Bin Suleiman, said in an interview with UAE's newspaper Al-Bayan that at least three of the oil-producing countries of the Arabian Peninsula planned to stop pegging their national currencies to the U.S. dollar. Although Dr. Suleiman specified neither the countries nor the time for this decision, he still mentioned that UAE Central Bank was contemplating the idea.

> ... It is obviously impossible to stop using the dollar altogether as a global reserve currency, because it might lead to a collapse of the global finance. But there are many indications that nations are willing to reform the dollar-based system.
>
> ... It is clear that shifting all oil settlements to the euro (rubles, dinars or yuans) will take time, but Iran's demarche could seriously shatter the dollar's influence on global trade, especially if other petroleum producing countries follow suit.
>
> Dr Igor Tomberg, economist, senior research associate at the Energy Research Center of the Russian Academy of Sciences' Institute of World Economy and International Relations.
>
> The opinions expressed in this article are the author's and do not necessarily represent those of RIA Novosti.

9b/ Morgan Stanley issues full US recession alert (The Telegraph, Tue 11 Dec)

http://www.telegraph.co.uk/money/main.jhtml?xml=/money/2007/12/11/cnusa1...

> Morgan Stanley has issued a full recession alert for the US economy, warning of a sharp slowdown in business investment and a "perfect storm" for consumers as the housing slump spreads.
>
> In a report "Recession Coming" released today, the bank's US team said the credit crunch had started to inflict serious damage on US companies.
>
> "Slipping sales and tightening credit are pushing companies into liquidation mode, especially in motor vehicles," it said.
>
> "Three-month dollar Libor spreads have jumped by 60 to 80 basis points over the last month. High yield spreads have widened even more significantly. The absolute cost of borrowing is higher than in June."
>
> "As delinquencies and defaults soar, lenders are tightening credit for commercial, credit card and auto lending, as well as for all mortgage borrowers," said the report, written by the bank's chief US economist Dick Berner. He said the foreclosure rate on residential mortgages had reached a 19-year high of 5.59pc in the third quarter while the glut of unsold properties would lead to a 40pc crash in housing construction.
>
> "We think overall housing starts will run below one million units in each of the next two years -- a level not seen in the history of the modern data since 1959," he said...

10/ Caught Between a Growth Myth and a Price Doctrine (Washington Post, Sun 09 Dec)

http://www.washingtonpost.com/wp-dyn/content/article/2007/12/06/AR200712...

Comment: Warren Brown of the Washington Post writes a column in the ‘Cars’ section where although he does not mention Peak Oil or oil deletion, it seems to be the subtext. Fellow Americans, the age of cheap driving is gone, and so is growth.

> We are being taken for a ride, the conclusion of which will leave us in an unhappy place if

we allow Congress to continue treating us as children.

I am referring to current congressional thinking on national energy policy, which is based on the Myth of Endless Growth and the Doctrine of Uninterrupted Joy.

The myth assumes we can continue producing and consuming at eternally increasing rates without exhausting materials needed for production and consumption. It is based on the idea that there always is more of something from somewhere to be had in support of our greed.

The Doctrine of Uninterrupted Joy says we have a right to whatever resources are available wherever they are available at affordable prices -- best defined as prices lower than those paid by anyone else.

... We consumers like the legislation because, as was the case with the first CAFE law in 1975, the House bill requires us to do nothing for fuel conservation -- zip, zilch, nada.

Thus, the bill passed Thursday by the House effectively reinforces the tenet of original CAFE law. To wit: We can have our oil and guzzle it, too. And we can do both at the lowest fossil fuel prices in the developed world while pretending to be acting in defense of the environment

... The problem is that endless growth is a myth. History shows us as much. Empires rise. Empires fall. Observe the debris of our real estate market, the sad legacy of an empire built on property-flipping supported in large measure by bogus subprime loans. Has it not been proved that any market built on flipping is destined to flop -- that the unsustainable is in fact unsustainable?

Likewise, do any of you believe that oil is inexhaustible, that we can replace it easily and cheaply with alternative and renewable fuels, that we can develop easily and cheaply a safe and effective infrastructure for delivering those new fuels, ...

... Absent a veto, I suggest we enjoy the respite while we can. It is likely to be short-lived. Oil consumption is increasing in Asia, South America, Africa and Eastern Europe. Oil isn't getting any easier to find. Our Congress, in its dubious wisdom, has done little to put into place anything that faintly resembles an alternative fuels/renewable fuels infrastructure.

You think the subprime-lending real estate flop is painful? Just wait until our beliefs in the Myth of Endless Growth and the Doctrine of Uninterrupted Joy collide with global reality at the gas pump. The pain is just beginning. Here's to CAFE!