



## DrumBeat: March 5, 2008

Posted by [Leanan](#) on March 5, 2008 - 9:36am

Topic: [Miscellaneous](#)

### [Oil Rises Above \\$104 to Record on OPEC Output, Venezuela Tanks](#)

(Bloomberg) -- Crude oil rose above \$104 a barrel to a record in New York after OPEC gave no indication it will increase production, U.S. fuel inventories declined and Venezuela sent tanks to its border with Colombia.

Crude oil for April delivery rose \$4.89, or 4.9 percent, to \$104.41 a barrel at the 2:30 p.m. close of floor trading on the New York Mercantile Exchange. Futures touched \$104.64 a barrel, the highest since trading began in 1983. Prices are up 74 percent from a year ago.

### [Bush urges electric vehicles, saying U.S. must 'get off oil'](#)

WASHINGTON -- President Bush said the United States must "get off oil" and urged automakers to build fully electric vehicles like the concept Chevrolet Volt.

"We want our city people driving not on gasoline but on electricity. And the goal, the short-term goal, is to have vehicles that are capable of driving the first 40 miles on electricity," Bush said in a speech today at the International Renewable Energy Center.

### [Bush disappointed by OPEC decision: White House](#)

WASHINGTON (Reuters) - The White House on Wednesday said it was disappointed that OPEC chose to hold output steady in the face of record-high crude oil prices.

### [Bodman Says High Oil Price Caused by Low Supply](#)

(Bloomberg) -- Tight world oil supplies, not speculators, are driving up the price of oil to record levels, U.S. Energy Secretary Samuel Bodman said in an interview on Bloomberg Television today.

### [Exxon Raises Budget Above \\$25 Billion as Costs Climb](#)

(Bloomberg) -- Exxon Mobil Corp., which recorded the biggest profit for a U.S. company last year, will raise 2008 capital spending to more than \$25 billion to cope with escalating costs for drilling rigs and engineers.

The Irving, Texas-based company will increase spending on exploration, refineries and chemical plants by more than 20 percent from \$20.85 billion in 2007, according to a presentation Chief Executive Officer Rex Tillerson provided for analysts today in New York.

### [California cows start passing gas to the grid](#)

RIVERDALE, California (Reuters) - Imagine a vat of liquid cow manure covering the area of five football fields and 33 feet deep. Meet California's most alternative new energy.

### [Ukraine to pay gas bill, end crisis](#)

MOSCOW, Russia (CNN) -- Ukraine's government will force the company that manages its natural gas supplies to pay off its debts to Russia's Gazprom to resolve a crisis that reduced the flow of gas supplies into Ukraine and threatened to disrupt European gas supplies, Ukrainian Prime Minister Yulia Tymoshenko said Wednesday.

### [OPEC will 'support' Venezuela in Exxon Mobil row](#)

VIENNA (Thomson Financial) - OPEC members have pledged their support to Venezuela in its dispute with US oil giant Exxon Mobil, at today's production meeting in Vienna.

'The conference expressed its support to the Bolivian Republic of Venezuela and Petroleos de Venezuela SA (PDVSA), in the exercise of its sovereign rights over its natural resources, in accordance with international law,' the cartel said in an agreed communique from the meeting.

### [Venezuela moves tanks to border](#)

Venezuela has nearly completed its deployment of thousands of troops to states along the border with Colombia, a top general said Wednesday.

"Between 85 and 90 percent of the troops are situated," Gen. Jesus Gonzalez Gonzalez told reporters at a news conference, saying soldiers were largely sent to the border states of Zulia, Tachira and Apure.

### [Group Seeks to Halt S.C. Nuke Plant](#)

COLUMBIA, S.C. - An environmental group has asked South Carolina regulators to halt Duke Energy's request to include planning costs for two new nuclear reactors in its rates.

South Carolina Friends of the Earth contends nuclear power isn't safe, costs more than other energy alternatives and there is no solution for handling the waste generated.

### [Richard Heinberg - Post carbon living: beyond technofix](#)

On January 12, The Guardian quoted departing chief scientific adviser Sir David King as saying, "any approach that does not focus on technological solutions to climate change — including nuclear power — is one of 'utter hopelessness'."

