



## DrumBeat: January 11, 2008

Posted by [Leanan](#) on January 11, 2008 - 9:55am

Topic: [Miscellaneous](#)

### [ANALYSIS - Bush unlikely to pressure Saudis on oil](#)

When he arrives in Riyadh on Monday, Bush would be well within his bounds to quiz the Saudis on how the de facto leaders of the OPEC cartel can tame oil prices that are an added blow to a U.S. economy tilting toward recession.

Saudi Arabia, the world's biggest oil exporter, produces about 9 million barrels per day and is in the midst of a major capacity boost aimed at relieving drum-tight global supply.

"Where are those 12.5 million barrels per day that their oil minister has been promising forever?" said Thomas Lippman, adjunct scholar at the Middle East Institute.

### [Surging oil prices fuel manufacturing inflation pressures in Canada](#)

Factory prices and the cost of raw materials surged in November as the high cost of oil showed signs of filtering through to the general economy.

Statistics Canada reported Friday that prices charged by manufacturers for their goods rose 0.6 per cent in November after six straight monthly declines. Meanwhile, raw material costs jumped 3.4 per cent, boosted by steep increases in oil and coal prices which have only accelerated in recent weeks.

### [U.S.A.: Almost Gone](#)

Oil remains a great concern as the price continues to hover around \$100 per barrel. The Democrats blame the Republicans, sighting the fact that the cost of oil before Iraq and the cost of oil today has more than doubled.

But then, had you read my book you would have been prepared for oil to hit these levels and keep right on going. Or had you listened to Texas oil legend, T. Boone Pickens, you could have also picked up on the fact that there is limited oil in the world. Mr. Pickens stated that the world has reached peak oil and the demand continues to climb; it's called supply and demand; not the Iraq war.

### [The future of oil? America's not in the driver's seat](#)

The big driver on oil prices today is rising Asia's burgeoning demand. At the Cold War's end, Asia accounted for 10 percent of global oil demand. Today it gobbles up double that share. Before 2025, Asia will become the oil market's global demand center, dislodging North America.

So it's basically our blood, their oil.

A second big driver is that many key producers are themselves becoming significant consumers, shriveling their capacity for exports. Indonesia became a net importer years ago while Mexico, a huge supplier for the United States, will head down the same path unless it soon opens up its national oil company (NOC) to foreign direct investment.

### [Argentina to reopen diesel, gasoline exports](#)

Argentina's government struck a deal with oil companies on Friday to reopen gasoline and diesel exports once domestic prices for the fuels are rolled back to Oct. 31 levels, a government source said.

State news agency Telam reported on Monday that Argentina had frozen exports of the fuels to boost dwindling supplies in the local market and stem rising costs.

### [Russia ready for greater foreign investment in oil and gas projects](#)

Russia is ready to consider greater foreign participation in oil and gas projects, including on its continental shelf, a first deputy prime minister said on Friday.

### [Older Arctic sea ice replaced by young, thin ice, says study](#)

A new study by University of Colorado at Boulder researchers indicates older, multi-year sea ice in the Arctic is giving way to younger, thinner ice, making it more susceptible to record summer sea-ice lows like the one that occurred in 2007.

The team used satellite data going back to 1982 to reconstruct past Arctic sea ice conditions, concluding there has been a nearly complete loss of the oldest, thickest ice and that 58 percent of the remaining perennial ice is thin and only 2-to-3 years old, said the lead study author, Research Professor James Maslanik of CU-Boulder's Colorado Center for Astrodynamics Research. In the mid-1980s, only 35 percent of the sea ice was that young and that thin according to the study, the first to quantify the magnitude of the Arctic sea ice retreat using data on the age of the ice and its thickness, he said.

"This thinner, younger ice makes the Arctic much more susceptible to rapid melt,"

Maslanik said. "Our concern is that if the Arctic continues to get kicked hard enough toward one physical state, it becomes increasingly difficult to reestablish the sea ice conditions of 20 or 30 years ago."

