



DrumBeat: February 26, 2008

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[Oil Rises Above \\$100 to Record Close After the Dollar Declines](#)

(Bloomberg) -- Crude oil rose above \$100 a barrel to a record close in New York as the U.S. dollar fell to an all-time low against the euro, prompting some traders to invest in commodities as a hedge against inflation.

... Crude oil for April delivery rose \$1.65, or 1.7 percent, to settle at \$100.88 a barrel at 2:48 p.m. on the New York Mercantile Exchange. It was the highest close since trading began in 1983. Prices touched \$101.06 a barrel today. Futures reached \$101.32 a barrel on Feb. 20, a record intraday price. Prices are up 64 percent from a year ago.

Brent crude for April settlement rose \$1.78, or 1.8 percent, to \$99.47 a barrel on London's ICE Futures Europe exchange, a record close. Futures reached \$99.75 a barrel, the highest since trading began in 1988.

[Worries grow for worse 'stagflation'](#)

WASHINGTON (AP) - It's a toxic economic mix the nation hasn't seen in three decades: Prices are speeding upward at the fastest pace in a quarter century, even as the economy loses steam.

Economists call the disease "stagflation," and they're worried it might be coming back.

[Gazprom makes foray into coal-generated electricity](#)

MOSCOW: Gazprom, the world's largest producer of natural gas, said Tuesday it acquired a major Russian coal company in an asset swap that extended Gazprom's sprawling domestic business empire into the electricity market.

Gazprom's acquisition of Siberian Energy and Coal Company, the largest coal producer in Russia by volume, marks a major foray for Gazprom into coal. The move is part of a long-term industrial strategy to increase the use of coal in domestic electricity generation and home heating to free more natural gas for export.

[StatoilHydro confirms blowout of 16 bln nkr Statfjord field revamp budget](#)

OSLO (Thomson Financial) - Norwegian oil and gas group StatoilHydro ASA confirmed that cost overruns of the budgeted 16.1 bln nkr renovation of its Statfjord oil and gas field in the North Sea could amount to several billion crowns.

"It's correct. There has been inflation since the project was begun in 2005. A lot of this project is related to future production drilling which is impacted by higher drilling rig rates and inflation in the sector," said StatoilHydro communication chief Ola Morten Aanestad.

[Italy ENI's interest waning in oil sands, CEO says](#)

CAMBRIDGE, Mass. (Reuters) - Italian energy company Eni's enthusiasm for the Canadian oil sands sector is waning, its chief executive said on Tuesday, citing high costs and environmental concerns.

[PEMEX in Death Throes Amid Political Squabbling](#)

MEXICO CITY (IPS) - Mexico's state oil company, PEMEX, is broke, and the country's crude oil reserves will run out in less than 10 years. But although local politicians agree on the diagnosis, few are proposing solutions, while recriminations, by contrast, are flying thick and fast.

[US: Won't Be Easy to Collect \\$31B](#)

WASHINGTON (AP) -- A U.S. Interior Department official said Tuesday that the government may have a hard time collecting as much as \$31 billion in royalty payments for leases issued in the late 1990s unless a court decision that rejected the government's right to the payments is reversed.

[Japan: Fuel cell experiment to start at 150 households in Fukuoka](#)

FUKUOKA — The Fukuoka prefectural government said Tuesday it will start an experiment using fuel cells at 150 households in two housing complexes, which it claims will be the world's first example of setting up household fuel cell systems on such a scale, with 100 units in a single concentrated area.

[U.S. govt has no plans to stop adding emergency oil](#)

WASHINGTON (Reuters) - Despite record crude oil prices above \$100 a barrel, the U.S. Energy Department told Congress on Tuesday it had no plans to stop adding about 70,000 barrels per day of oil to America's emergency oil stockpile.

Katharine Fredriksen, who heads the department's Office of Policy and International Affairs, told the Senate Energy Committee that the Strategic Petroleum Reserve should reach a record 700.7 million barrels of oil by the end of March.

Many energy experts and U.S. lawmakers are against boosting the emergency oil stockpile at this time, saying taking oil off the market pushes crude prices higher.

Democrat Jeff Bingaman, who chairs the Senate energy panel, said the government should actually withdraw oil from the stockpile to put more supplies in the market.

[Oil prices and the dollar](#)

The depreciation of the US dollar has been closely bound up with the movement of oil prices, as world oil trade is typically denominated in dollars. Yet this relationship may now be under threat as the dollar continues to depreciate and the US economy tips into recession.