It is useful to have this view so succinctly stated, because it is nearly the reverse of the position I will be exploring in this column, which is that there is an overwhelming need for non-technological responses to our global environmental crisis.

### [Ukraine: No reduction in transit gas](#)

KIEV, Ukraine - Ukraine's premier said Wednesday that the former Soviet nation would fully meet its obligations on transit supplies of Russian gas to European customers, denying a claim by Russia's state gas monopoly.

"Ukraine will carry all gas to Europe which Russia sends for transit," Yulia Tymoshenko said at a news conference. "We can't give or take, we only transport. If Russia wants to decrease its export volume, it does so."

### [Gazprom Spokesman Says It Expects to Announce End to Reduction of Gas Supplies to Ukraine](#)

MOSCOW (AP) -- A spokesman for Russia's Gazprom state gas monopoly says it expects to announce an end to reductions of gas supplies to Ukraine soon.

### [Pemex to boost output in declining Cantarell field](#)

Average output at Mexico's Cantarell oil field will decline by as much as 20% this year as the field matures, a Petroleos Mexicanos executive reported.

Carlos Morales Gil, Pemex exploration and production director, said the state firm will reverse the decline when the company installs new production equipment at the field. The energy ministry has said investment in Cantarell would reach \$5 billion this year.

Morales said output at Cantarell will range from 1.2-1.3 million b/d this year, compared with an average of 1.5 million in 2007.

### [Australia: Petrol 'will go to \\$3 a litre'](#)

IT is a petrol company's dream and every motorist's worst nightmare - fuel prices soaring to more than \$3 a litre.

As ridiculous and outrageous as it may seem, the country's biggest petrol company says it will happen, and believes Australians should think themselves lucky they aren't already paying more to fill up their tank.

### [\\$3 petrol prediction a 'scare tactic'](#)

A prediction by Caltex that motorists could be paying more than \$3 a litre for petrol within 10 years is an attempt to soften up consumers, Australia's peak motoring group says.

### [Eskom to Block Power to Some New Building Projects](#)

(Bloomberg) -- Eskom Holdings Ltd., South Africa's national power utility, won't approve some construction projects for four to six months as it assesses an electricity shortage that shut most of the country's mines for five days in January.

### [Recent electricity blackouts: The coal paradox](#)

As the number one thermal coal exporter in the world, Indonesia should not be facing a coal crisis.

### [Averting a biofuel food crisis](#)

The big winners currently are in the oil industry. The US grain industry is heavily subsidized and dependent on oil. Environmentalists are telling us that once you include all that oil and all those subsidies in your reckoning, biofuels do nothing good for the environment at all, in addition to the social havoc of food shortages in countries like Mexico.

Things need not be this way. Renewable energy from biofuels need not compete with food production, but two key campaigns need to happen...

### [Food shortage unnoticed](#)

Although most global attention has been riveted on the continuing falling dollar and new records set by gold and oil, little notice has been taken of the looming food disaster just around the corner.

The greatest economic mistake made by the current administration has been turning the world's most bountiful food basket into a failed attempt to alleviate the energy crisis.

### [The Nuclear Option](#)

The debate over using nuclear fission as a primary source of energy has raged for decades, but it has resurfaced more strongly than ever as petroleum prices reach new highs. Many European countries, particularly France, already rely on nuclear power as a primary source of electricity. France generates nearly 80 percent of its electricity from nuclear power. The debate continues in the United States, where nuclear power plants generate only 20 percent of electricity.

### [BP, GM see hydrogen in their future](#)

WASHINGTON, D.C. (CNNMoney.com) -- Top executives of BP and General Motors Corp., two of the world's largest corporations, outlined on Tuesday their visions for the future of renewable energy.

They came to the same bottom line: Hydrogen will likely fuel the cars of the future, although it could take 50 years to get there. Until then, each company will pursue different strategies for developing new energy sources.

### [Gasoline could go from 10% ethanol up to 20%](#)

WASHINGTON — Key backers of ethanol fuel are starting a push to double the amount of ethanol commonly blended with gasoline to 20%. The move would boost the market for grain alcohol, while skirting problems and controversy surrounding E85, an 85% ethanol fuel.