### [Peak Oil Passnotes: The Bears Are Back in Town](#)

As we enter 2008, there has rarely been a time when the prospects for the oil price could be so apparently volatile. Just take some of the figures we have at our disposal today as reminders.

One year ago the Nymex price for a barrel of crude fell just a shade under \$50 intra day. By the end of the year it was hitting \$99 per barrel, doubling in value inside 12 months.

Even more underwhelming for economic progress is the far end of the futures curve – then years hence - where crude has stubbornly resisted falling back too far under \$90 per barrel. We have inventories that have fallen around the world as very expensive oil is forsaken for just expensive oil.

### [BP starts L.A. refinery gasoline unit work - sources](#)

BP Plc was beginning a massive overhaul on Thursday of the gasoline-producing unit at its Los Angeles-area refinery, according to sources familiar with refinery operations.

Up to 4,000 contract workers are expected to be employed in the two-month overhaul of the 103,000-barrel-per-day (bpd) gasoline-producing fluidic catalytic cracking (FCC) unit at the 265,000 bpd refinery in Carson, California, the sources said.

A BP representative declined to discuss operations at the Carson refinery.

### [Nigeria: Senate Urged to Enact Law On Casualisation](#)

National Assembly has been asked to enact laws that would address what has been described as unfair labour practices by multi-national oil companies operating in Nigeria.

### [Russia to supply 50,000 tons of fuel oil to N.Korea Jan. 20-21](#)

Russia will supply 50,000 tons of fuel oil to North Korea on January 20-21 in line with a six-nation deal to resolve the country's nuclear problem, a deputy foreign minister said on Friday.

### [North Dakota: Refinery Study Group Formed](#)

Six Democratic state legislators and Agriculture Commissioner Roger Johnson have formed a task force to explore whether North Dakota should get into the oil-refining business.

Expanding North Dakota's refining capacity may help moderate prices for gasoline and diesel fuel, which are among the nation's highest, and assure a more regular supply, lawmakers said at a news conference Thursday.

#### [Russian oil spill threatens drinking water](#)

Russian volunteers on Friday scooped dead ducks out of a river outside Moscow polluted by an oil spill from a nearby power plant that is threatening to spread and contaminate drinking water.

#### [Shoppers in China will have to pay for plastic bags](#)

Shoppers in China will have to pay for plastic bags at supermarkets and other retail stores as part of a nationwide crackdown on the environmentally damaging items, the government has announced.

#### [Ireland to ban low-efficiency light bulbs](#)

Ireland is to ban the sale of traditional light bulbs from next year and promote the use of low-energy CFL bulbs, environment minister John Gormley said Thursday.

#### [Australian gov't aims to ditch plastic bags by year end](#)

Australia's government said Thursday it hoped to phase out the use of plastic bags from the nation's shopping centres by the end of the year.

Environment Minister Peter Garrett said billions of bags were being thrown away every year, causing pollution and harming native wildlife.

#### [Ahead for Heating Oil Users: a Record-Shattering Winter](#)

Penny Osborn never before needed help with the cost of heating, but the 57-year-old physician's assistant had been out of work most of last year recovering from cancer surgery. And as cold weather set in, she faced an \$855 bill to fill up the oil tank of her Colfax, Iowa, home—a delivery that would last only half the winter and already cost more than she paid for heat all last season. Osborn was able to fuel up only with federal

and state energy assistance, which defrayed about 60 percent of the cost of her first provision of oil.

Unfortunately, two days after that delivery—while Osborn and her 78-year-old mother, who shares her home, were visiting relatives on Thanksgiving Day—a thief siphoned her oil tank dry. "It rated right up there with getting the diagnosis of cancer," Osborn says of the discovery. With temperatures below freezing throughout December, she borrowed money from friends to buy enough oil until her doctors cleared her to work again. "My prayer is that I'll find work very shortly," Osborn says.

