



DrumBeat: February 1, 2008

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Topic: [Miscellaneous](#)

[The Oil Paradox](#)

A worldwide slowdown won't end the oil price boom anytime soon.

...Oil is also not a normal commodity. A big part of today's high prices—and why they are still nearly double the level of a year ago, despite dark economic news—is that oil beats to backward economics. When the price of soybeans or steel rises reliably, farmers and steel millers boost output, and prices abate. When the price of oil rises, many suppliers do the opposite. This bizarre response comes not from the Organization of Petroleum Exporting Countries (OPEC), which is always in the news, but from the pernicious ways that oil wealth ripples through the societies that have most of the oil.

The most visible and worrisome effect of oil riches is the "resource curse." In poorly governed countries, oil wealth (and any other booty that is easily seized) actually impedes economic development because all politics is a struggle to loot the resource rather than to make long-term invests to improve human welfare. Governments that get easy money from natural resources don't need to rely so much on human productivity, which makes them less accountable to their populations. These factors explain why Venezuela, for example, is in perennial economic trouble despite having some of the world's greatest oil resources on its books. The current run-up in oil prices has allowed Hugo Chavez to bankroll a reckless foreign policy and has taken direct control over the country's oil fields. Having undercut Venezuela's oil company and scared away many of the most competent foreign investors, Venezuela's oil output is actually declining even though today's high oil prices would, in theory, make Venezuela's newest heavy-oil fields much more economically viable.

[Exxon profit builds on oil-patch blueprint](#)

The world's biggest oil company has stayed ahead of the pack by focusing on the oil patch, successfully placing big bets on finding reserves in corners of the world that carry huge risks - politically, as well as economically and geographically.

[Ecuador softens tone in oil deals renegotiation](#)

QUITO (Reuters) - Ecuador is willing to temporarily maintain current deals with foreign

oil firms to reach agreements in renegotiation talks aimed at increasing the state's participation in contracts, top officials said on Friday.

That signals a softer approach to talks from President Rafael Correa who has said firms should immediately switch from deals that allow them to keep part of the oil they extract to contracts permitting the state to keep that crude and pay them a service fee.

[Former oil company exec takes on global warming](#)

ANN ARBOR -- For the first 10 years or so that Steve Percy traveled around the country talking about climate change issues, his message was simple: It's happening.

Now, the former CEO of the oil company BP America has a slightly different message: Those people and companies who aren't working to combat climate change will be left behind.

[Adapting employment to fit a warming world](#)

Global warming may be the topic on everyone's lips, but the silence about the future of work in a warming world is deafening. The social flow-on from global warming will shake up the nature of work and the availability of employment for people in every country. In an era of uneven globalization, the impact of global warming is affecting every region, but it is not affecting all regions in the same way.

[IEA criticises OPEC decision not to hike output](#)

PARIS (Thomson Financial) - The International Energy Agency tacitly accused OPEC Friday of increasing pressure on a vulnerable world economy by its refusal to pump more oil to help bring down crude prices.

'While the Organisation of Petroleum Exporting Countries has decided to leave output unchanged, crude oil supplies remain very tight, as the IEA has noted for the past six months,' the Paris-based agency said in a statement.

'Very high oil prices may be adding additional pressures to currently significant economic risks,' the statement said. The IEA represents the interests of oil consuming countries.

[How oily is your candidate?](#)

If I didn't know better, I'd say "so much for the pulling power of oil money". Reports suggested that it played a big role in George W Bush's two terms in office, but according

to this stunning online interactive graphic, it was powerless to save Rudolph Giuliani in the 2008 primaries.

OilChange International is hosting the graphic, which shows just how connected each of the US candidates are to the oil industry – monetarily, of course.

Not only does it look good, the detail is stunning. You can click on a company and see a table of how much it has given to whom, down to the nearest dollar (or click on the candidate's mugshot to see how much they have received from all companies).