[Shell Offered Air Permit for Rig in Beaufort Sea](#)

(Bloomberg) -- Royal Dutch Shell Plc, the biggest winner in an Alaskan lease sale this month, was offered an air- quality permit for a drilling rig in the Arctic's Beaufort Sea.

The U.S. Environmental Protection Agency proposed a so- called ``minor" permit to regulate air emissions from Shell's Kulluk floating rig offshore the Alaska coast, the agency said in a statement late yesterday.

[The future is bright, the future is green](#)

Conventional energy investments over the past 10 years have seen strong returns as global demand for fossil fuels has increased. The thirst for oil from emerging economies such as China and India has been a significant driver - and a reason why it broke through the \$100 a barrel barrier this week - but so has the fact that existing oil reserves are declining faster than new ones are being discovered.

One of the consequences of the rising price of fossil fuels has been to make alternative forms of energy generation such as wind and solar more economically viable and global concerns about climate change and energy security only look set to accelerate this trend.

[Gazprom Threatens to Cut Ukraine Gas Supplies March 3](#)

(Bloomberg) -- OAO Gazprom, Russia's natural-gas exporter, threatened to cut supplies of the fuel to Ukraine March 3 if an accord on the repayment of debt isn't signed by next week.

State-run Gazprom will reduce deliveries by 25 percent at 10 a.m. that day if Ukraine doesn't sign an agreement reached Feb. 12 on debt and future deliveries, spokesman Sergei Kupriyanov said in an e-mailed statement today.

[Opec to shun increase as US slows](#)

A combination of economic slowdown in the United States and a seasonal fall in consumption will hit oil demand and Opec will not increase output when it meets next week, the producer group's president said on Tuesday.

'I can tell you they are not going to increase production because there are plenty of stocks,' OPEC President Chakib Khelil told Reuters.

'Gasoline stocks are high, then we have a second quarter reduction in demand and with the economic situation in the US, probably a recession, demand will definitely fall, maybe not by much.'

[Venezuelan oil byproducts supply to the US down 23.8 percent](#)

The downward trend the Venezuelan oil byproducts supply to the US recorded during 2007 remained unchanged in December and, in this way, annual average sales went down from 277,000 bpd in 2006 to 211,000 bpd in 2007, thus dropping 66,000 bpd or 23.8 percent.

Consequently, falling oil byproducts shipments pushed down total Venezuelan hydrocarbon sales to the United States. Based on the monthly report published by the Energy Information Administration, the statistical arm of the US Department of Energy, in 2006 Venezuelan crude oil and byproducts shipments to the United States totaled some 1.42 million bpd. In 2007, however, the figure declined 4 percent to 1.36 million bpd.

[Nigeria: Petrochina Quits Bid for Shell's OML 125 Block](#)

Few months after China National Offshore Oil Corporation Ltd (CNOOC Ltd) withdrew its bid for the Royal Dutch Shell OML 125, PetroChina, China's largest oil firm has also quit its bid for the same block.

Both companies were told that their bids, at around \$300 million to \$400 million, were too low for Shell's nearly 50 per cent stake in block OML 125, the Beijing-based source

familiar with the matter said.

[Ice melt means spike in Coast Guard Arctic operations](#)

Coast Guard officials say they have no official opinion about the human role in global warming — do carbon emissions worsen it, can its effects be slowed — but whatever the cause, there is water in the Arctic where there used to be ice. That means more ships can now use waterways that have long been frozen, and if they have trouble, the Coast Guard will get more calls for help.

[Mexico's oil output falls, Pemex needs cash infusion](#)

Coatzacoalcos, Mexico - Oil output in Mexico, the third-biggest supplier to the US, is declining, and the state company Petroleos Mexicanos (Pemex) lacks the technology to explore for new reserves. For many the answer seems simple: more capital.

But now that senators have begun debating ways to attain that capital – a top priority of President Felipe Calderón – resistance has mounted, particularly to the idea to allowing in private enterprise.

[Kunstler: Still Pretending](#)

I feel sorry for the next president. Even as he takes his oath of office, the nation will be flying apart like a seized-up engine. Since the fiasco in finance is happening in lock-step with Peak Oil (and very likely *because* of it at a fundamental level) we can expect one of the distortions to take the form of oil shortages. These shortages will come not just from demand bottlenecks in a stressed-out world oil allocation system, but because exporting nations will start demanding payment in Euros or something besides the depreciating currency that reflects our disintegration, and we'll have a problem coming up with payments that amount to at least fifty percent more than we're used to shelling out.