### [Mexico's Calderon Inaugurates Nitrogen Plant To Help Oil Production](#)

Mexico's President Felipe Calderon inaugurated a new nitrogen injection plant on Thursday to help increase oil production in the country's southern region.

State oil firm Petroleos Mexicanos has seen oil output fall steadily since reaching a peak in 2004, and is turning to advanced techniques such as nitrogen injection to increase pressure in oil and natural gas reservoirs, which improves extraction rates.

### [Mexico: Thieves cause diesel pipeline spill](#)

Thieves ruptured a pipeline that crosses the Gulf Coast state of Veracruz, spilling at least 79,000 gallons of diesel fuel Thursday and forcing the evacuation of at least 350 people.

...Fuel shot 25 feet into the air from the pipeline, according to residents, who told city officials that people who clearly were not Pemex workers had been extracting the fuel since Wednesday morning, Marquez said.

### [Hindustan May Buy Fuels From Essar, Mangalore, Reducing Imports](#)

Sourcing fuel from Essar, India's newest refiner, will lower imports to Asia's third-largest oil consumer, cutting margins for gasoline and diesel in the region. An auto boom in the world's fastest growing major economy after China is boosting fuel demand and prompting Hindustan Petroleum, Essar and Reliance Industries Ltd. to add refineries.

``Fuel demand in India will rise as more smaller, cheaper cars start rolling out," said Rohit Ahuja, analyst, at Mumbai-based J.M. Financial Ask Securities Ltd. ``That's encouraging new refineries to come up and existing ones to expand to meet demand."

### [PTT set to cut retail fuel prices if global prices continue falling](#)

Thailand's top energy giant PTT Plc says it is ready to cut local retail oil prices next week if global oil prices continue to fall.

Chaiwat Churitthi, senior executive vice president of the PTT Oil Business Group, said concerns over crude prices in the world market had now eased since oil reserves had increased and cold weather in Europe had lessened.

### [Uganda: Fuel Dealers Arrested](#)

THE Police in Masaka yesterday arrested a filling station manager and two pump attendants for taking advantage of the fuel shortage in the country to charge exorbitant prices, reports Ali Mambule.

### [Southern China faces power crisis again in 2008](#)

Southern China will again face serious power shortages in 2008, a problem that has plagued the booming economic region for years, the media reported on Friday.

### [Jefferson Bus Lines cutting back on long trips](#)

Long-distance bus riders in northwest Minnesota/northeast North Dakota will soon find themselves limited to traveling on certain days to reach their destinations. Jefferson Lines, which currently provides two daily bus service routes - northern and southern - from Bemidi, Crookston, Grand Forks and towns in between, announced Tuesday that it will cut these back by nearly half.

"This was a difficult decision for the company," Wendy Cymbaluk, Jefferson Lines director of marketing and sales, said in a news release. "Increased operating costs from soaring insurance and fuel costs make it necessary for us to look at every mile we operate."

### [Honeywell helps open fast-food gas stations in China](#)

China Petroleum & Chemical Corp., McDonald's Corp. and Honeywell International Inc. opened China's first gasoline station that will provide fast food and car services, tapping the nation's rising vehicle usage.

### [Ukraine: UkrGazEnergo warns of gas supply disruption](#)

Ukraine's largest natural gas supplier UkrGaz-Energo warned on Thursday that gas supplies in 2008 are at risk of disruption following the government's unexpected move

to cancel the company's supply license.

### [Oil, not China, sends trade deficit higher](#)

The U.S. trade deficit in November surged to the highest level in 14 months, reflecting record foreign crude oil prices. The deficit with China declined slightly while the weak dollar boosted exports to another record high.

### [New generation of nuclear reactors promises 'greener and safer' energy](#)

Energy companies building the next generation of nuclear power stations will choose between four models, the manufacturers of which have already applied to have their designs approved for use in Britain.