[Ukraine president aims to end domestic gas subsidy](#)

KIEV (Reuters) - Ukrainian President Viktor Yushchenko on Friday demanded an end to subsidised domestic gas prices to ensure that Naftogaz, the national gas and oil company, becomes solvent.

"The government is free to pursue any policy it wishes but things must be paid for," Yushchenko told a meeting of the National Security and Defence Council.

[Propane leak, fire reported at Wynnewood refinery](#)

WYNNEWOOD, Okla. (AP) - Officials at the Wynnewood refinery are trying to determine the cause of a propane leak that authorities say caused a brief fire this morning at the central-Oklahoma facility.

[IEA refutes 'peak oil', points to lack of investment](#)

Insufficient investment, political instability and blocked access to key oil and gas reserves have distorted the global fossil fuel market and driven up prices, according to the International Energy Agency, which has downplayed concerns about imminent oil shortages.

[Nozari: OPEC March delivery slump likely](#)

Iran's Oil Minister Gholam-Hossein Nozari said here Friday that the OPEC output cut in March is likely.

"Past years have shown that in an era such as the present time decrease in production can be necessary," Nozari told IRNA.

[Iraq has halted oil supplies to OMV](#)

VIENNA, Feb 1 (Reuters) - Iraq has halted oil supplies to Austria's OMV AG due to its oil exploration deal with the Kurdish regional government (KRG) in northern Iraq, Iraqi Oil Minister Hussain al-Shahristani said on Friday.

"The action has been taken from the first of January, everything has been stopped," the minister told reporters.

An industry source said the oil supplied was around 10,000 barrels per day of Basra Light crude.

[Eni CEO sees 2008 output close to 2 mln bpd](#)

"Eni will grow more than other (oil) majors: in 2000 output was lower than 1 million barrels, while in 2008 it will be close to 2 million," Scaroni told university students at a lecture.

[Chevron finishes 1st solar project phase](#)

SAN PABLO, Calif.—Chevron Corp. said Thursday it completed the first phase of a \$35.2 million solar-power project installation at the Contra Costa Community College District in California.

The overall project includes a 3.2 megawatt solar-power generation system, energy-management systems, electrical system replacements and high-efficiency lighting, heating, ventilation and air-conditioning equipment. The first phase of installation was for 2.65 megawatts worth of power generation, with the rest to be added this year.

[Big Oil has trouble finding new fields](#)

These should be the best of times for Big Oil.

Petroleum prices have tripled in five years, and gasoline prices reached record heights last summer. International oil companies are making the kind of money most capitalists can only dream of.

...And yet, for an industry awash in income, Big Oil faces serious long-term threats. Its profit and its very future are under pressure, both at home and abroad.

[China snow leaves millions in cold and dark](#)

GUANGZHOU, China (Reuters) - Millions of Chinese faced a humanitarian crisis on

Friday, as petrol and food reserves dwindled and yet more bad weather was forecast for a country paralyzed by record-breaking cold and snow.

More than 160 counties and cities in central China were suffering blackouts and water shortages, Xinhua news agency said, including Chenzhou, in Hunan province, a city of 4 million that has been without power and water for more than a week.

[Coal prices could double again](#) (audio)

All of a sudden coal, so long the Cinderella of fossil fuels, is not just in demand but in desperately short supply. A chance combination of crises in big producing and exporting countries has pushed the price of European imports to almost \$140 per tonne – double the level of a year ago. But according to Gerard McCloskey, publisher of McCloskey's Coal Report, there is no quick fix to the coal crunch, and prices may still have a long way to go.

For weeks South Africa has suffered rolling blackouts caused in part by a shortage of coal, prompting the government to threaten to commandeer coal exports to solve the domestic crisis. Gripped by unusually bitter snowstorms, China has recently banned coal exports for the next two months. And in Australia, the world's largest exporter, torrential rains have hit production.