Once the US gets into serious difficulties with our oil supplies. every other sector of the economy wobbles, including especially the food-growing sector, which cannot function without copious amounts of diesel fuel and hydrocarbon-based soil "inputs." Americans will go hungry, and not just the "underclasses."

[Nuclear provider targets oilsands](#)

Alberta's oilsands industry faces a natural gas shortage by 2030 without new energy sources to offset gas use in oilsands expansions, the head of nuclear power giant Areva Canada Inc. said Monday.

Speaking in Calgary, Areva CEO Armand Laferrere said continued oilsands development would consume virtually all of Canada's current natural gas supply -- some 92 per cent - - by 2030.

"You need to diversify," he said on the sidelines of the Canadian Energy Research Institute's natural gas conference.

[Venezuela Official: Will Defeat Exxon In UK Court](#)

Venezuela's oil vice minister said the country will find a way to defeat ExxonMobil Corp. in a U.K. court in coming days despite the company's clout, and called the ongoing dispute with Exxon "not a big deal" for either party.

"We will not leave London cowing from a loss, because if Exxon wins it would set a bad legal precedent," Venezuela's Oil Vice Minister Bernard Mommer told local daily El Universal in an interview published Sunday. He recognized Exxon's clout as one of the world's most powerful oil companies but noted that the compensation case isn't that large in terms of money.

[UK's oil industry plea for more tax breaks](#)

Britain's oil and gas industry is warning that, unless activity can be stimulated through improved tax breaks, the UK will miss the government's North Sea production targets, resulting in more fuel imports, higher energy costs and lower tax revenues.

[Nationalization Bug Prepares to Bite in Ecuador](#)

Ecuador could arrive at an agreement with U.S.-owned City Oriente to end its contract to produce crude oil in the Andean nation, Ecuador's Energy Minister Galo Chiriboga said Monday.

"It won't be possible to renew the contract because it is non-viable from technical and financial factors. We are analyzing the possibility of ending the contract by mutual agreement ..." Chiriboga told reporters.

[South Africa: Mines under pressure amid energy crisis](#)

The power crisis in South Africa has forced miners to partially close mines, curbed output and put jobs at risk, triggering threats of street protests by unions in the world's top precious metals producer.

South Africa's key mining industry, a big foreign exchange earner and job creator,

ground to a halt for five days last month as an electricity shortage became a national emergency.

[Albania to Invest in Kosovo's Power](#)

Tirana - Albanian Premier Sali Berisha says his government plans to be a major investor in the construction of thermal power plants in Kosovo.

"We have stated it before and I will restate it that we would like to be a major stakeholder in Kosovo's thermal power plants," said Berisha during a a joint press conference with the head of Kosovo's parliament Jakup Krasniqi.

[Putin Pledges More Fuel For Tajikistan Emergency](#)

MOSCOW — Russian President Vladimir Putin pledged to help Tajikistan battle what the Central Asian nation's leader called "catastrophic" cold weather that has left only the capital, Dushanbe, with regular power supplies.

"There has never been anything like it in our country's history," President Emomali Rakhmon told Putin at the Russian leader's residence outside of Moscow on Thursday. "In the east now it is minus 25 degrees."

[Orlando gas prices reach new high](#)

The higher gas prices come just weeks before the busy spring-break period, when many families flock to the area's attractions and beaches. But tourism officials said they don't expect the extra costs to deter visitors.

"The only time we have seen gas affect tourism is when there was a shortage," said Danielle Courtenay, spokeswoman for the Orlando/Orange County Convention & Visitors Bureau. "It is something we constantly are watching."

[South Dakota: Panel cuts Highway Patrol funding](#)

PIERRE — A bill to restore a proposed \$2 million cut in the Highway Patrol budget in the next fiscal year was gutted to nearly nothing Monday by a tightfisted House Appropriations Committee.

...The Highway Patrol budget is funded primarily by state fuel tax revenues, but those revenues have been weak and Gov. Mike Rounds ordered the \$2 million cut.