### [UK: Why 36 is the magic number for nuclear](#)

Your electricity bill will soar as the power supply becomes greener and more radioactive, in line with government policy. The proof lies in a single number buried in the White Paper on Nuclear Power, published yesterday.

The number is 36 and it will soon represent the meaning of life for the foreseeable future. It is not the price per kilowatt hour of electricity, nor is it the billions to be spent on nuclear waste management or even the cost of printing the 192-page White Paper. It is the cost of a tonne of carbon traded on Europe's Emissions Trading System (ETS) as forecast by the Government.

### [Galveston biodiesel plant to spend on repairs and claims](#)

The owners of a biodiesel plant in Galveston said Thursday they will spend \$15 million to upgrade the facility and settle legal claims against it after Chevron Corp. "abandoned" the project last year.

### [Bush To Push Saudi On Oil In Mideast Talks?](#)

The last time U.S. President George Bush met face-to-face with Saudi Arabia's King Abdullah, crude oil prices were nearly half their current price and Saudi oil output was 5% higher than it is now.

### [Sen. Lugar: 'Energy, Ideas' New Drivers to Avert Current Oil Crisis](#)



Confounding critics who allege that nothing of global intellectual value can emerge from the Hoosier state, the senior senator from Indiana on Jan. 4 hurled down the gauntlet against carbon and fossil fuel addiction.

U.S. Sen. Richard Lugar made his scheduled remarks less than 48 hours after the price of oil topped the \$100-a-barrel mark. This was an ironic milestone if one considers that Lugar first called for energy reform years ago when oil went at the now-impossible-to-believe \$20 a barrel.

### [Leftists without logic](#)

The utmost in economic idiocy comes from that shifty and oh so brilliant liberal writer, Thomas Freidman, columnist for The New York Times. His solution to the energy crisis is to add on a federal gas tax of a dollar or two per gallon. His brilliancy shines through because as he explains it, we could kill two birds with the same bullet. This tax would decrease the demand for oil and the taxes collected could be used to increase our badly needed social programs. Gee! Why didn't we think of this before? Like so many lefties and environmentalists he is pleased that gasoline is now selling at \$3.25 per gallon and the solution will be when our prices in this country reach 9 to 10 dollars a gallon. This now occurs in numerous European and socialist countries where gas is heavily taxed and in some instances the government owns and operates the entire oil industry ala Hillary Clinton.

### [Fuel shortages in northern Iran sparks riots](#)

Fuel shortages in sub-zero temperature in northern province of Mazandaran sparks angry riots.

Residents of Qaemshahr gathered outside the governorates office building yesterday to protest against the government's inaction to resolve fuel shortages after a gas supply cut off over the past two weeks. Lack of any move by the authorities to deal with the crisis while the country is going through one of its coldest winters angered protesters. They attacked the building and set fire to the offices.

The protest which started at around 14:00 local time yesterday went on till early hours of evening as the crowd grew in size spreading to other parts of the town.

Similar protests were reported in other towns and cities in the province including Sari and Babol. In these protests the crowds were shouting anti-government slogans damning the regime for its incompetence with record oil revenue. They were calling the leaders of the regime "a bunch of thieves and murderers" and ridiculing Ahmadinejad by saying, "instead of fighting the whole world you should resolve our basic requirements."

### [Persian Gulf Oil-Tanker Rates May Decline on Canceled Bookings](#)



The cost of shipping Middle East crude to Asia, the world's busiest market for supertankers, may fall for a 12th day on signs oil companies are canceling bookings and waiting for the market to drop.

Companies provisionally hire ships subject to port approvals and other conditions. It can take between one day and one week for an oil company to commit irrevocably to a ship rental and it costs nothing to cancel a conditional booking.

### [Economist predicts \\$1.50 a litre for gasoline](#)

"What we don't appreciate is that the oil-sands delays (we've seen) are not a unique story. It's happening in the very fields where the world is expecting to get its future supply," Rubin told the *Toronto Star*.