[Pakistan: Gas supply shortage causes uncertainty](#)

ISLAMABAD: CNG stations witnessed an unprecedented rush on Thursday with vehicles waiting for their turn in long queues to get fuel due to the uncertain supply of gas.

Cashing in on the opportunity, public transporters increased the fares and the district administration and the government were left at the mercy of public transporters.

[Nepal: Transporters call indefinite strike](#)

Demanding regular supply of fuel and maintaining its quality, the transport entrepreneurs today announced an indefinite transport strike in the Valley beginning February 3.

[Oil giant's £14bn profits fuel anger](#)

Union leaders called the £13.9 billion profit – the equivalent to £1.5 million an hour – "obscene", at a time when motorists, pensioners and businesses are struggling to pay higher energy costs, with some suggesting the government levy a windfall tax on the

major oil concerns.

[Perhaps electricity doesn't lend itself to the free market'](#)

Richard Fox, executive director with the Senate Environmental Resource and Energy Committee, represents Sen. Raphael Musto. He says that the state legislature was led to understand the expiration of electric generation rate caps would be a "good thing," and that competition will drive down prices.

Now, the legislature fears crippling price spikes.

"There is deep concern in the legislation about this, and the legislators are tuned in to a great deal of testimony and the many ideas that are out there," says Fox. "We've had exhaustive research, hearings and testimony from many different sources. Perhaps, electricity doesn't lend itself to being a free-market commodity."

[Healthy alternative: Take mass transit](#)

ATLANTA — Want to lose weight and look better? Improve your heart rate, circulation and overall health? Then get out of your car and hop on the bus or train.

[New 'Green' Energy from Dirty Sources](#)

LOS ANGELES - Wall Street has piled billions into solar panels, wind farms, and other alternatives to oil and gas, but many investors also see big opportunities in making better use of older, dirtier energy sources.

"Very few people will tell you that efficiency is a really green form of energy, but it's the greenest of all," said Kevin Landis, chief investment officer of San Jose, California-based Firsthand Funds, which owns several energy efficiency stocks.

[UK: Flight tax to hit long-haul and heavy planes](#)

Airlines that fly long-distance routes and own the heaviest aircraft will be the biggest losers under aviation tax proposals announced by the Treasury yesterday.

[Legislators will hear from oil expert](#)

With oil prices around \$100 per barrel and some predictions gasoline soon will cost \$4 a gallon, an expert will appear before a joint legislative committee to share his opinions on peak oil demands.

Matthew R. Simmons, who served as an energy advisor to President Bush, is a prominent oil-industry figure and one of the world's leading experts on the topic of peak oil.

Simmons is scheduled to appear at a joint Minnesota House and Senate Energy Committee meeting February 4 at the State Office Building in St. Paul.

[Australia: ACCC to investigate fertiliser prices](#)

The Federal Government has asked the Australian Competition and Consumer Commission (ACCC) to investigate fertiliser prices, as part of the wider look into the cost of groceries.

Fertiliser is now so expensive and in such short supply that it will be out of reach of many farmers this season.

[Fuel shortage hits Rift Valley, Western and Nyanza](#)

A biting fuel shortage has hit Western, Rift Valley and Nyanza Provinces following the recent skirmishes experienced in the regions.

Energy PS Partrick Nyoike and KPC Managing director George Okungu said Kenya Pipeline Company too has been affected forcing them to provide security to its officers working in the company's offices in the regions and provide military escort to trucks transporting fuel.

Nyoike decried the fuel crisis in Western Kenya saying fuel tankers were finding it difficult to deliver fuel due to the illegal roadblocks in the region

[Uganda: Kampala Oil Dealers Begin Rationing Fuel](#)

SOME oil dealers have been forced to ration fuel at their filling stations as stocks continue to dwindle following the escalating violence in Kenya, Uganda's main oil supplier.

[Cut power exports to solve crisis - DA, union](#)

Cape Town - South Africa supplies about 6 percent of its energy to southern African states at about a quarter of the price of the local residential rate amid a power crisis.