Blending ethanol — alcohol typically now made from corn — into gasoline is a way to cut petroleum use. A 10% ethanol blend, called E10, now is standard at many gasoline pumps across the USA. It can be used by virtually all gasoline vehicles, which is not true of the E85 being promoted as a fuel of the future.

Studies by the University of Minnesota and Minnesota State University at Mankato suggest that ordinary vehicles could burn a mix of 20% ethanol, called E20, as routinely and harmlessly as they now burn E10. Minnesota Gov. Tim Pawlenty is to announce the study results at a conference here today.

### [US Won't Meet Ethanol Goal Due Cellulosic Shortfall](#)

WASHINGTON - The United States will not meet Congress' mandate to produce more ethanol from waste products over the next 15 years, resulting in an overall shortfall in ethanol production requirements contained in a new energy law, a government forecaster said Tuesday.

### [Sinar Mas, Partners Halt \\$5.5 Billion Biofuels Plan](#)

March 5 (Bloomberg) -- Indonesian palm oil growers including PT Sinar Mas Agro Resources & Technology are halting or amending plans to make biodiesel after the commodity's surge to a record made the projects unviable, executives said.

### [Nanotechnology's role in next generation biofuel production](#)

Years of engineering research and design, together with uncounted billions of dollars from government and industry, went into the development of the modern petroleum industry. It would be unreasonable to expect that we can replace this industry with greener alternatives without a similarly expansive and sustained effort. Point in case is a recently published roadmap to 'Next Generation Hydrocarbon Biorefineries' that outlines a number of novel process pathways for biofuels production based on scientific and engineering proofs of concept demonstrated in laboratories around the world. The key conclusion from this (U.S.-centric) report is that "while the U.S. has made a significant investment in technologies focusing on breaking the biological barriers to biofuels, principally ethanol, there has not been a commensurate investment in the research needed to break the chemical and engineering barriers to hydrocarbon fuels such as gasoline, diesel, and jet fuel."

### [OPEC, Mindful of Politics, May Informally Cut in Coming Months](#)

Mindful of the political challenge of slicing oil production at a time of triple-digit crude prices, OPEC may opt to informally trim in the coming months as it seeks to act ahead of an anticipated slowdown in energy demand.

### [Mexico closes main oil ports due to bad weather](#)



MEXICO CITY, March 4 (Reuters) - Mexico closed its three main crude oil exporting ports on Tuesday due to bad weather in the Gulf of Mexico, the government said.

The Gulf ports of Dos Bocas, Cayo Arcas and Coatzacoalcos, which together ship around 80 percent of Mexico's exported oil, all were closed, the transport ministry said in a statement.

### [Oman Crude Rises on Speculation Traders are Buying More Futures](#)

(Bloomberg) -- Oman crude oil, a Persian Gulf benchmark for Asian refiners, gained on speculation traders are buying more futures contracts to hedge against potential shortages in the physical market.

### [Heralding The End Times: Review of \*World Made by Hand\*](#)

Leaving aside the half-baked geopolitico-cranko-economic analysis that "informs" Mr. Kunstler's vision of a Peak Oil Ragnarok, it's hard not to occasionally feel something like that same distaste for our dense, messy way of life. Say it happens when you're stuck in traffic, surrounded by honking imbeciles, or when you see a sea of unsightly bodies at a too-crowded beach littered in cigarette butts and candy wrappers. But eventually you appeal to your better self and take a deep breath, and think: It could be worse. The moment passes. But not if you are James Howard Kunstler: In that case, you take what are essentially aesthetic judgments — ungenerous ones at that — and allow them to collect and fester into a unified theory explaining why a near-apocalyptic thinning of the human herd might be just what the doctor ordered!

### [Michael T. Klare: The China Syndrome](#)

On February 4, President Bush announced a baseline military budget of \$515.4 billion for the next fiscal year, not including funds for operations in Iraq and Afghanistan. This is the largest one-year Pentagon request in real, uninflated dollars since World War II. This Fiscal Year (FY) 2009 figure represents a 7.5% increase over the 2008 appropriation of \$479.5 billion and is expected to be the first of many rising requests supposedly needed to replace equipment lost and damaged in Iraq and to gear up for the security threats to come. As Chairman of the Joint Chiefs of Staff Adm. Mike Mullen explained last October, "we're just going to have to devote more resources to national security in the world we're living in right now."