"Don't think of today's prices as a spike. Don't think of them as a temporary aberration. Think of them as the beginning of a new era."

### [The Real World: Oil at \\$100](#)

Is \$100 oil a cause to celebrate? The answer is, yes -- in the short term, and no -- in the long term. The answer also depends on who you are and where you sit.

Many oil exporting Middle Eastern government officials may think that the oil bonanza is here to stay. However, oil revenue is notoriously cyclical, with ups and downs wreaking havoc in the national budgetary process.

Petrodollars -- or petro-euros these days -- also have a nasty habit of causing a national addiction, crowding out non-oil sectors and making countries, business, and individuals dependent on one commodity only. This is hardly a prescription for a healthy economic model.

### [\\$1000 Gold? \\$100 Oil? One May Glitter While The Other Turns to Sludge](#)

Oil has been the other great commodity story of 2007. In fact as 2008 opens for business the fastest-growing bet in the oil market these days is that the price of crude will double to \$200 a barrel by the end of the year. According to Bloomberg, "Options to buy oil for \$200 on the New York Mercantile Exchange rose 10-fold in the past two months to 5,533 contracts, a record increase for any similar period. These contracts -- which are the cheapest way to speculate in energy markets -- appreciated 36 percent since early December as crude futures reached a record \$100.09 on Jan. 3." But are oil traders getting ahead of themselves? The demand for crude has been predicated on two key drivers -- geo-political risk and global growth.

### [Gazprom sees taking 10-15 pct of Irish gas market in first 5 years of ops](#)

Russia's Gazprom said it plans to take around 10-15 pct of Ireland's gas market in its first five years of operations in the country, the Irish Independent reported.

Jon Feingold, managing director of UK-based subsidiary Gazprom Marketing and Trading Retail, told the newspaper that the company would target high-end commercial clients and power stations.

### [Turkey to help US operate, transport Iraqi oil](#)

Turkey will help the United States to operate and transport neighbouring Iraq's oil as part of its drive to become an energy hub, Turkish Energy Minister Hilmi Guler told CNN Türk on Friday.

### [Secrets of Shell and Rolls-Royce come under attack from China's spies](#)

Shell, an Anglo-Dutch group, had to deal with a spying ring in Houston, Texas, security sources told *The Times*. Chinese nationals working for the company were preyed upon by state-backed operatives hoping to obtain confidential pricing information for its operations in Africa, the sources said.

### [UK: Going off the rails](#)

Rather than fining train companies for poor service over the new year, the government should be putting money into rail improvement.

### [Any Other Bright Ideas?](#)

For every eager adopter, though, there are plenty of holdouts. "I want to use fluorescents," said Kath Brandon, a health care recruiter in Denver. "I try to live as green as possible. I telecommute, I recycle, I try to group all my errands together so I don't have to needlessly burn extra gas."

But in her experience, compact fluorescents make her house look "dark, cloudy and cavelike." The bulbs do not emit a "warm, comforting, inviting feeling," she said. "Your home is your sanctuary," she said. "It's where you live and recharge, and it nurtures you."

### [Digital Tools Help Users Save Energy, Study Finds](#)

Giving people the means to closely monitor and adjust their electricity use lowers their monthly bills and could significantly reduce the need to build new power plants, according to a yearlong government study.

### [Raymond J. Leary: President Bush in Saudi Land. Questions to Ask While Holding King Abdullah's Hand](#)

Your Highness, my people at our Energy Department and my good friend Matt Simmons are somewhat confused. They tell me they know so little about your true production capabilities. That you have let it be known that Saudi Arabia holds 260 billion barrels of crude oil reserves. Then in March of last year the head of reservoir management at Saudi Aramco, estimated the kingdom's reserves were almost three times greater, being closer to 716 billion barrels and possibly as great as a trillion (1,000,000,000,000) barrels. You see, we feel strongly that the lack of transparency in oil markets and the poor quality of information available generally, and especially from you as the most important producer in the world, contribute enormously to volatility and uncertainties. Therefore we would be especially grateful were you to lift the veil of secrecy and share data on your output and reserves setting an example for oil producers everywhere. Could we count on your cooperation in this matter as it is a key to our economic planning and that of so many others?