The Democratic Alliance and the trade union Solidarity have proposed that South Africa consider ending power supplies to the region as the local shortfall was roughly the same

as the amount exported.

[Winter Weather Wreaks New Havoc in China](#)

Trains began running again in the Chinese city of Guangzhou, but the number of people stranded in train stations and highways, or otherwise affected by the country's severe winter weather, is in the tens of millions. New snowfalls were reported in Central China Friday, and parts of the country are reported to be down to only a few days' worth of coal to fuel power plants.

[China Storms Cause \\$7.5b in Damages](#)

BEIJING (AP) — Three weeks of crippling snow storms across China have inflicted \$7.5 billion in damages, the government said Friday, as it announced a \$700 million relief fund for farmers.

The freakish weather — the country's worst in five decades — has paralyzed China's densely populated central and eastern regions just as tens of millions of travelers were seeking to board trains and buses to return home for this month's Lunar New Year.

The storms have killed at least 60 people, closed roads, disabled the rail system, destroyed crops and exacerbated a coal shortage, forcing power plants to shut down and factories to cut production.

[Vietnam: Flight shortage affecting Tet travelers](#)

Air tickets are running out because the demand has exceeded the supply. The demand for traveling increases by 30-40% in the months before Tet and airlines can only provide 10% more flights.

In fact, airlines dare not offer more flights, because the more flights airlines provide, the bigger losses they incur. The fuel price has increase by three times, while the ceiling airfare remains unchanged. The world's oil price has reached the record level of \$100 per barrel, while the ceiling airfare has been capped at VND1.5mil since 2001.

[Mexican Senator: PEMEX Needs Foreign \\$](#)

Mexico (Prensa Latina) Manlio Fabio Beltrones, Senate coordinator of Mexico's PRI (Revolutionary Institutional Party), said it is impossible to consider that state oil company Petroleos Mexicanos (PEMEX) is doing fine.

"Modernization of PEMEX should have one fundamental axis: not to change the

constitutional article on the sovereignty of fuels. The oil belongs to the people of Mexico, and PEMEX is not for sale," he told press Thursday.

[Everyone who uses Iowa's roads should help pay for construction, repairs](#)

One of the major reasons there is a "shortfall" is that recent administrations have convinced the driving public to use less fuel by economizing and to purchase more fuel-efficient vehicles. By following these policies the public drives fewer miles in more efficient vehicles and therefore purchases less fuel, resulting in fewer tax dollars for road construction.

...If an increase is necessary, raise the tax on ethanol to the same as regular fuel. Taxpayers are already subsidizing the ethanol industry.

[Spare me your fuel sob stories](#)

I am tired of people complaining about how much gasoline costs here and how little elsewhere. If you like the prices better elsewhere, go there and buy your fuel.

Better yet, if you don't like the prices here, do something about it. Travel as little as possible. Sell your gas-guzzling tanks and drive sensible vehicles.

[The Petrodollar Bubble Pump](#)

Why did the prices of oil and other commodities rise so much? The reason is simple-- hedge funds funded indirectly by commodity producers pumped huge amounts of cash into commodities.

We do not disagree that oil demand has been rising and oil supply is relatively constrained. But an oil industry expert we have known for years argues that if top oil industry insiders believed oil prices would exceed \$60 per barrel for at least several years, tremendous amounts of new supply would come online not only from greatly enhanced drilling but from nontraditional sources such as oil shale and tar sands.

We believe oil prices of \$100 per barrel are due solely to inflows into hedge funds that use some of their new money to buy commodities. Funds of hedge funds typically allocate a portion of their new money to commodities. Where do hedge funds get a good deal of their new money? We think much of it comes from commodity producers. In other words, commodity producers were using some of the additional cash generated from higher commodity prices to invest in commodities, which in turn drove commodity prices higher still.