At first glance, all these additional funds will be used to sustain the Global War on Terror (GWOT, in Pentagon shorthand) and replace equipment destroyed or rendered inoperable in the wars now under way. "The Fiscal Year 2009 Defense budget request sustains the President's commitment to growing U.S. ground forces that are needed to prevail in the current conflicts in Iran and Afghanistan," a Pentagon press release notes. Additional funds are allocated for "Operations, Readiness, and Support" – troop training, replacement parts and equipment, combat supplies, and so on.

But a close examination of the FY 2009 request indicates that the principal sources of future budget growth are not the GWOT or other such low-intensity contingencies but rather preparation for all-out combat with a future superpower. Probe a little deeper into Pentagon thinking, and only *one* potential superpower emerges to justify all this vast spending: The People's Republic of China.

### [We should all support NAFTA renegotiation](#)

"So while agricultural and food *exports from Mexico are concentrated in a small number* of lavish products for the U.S. elites, Mexico has lost its ability to feed its population and has increased its dependency on the import of basic goods," de Ita continues.

In Canada, the Obama-Clinton NAFTA intervention has pulled our energy sellout into the light. To scare the Democrats away from touching NAFTA, the Harper government is warning Americans that their privileged access to our oil and gas could be disrupted, a bogus threat since this Alberta-centric government would never touch the Oil Patch's sacred cow.

### [Australia: You can afford the house, but the bills'll send you broke](#)

Well, for starters, the dark roofed, eve-less, concrete boxes that people have bought are heating up as another record-breaking summer arrives and there is no immediate alternative but to crank up the air-conditioning. At a time when Kevin Rudd's emissions trading scheme is coming into play, raising energy prices, this is very unwelcome. To make matters worse, the price of oil will still be steadily rising and petrol prices going through the roof. The housing developments on the urban fringe have all been planned around freeways which are reaching gridlock, and, without any serious public transport infrastructure, there is simply nothing for commuters to do but climb into their cars each day.

Mortgages and rents might be more affordable, but people will really struggle to pay higher bills for transport and energy.

### [Traffic crashes cost \\$164B a year, study shows](#)

WASHINGTON (AP) — Traffic crashes cost American motorists more than \$160 billion a year while inflicting a staggering per-person toll on small cities such as Little Rock, Columbia, S.C., and Pensacola, Fla., according to a AAA research report.

The study, to be released Wednesday, found that traffic crashes have a much more damaging impact on society than the bumper-to-bumper congestion that riles commuters in many metropolitan areas.



### ['Big shift' to rail urged for UK](#)

A train journey can produce about one tenth of the carbon emissions generated if the same trip is made by air.

The report's authors say substantial investment in the railways is needed.

### [Lessons from the Skeptics' Conference](#)

Considering how many false alarms have been raised previously by scientists (the “population crisis,” the “energy crisis,” the “cancer epidemic” from synthetic chemicals), I wouldn't be surprised if the predictions of global warming turn out to be wrong or greatly exaggerated. Scientists are prone to herd thinking — informational cascades— and this danger is particularly acute when they have to rely on so many people outside their field to assess a topic as large as climate change. So I'm glad to see contrarians raising awkward questions and pointing out weaknesses in predictions made with computer models. As S. Fred Singer, the editor of the skeptics' report, said at the conference yesterday: “Models are very nice, but they're not reality and they're not evidence.”

### [Famed Hurricane Forecaster William Gray Predicts Global Cooling in 10 Years](#)

Prominent hurricane forecaster Dr. William M. Gray, a professor at Colorado State University, told the audience at the 2008 International Conference on Climate Change on March 4 in New York that a natural cycle of ocean water temperatures related to the salinity (the amount of salt) in ocean water was responsible for some global warming that has taken place. However, he said that same cycle means a period of cooling would begin within 10 years.

“We should begin to see cooling coming on,” Gray said. “I'm willing to make a big financial bet on it. In 10 years, I expect the globe to be somewhat cooler than it is now, because this ocean effect will dominate over the human-induced CO<sub>2</sub> effect and I believe the solar effect and the land-use effect. I think this is likely bigger.”