### [Who's Afraid of Mideast Money?](#)

The men who manage the region's sovereign wealth funds are using the billions from Persian Gulf oil revenues to change the face of global finance.

### [Tar Sands vs. Clean Water: Eating the Earth for Cars](#)

The tar sands production center in northern Alberta in Canada is one of the clearest signs that the easy-to-get oil is on the wane. Tar sands are a low grade hydrocarbon deposit that requires enormous energy input to process and convert it into something resembling petroleum.

### [The High Costs of Doing Nothing, Part II](#)

In November 2006, California voters rejected Proposition 87, a ballot initiative to raise the oil industry's taxes by \$4 billion for research into renewable energy.

Four months before the ballot, a survey by the Public Policy Institute of California found that 61% of likely voters favored the idea, including 51% of Republicans.

What changed between the survey and the vote? The oil industry pumped more than \$60 million into a campaign to defeat the measure.

### [Home energy use gets a 'smackdown' on reality TV](#)

Even an 'überenvironmentalist' family found it could save a lot more when a competition was at stake.

### [Analyst calls oil at \\$100/barrel "pretty cheap"](#)

Crude oil at \$100 a barrel would still be "pretty cheap" because global oil demand shows no signs of abating and new energy sources are in short supply, a prominent U.S. oil analyst said on Thursday.

Matt Simmons, founder of Houston-based Simmons and Co International, dismissed the idea that a looming U.S. recession will tame crude oil prices, which have tumbled since they peaked above \$100 a barrel on January 3.

"Demand is far more durable than anyone ever thought," Simmons told Reuters in an interview. "We're on an insatiable growth curve."

### [Oil tanker on fire at Nigeria port, supplies not hit](#)

An oil tanker burst into flames at Nigeria's Port Harcourt on Friday after two loud explosions were heard, police and security sources said.

The tanker was most likely discharging refined fuel at the city's main port when it burst into flames, oil industry sources said, adding that supplies of crude oil from the world's eighth largest exporter were not affected.

### [Nigerian militants claim responsibility for port explosion](#)

Militants said Friday they remotely detonated an explosive device placed on a docked ship, and authorities said two people were injured in the fiery incident in restive southern Nigeria.

### [Oil price upswings go beyond fundamentals](#)

The fundamentals are no more in control of the market. New factors have emerged in the process — much beyond the grip of the traditional market players — impacting heavily on the global oil prices.

And the transformation has been rapid — taking place before our eyes — over less than a decade.

### [Arizona: Food Bank center looks to end need for help](#)

Andrews said the need for soup kitchens, emergency food boxes and other such Band-Aid remedies to hunger can be reduced by having a community-based food system with community gardens, shared kitchens, and education about such food-preservation techniques as canning and freezing.

"The new era we're entering is a more ecological approach to food, so it's more a theme of sustainability in light of climate change and peak oil and the economic realities that those things are driving," said Andrews.

### [Investing in a Resource-Constrained World \(Part I\)](#)

We are living in a resource constrained world, due to rapid depletion of many of the none-renewable natural resources, like oil, coal, and metal mineral resources. As the main stream media wake up to the Peak Oil reality, I believe it is important to keep the reality of a resource constrained world in our mind, when making investment decisions. In this article I want to talk about precious metals, including gold, silver, platinum and palladium, the rare metal tellurium and selenium, coal mines, agriculture, sugar, and fertilizers.

### [Warming forces Iditarod changes](#)

Citing a warming climate and sprawling development, officials with the Iditarod Trail Sled Dog Race said Wednesday they were implementing permanent logistical changes that in recent years have become the norm for the March event.



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