[Economist sees US better withstanding high oil prices - Peak oil](#)

As the price of oil doubled over the last year, it may have looked like 1973 all over again to some observers. But research by MIT macroeconomist Olivier Blanchard shows that a return to 1970s-style gas lines and stagflation-the grim mix of inflation and stagnant growth-isn't in the cards.

[Nigeria Seeks Joint Security Force In Gulf Of Guinea](#)

ABUJA, Nigeria (AFP)--Nigerian President Umaru Yar'Adua has called for a joint security force in the oil-rich Gulf of Guinea due to an upsurge in violence in the Niger Delta, a presidential statement said Friday.

"The establishment of the Gulf of Guinea Guard Force will address emerging security concerns at the region", the statement quoted Yar'Adua as saying during talks with Equatorial Guinean President Obiang Nguema Mbasogo in Addis Ababa.

[South Africa: Eskom asks DME to speed up mining rights process to ease coal supply gap](#)

State-owned utility Eskom has identified the long-term growth in supply of coal as a significant challenge for future generation capacity.

Speaking at the McCloskey South African Coal Exports Conference in Cape Town, on Friday, Eskom GM for Primary Energy Generation Rob Lines said that the projected demand for coal for existing and new power stations, which would average at 4% a year, far outstripped the projected production and supply of the commodity over the next decade.

[Eskom shocks for the South African apparel industry](#)

The load-shedding measures implemented by Eskom* described as a national emergency by Cabinet members constitute a severe impediment for growth in South Africa's apparel sector.

[Oil fields of plenty?](#)

Despite making £93m a day, Royal Dutch Shell has not impressed the markets, concerned by resource nationalism and rising extraction costs.

[UK: Petrol companies aren't ripping you off - the government is](#)

So near enough 70% of the price you pay at the pump goes into the government's coffers. And that's not the only benefit that the government gets out of \$100 oil. There's also the tax on North Sea oil producers, which was raised in both 2002 and 2005, so that oil companies pay 50% corporation tax on their earnings from the North Sea.

[New York: Westchester faces energy crisis, study shows](#)

White Plains – Westchester County faces an energy crisis, and state and local officials must act quickly to avoid the prospect of power shortages, blackouts and skyrocketing electricity bills that will hurt the county's quality of life and undermine economic growth. These are some of the warnings issued Thursday by a coalition of major regional business groups.

[UK: EG Music News](#)

SCHOOL OF SAMBA will soundtrack The Art Organisation's *Smarter Than Yeast* on Sunday - a day of free environmental workshops, that also includes eco-poetry and acoustic music. The event, which runs 2-10.30pm at the Station Street venue, aims to raise awareness of peak oil and climate change and bring together groups and individuals in Nottingham who are interested in environmental issues. The day will involve talks on peak oil, climate change and Transition Nottingham as well as workshops on wind turbines and permaculture. There will be a free shop open all day and the Everybody's Talking About Climate Change campaign bus will be there all day with solar panels, wind turbines, energy efficiency advice and pledges. For more details visit www.theartorganisation.co.uk

[FOSS to electric cars: not such a big leap](#)

It may sound somewhat strange to be talking about peak oil at Australia's national Linux conference - but Keech could find a parallel between a change from proprietary to FOSS software and moving away from petrol.

"Look at it this way: it's just that once again the status quo is not good enough for me. I was prepared to be a little different in choosing to use free and open source software and now I'm once again prepared to be different by using an electric car."

[Electricity storage: Ne plus ultra](#)

A new version of an old idea is threatening the battery industry.

[Michael T. Klare: How oil burst the American bubble](#)

The economic bubble that lifted the stock market to dizzying heights was sustained as much by cheap oil as by cheap (often fraudulent) mortgages. Likewise, the collapse of the bubble was caused as much by costly (often imported) oil as by record defaults on those improvident mortgages. Oil, in fact, has played a critical, if little commented on, role in America's current economic enfeeblement - and it will continue to drain the economy of wealth and vigor for years to come.