[Shanghai GM: embrace future with green strategy](#)

On January 22, Shanghai GM, the sales champion in China's automobile industry in 2007, launched an all-directional green strategy with "Drive to Green" as the theme. Ding Lei, General Manager of Shanghai GM, said that a breakthrough in environmental protection and energy shortage was the prerequisite to auto industry's sustainable development. The "Drive to Green" strategy of Shanghai GM involves three aspects—green product, green system and green responsibility, which will provide China's consumers with green auto type with "better performance, lower energy consumption, less emission" through technological renovation, and play a more active leading role in the industrial chain, thus create a green ecological system in the industry through activating both the upper and the lower reaches.

[Jeremy Leggett: Renewed energy](#)

A recent German experiment shows that renewable energy, harnessed on a national scale, can indeed replace fossil fuels and nuclear power

[Smart ForTwo smart for few](#)

Daimler's tiny city car turns heads, but it has more than its share of problems.

[GOP should stop coddling Big Oil, make way for renewable energy](#)

This week the House of Representatives will vote on the Renewable Energy and Energy Conservation Tax Act of 2008. This act would eliminate \$18 billion in tax breaks for oil companies to help pay for extending renewable energy tax credits. If the House approves, we'll see if Senate Republicans can vote for good energy and environmental policy - or just vote for Big Oil again.

[New York: Energy report offers more hot air than significant solutions](#)

One of the dirty little secrets of renewable energy sources is that every one of them, to varying degrees, will drive the cost of energy up, not down. For you and me, and for business. That would be the real price for less reliance on foreign oil and fossil fuels generally, and for shrinking the carbon footprint that's turning our planet into a greenhouse.

[Innovation Is the Only Scarce Resource](#)

NJBIZ: It has become popular among lawmakers to introduce bills mandating the

development of nonfossil-fuel power to meet our growing energy needs. Are the timelines they propose realistic?

Carlson: They just don't seem to realize the scale of the issue they are talking about. We have three fellows publishing a book called "The Cubic Mile of Oil." One cubic mile of oil is the unit they came up with to convert all the confusing units of energy. One of the questions is how many units we are burning today, and the answer is three. And in 30 years that will be six. In order to convert one of the six cubic miles of oil to another power source would require the power generated by 50 atomic plants over 50 years. Are we doing that? No.

[Which orange juice should I buy?](#)

DRINKING 170 litres of water with breakfast would be ridiculous. You'd have your legs crossed all the way to work, which would be particularly problematic if you were doing the right thing by walking.

But that's the amount that goes into manufacturing just one cup of orange juice, the United Nations Educational, Scientific and Cultural Organisation says. Citrus is a thirsty crop.

Then there's the fuel that goes into the tractors, pesticides, packaging and transport of OJ. In addition, orange production uses more pesticides than any other major commodity, the World Wide Fund For Nature reports. There's obviously more to choosing a juice than whether to go for the pulpy or the smooth stuff. There's a fair bit to weigh up if breakfast is to be an environmentally champion affair.

[Are the days of easy-to-reach oil at an end?](#)

Apart from a new price high, this week has been more of the same - oil prices have been high, and boy, are they looking to stay that way.

But what people are talking about now is the one factor that may keep those prices in place.

And the words of the day are 'peak' and 'oil'.

Even in the UAE, where oil brings in the lion's share of the country's revenues, there is more than a little speculation about how much oil there really is.

[Matt Simmons: Twilight In The Desert - The Risk Of Peak Oil](#)

Matt Simmons has posted the slides from his presentation to the Minnesota House of State Representatives.

[Oil sands freeze a no-brainer for Big Oil](#)

Everybody loves a no-lose proposition. Some people make a career out of searching for them: the investor who pays \$10 for stock in a company with \$11 per share of cash in the bank; the acquisitive CEO who buys a struggling competitor, strips out the best asset and sells the rest at a profit. No-lose deals are hard to find, but the shrewd exploit them – and never let it be said that the big oil companies aren't shrewd.

[Angola: Oil Production Reaches 1.9 Mn Barrels Per Day](#)

Angola is since last week producing 1.9 million barrels of crude oil per day, thus moving from the previous 1.7 million until the end of 2007. Still, estimates indicate that by the end of this year the production should reach 2 million barrels a day.

[Russia's Gazprom signs agreement to develop Iran's huge South Pars field](#)

MOSCOW – Iran and Russia have signed a major energy deal.

Russia's state-owned Gazprom reported an agreement to explore and develop energy reserves in Iran. Gazprom said it would work with Iranian companies to develop the South Pars field, regarded as the largest reserves of natural gas.

[Plug-in cars could actually increase air pollution](#)

The expected introduction of plug-in hybrid electric vehicles could cut U.S. gasoline use but could increase deadly air pollution in some areas, two reports say.