[OPEC freezes oil output, says supplies sufficient](#)

VIENNA (AFP) - OPEC left its oil production ceiling unchanged on Friday, snubbing US demands for an increase as the cartel focused on supporting prices which have fallen 10 percent since the start of the year.

Explaining its decision, the Organisation of Petroleum Exporting Countries said stockpiles of crude were likely to increase in the first half of 2008.

"I don't think the world should be concerned about a lack of oil; it should be more concerned about the financial crisis we are witnessing and its impact on world growth," OPEC conference president and Algerian oil minister, Chekib Khelil, told a press conference after the decision.

[Conoco, Statoil Shut North Sea Oil Fields on Storms](#)

(Bloomberg) -- ConocoPhillips started shutting production at three North Sea oil and gas fields and two platforms as storms brought high winds and waves to the region. StatoilHydro ASA shut two fields.

ConocoPhillips began closing the Eldfisk Alpha, Eldfisk Bravo and Embla fields and the Ekofisk Alpha and Ekofisk Bravo platforms at 8:30 a.m. local time today, ConocoPhillips spokesman Ingvar Solberg said in a telephone interview. The shut-in is expected to last 24 hours, Solberg said.

[Groups challenge Alaska petro lease sale](#)

ANCHORAGE, Alaska - Groups of conservationists and Alaska Natives sued the federal government Thursday to stop a petroleum lease sale of a large area of the sea off Alaska.

The plaintiffs claim the environmental review by the Minerals Management Service did not fairly evaluate the potential effects if offshore petroleum fields were developed in the lease area, just smaller than Pennsylvania.

[Exxon shatters all-time profit record](#)

NEW YORK (CNNMoney.com) -- Exxon Mobil made history on Friday by reporting the highest quarterly and annual profits ever for a U.S. company.

[Chevron 4th-Quarter Profit Rises on Record Oil Prices](#)

(Bloomberg) -- Chevron Corp., the second-largest U.S. oil company, said fourth-quarter profit rose 29 percent as crude prices climbed to a record on their way to topping \$100 a barrel last month.

[Mexican farmers protest NAFTA](#)

MEXICO CITY, Mexico (CNN) -- Hundreds of thousands of farmers clogged central Mexico City Thursday with their slow-moving tractors, protesting the entry of cheap imported corn from the United States and Canada.

[Hundreds of profs hold green 'teach-in'](#)

PORTLAND, Ore. - Global warming issues took over lecture halls in colleges across the country Thursday, with more than 1,500 universities participating in what was billed as the nation's largest-ever "teach-in."

[Australia experiences hottest ever January: weather bureau](#)

SYDNEY (AFP) - Australia experienced its hottest January on record this year, with the dry continent heating up as part of the global warming process, the bureau of meteorology said Friday.

['Doomsday' seeds arrive in Norway](#)

The first consignment of seeds bound for the "doomsday vault" on Svalbard has arrived in Norway.

Twenty-one boxes containing 7,000 seed samples from 36 African nations were sent by the Nigeria-based International Institute of Tropical Agriculture.

The final leg of the journey will take the seeds to the remote Arctic Island.

The vault is intended to act as insurance so that food production can be restarted anywhere on Earth after a regional or global catastrophe.

Built deep inside a mountain, the structure will eventually house a vast collection of seeds; safeguarding world crops against possible future disasters including nuclear wars and dangerous climate change.

[No targets reached at climate conference](#)

HONOLULU - A meeting of delegates from the nations that emit the most pollutants ended without concrete targets for slashing greenhouse gas emissions, but participants praised what they saw as a new willingness by the United States to discuss possible solutions.

[Climate 'could devastate crops'](#)

Climate change could cause severe crop losses in South Asia and southern Africa over the next 20 years, a study in the journal Science says.

The findings suggest southern Africa could lose more than 30% of its main crop, maize, by 2030.

In South Asia losses of many regional staples, such as rice, millet and maize could top 10%, the report says.

The effects in these two regions could be catastrophic without effective measures to adapt to climate change.



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