That's because a plug-in's lower tailpipe emissions may be offset by smokestack emissions from the utility generating plants supplying electricity to recharge the big batteries that allow plug-ins to run up to 40 miles without kicking on their gasoline engines. Plug-ins, called PHEVs, are partly powered, in effect, by the fuel used to generate the electricity.

[Fresh records for price of wheat](#)

High-protein spring wheat on the Minneapolis Grain Exchange rose by almost 25% to record levels on Monday.

Kazakhstan has become the latest country to put export restrictions on wheat as it battles against inflation.

Russia and Argentina have already imposed similar export restrictions.

[CHINA: Staring At Grain Imports](#)

BEIJING (IPS) - With global food prices on an upward spiral, China is facing renewed fears that its growing demand for grain to feed the world's largest population may lead to imports from international markets, driving prices higher and spurring further food inflation.

The resurging "threat of China's food security" may have induced more fatigue than alarm if it was not coming at a time of unprecedented scarcity of arable land, which is increasingly being converted to grow biofuels, and because of fresh challenges posed by global warming.

['Doomsday' seed vault opens in Arctic](#)

LONGYEARBYEN, Norway - A "doomsday" seed vault built to protect millions of food crops from climate change, wars and natural disasters opened Tuesday deep within an Arctic mountain in the remote Norwegian archipelago of Svalbard.

"The Svalbard Global Seed Vault is our insurance policy," Norway's Prime Minister Jens Stoltenberg told delegates at the opening ceremony. "It is the Noah's Ark for securing biological diversity for future generations."

[Climate Critics Rattle Virgin Atlantic CEO](#)

LONDON - When a Virgin Atlantic Boeing 747 took off from London's Heathrow Airport on Sunday, carrying a symbolic 25% load of biofuel blend, most eyes were on the airline's billionaire president Sir Richard Branson. He called the event a "historic occasion," warned that peak oil could hit in the next six years, and voiced his frustration that other airlines were not working hard to promote biofuels.

But on the sidelines of the press conference, Steve Ridgway--the less well-known Chief Executive of Virgin Atlantic--was in a more thoughtful mood, voicing his concern over the pressures that had pushed the aviation industry into the environmental spotlight.

[3rd artificial flood set for Colo. River](#)

This is the third such test on the river since 1996, and it could end as the most controversial amid questions about whether the government has shirked its obligations to protect the canyon's natural resources.

At issue is how to manage a structure that stores water and provides electrical power for millions across the West, yet has also damaged a complex ecosystem.

[Indian tribes exercising water rights](#)

GREAT FALLS, Mont. — For decades, ranchers and farmers across the West have tapped into rivers and streams on or near Indian reservations. Now, as drought conditions plague big parts of the region, they're concerned their access to those sources could dry up.

Although the U.S. Supreme Court gave tribes the primary rights to streams on their reservations in 1908, until recently, 19 tribes in the West had not exercised those rights. This year, tribes in Montana, New Mexico, Idaho, Nevada and California are on the verge of securing their claims.

[Agnes B: fashion designer funds polar odyssey](#)

PARIS (AFP) - Paris fashion designer with a conscience, Agnes B. was among thousands

who massed on a seashore this weekend to give a hero's welcome to a sailboat that deliberately remained trapped in Arctic pack ice for almost a year and a half to research global warming.

[UN climate head: US stand a 'nonstarter'](#)

NEW YORK - The U.N. climate chief on Monday welcomed statements by Bush administration officials that the United States would accept a binding international commitment to reduce global-warming gases. But he said their insistence that China and other developing nations do the same "is not realistic."

"If it's a quid pro quo, then it's a nonstarter," said Yvo de Boer, executive secretary of the Bonn-based U.N. climate secretariat.

[Global Warming Melts New Sea Lanes for Norilsk, ConocoPhillips](#)

(Bloomberg) -- Norilsk, the world's biggest producer of nickel, is building its own shipping fleet to capitalize on the melting of the polar ice caps.

The company ordered five reinforced cargo vessels that can plow through the waters north of Siberia as new sea routes open. Norilsk is spending at least 320 million euros (\$467 million) to buy reinforced vessels rather than rent both freighters and icebreaker escorts.

The thawing sea "has enormous economic implications, and commerce is going to push this ecological zone to the limit," says Rear Admiral Timothy McGee, head of the U.S. Navy's Meteorology and Oceanography Command.



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