### [Warming Climate May Cause Arctic Tundra To Burn](#)

Research from ancient sediment cores indicates that a warming climate could make the world's arctic tundra far more susceptible to fires than previously thought. The findings are important given the potential for tundra fires to release organic carbon -- which could add significantly to the amount of greenhouse gases already blamed for global warming.

## [OPEC keeps oil output steady in face of \\$100 oil](#)

VIENNA - OPEC ministers on Wednesday agreed to keep output steady and said record high prices had been driven by factors that were beyond their control.

...Washington has said even a token supply increase from the Organization of the Petroleum Exporting Countries would help to tame prices and contain any impact on a fragile world economy.

But OPEC ministers have repeatedly said the oil market has been driven upwards by factors such as a weak dollar, speculation and political strife, and not by a lack of crude.

## [Jeremy Leggett: The crude fact](#)

Peak oil is no academic debate: the \$100 barrel is a harbinger of the energy shortage to come.

## [Oil's Wakeup Call](#)

If you want to dream about oil prices long term, the go-to guy is Matt Simmons, chairman of Simmons and Company International. Simmons' thesis called "the Peak Oil Thesis" is awesomely simplistic: The elephantine oil fields of Saudi Arabia peak out in a few years. Unfortunately, this is only a working hypothesis.

Saudi Aramco technocrats won't let Simmons near their reservoirs or seismic research data. They claim a reserve margin of several million barrels a day. Simmons' competition, Cambridge Energy Research Associates in Massachusetts takes the Saudi side of the argument, but the market these days is siding with the bears on net worldwide incremental production possibilities.

## [Peak Oil is a Cost Issue](#)

Underlying nearly all discussions of the oil price is a standard economic concept: supply and demand. It seems so elementary that there is no doubt of it. It says that demand has been growing more rapidly than supply recently and that at some point the world will reach Peak Oil and the price will zoom northwards.

But the reality is more complex. Peak oil is not just a point in time or even a plateau when oil supply becomes unable to expand to meet demand. We need a more nuanced model for oil prices that includes several other factors.

## [Forecasts for Crude Oil Rise to \\$105 on New Trading High](#)

Just three years ago, Goldman Sachs shocked the investing world by sharply raising its oil price forecast for 2005 to an average of \$50 a barrel. Two months ago, the investment bank predicted that oil prices would average \$95 a barrel in 2008.

Yesterday, even that price was already starting to look a little conservative.

## [Gazprom says Ukraine starts taking transit gas](#)

MOSCOW/KIEV (Reuters) - Russian gas export monopoly Gazprom said on Wednesday Ukraine had warned it is taking gas from transit pipelines to Europe to compensate for lower supplies for its domestic needs.

The world's largest gas company, chaired by Russian President-elect Dmitry Medvedev, said Ukraine planned to take 60 million cubic metres (mcm) a day, or almost 17 percent of the total it sends to Europe from Russia.

## [Nigeria charges oil delta rebel Okah with treason](#)

ABUJA (Reuters) - Nigeria has charged Henry Okah, suspected leader of the rebel Movement for the Emancipation of the Niger Delta, with treason and he risks the death penalty, the country's top prosecutor said on Wednesday.

The MEND was behind a wave of attacks on the Nigerian oil industry in early 2006 that forced the closure of a fifth of oil output from Africa's biggest producer, contributing to the surge in oil prices on international markets.

## [Being self-sufficient a solution to the collapse of civilization](#)

In the last 100 years, our entire society has become totally dependent on non-renewable oil, whose production has now reached a plateau, after which the supply will fall, which means - there are no ifs or buts here - our current way of life will disappear, perhaps rapidly.

We must prepare ourselves for that, mentally first. Become familiar in your mind with life after the oil crash and act accordingly.

## [A look at world events you haven't heard about - water woes and overpriced oil](#)

Jim Hansen, an investment consultant and UW alumnus, said he's not a fan of price

predictions because if they are wrong, then people discredit the entire argument. Even so, he acknowledges that while price specifics and rates of increase are uncertain, the trajectory is headed up, not down.

“We have a better chance of seeing \$300 [per] barrel than ever seeing \$30 again,” Hansen wrote in an e-mail.

### [Russia's oil output down 0.5%, gas production up 0.8% in January](#)

MOSCOW, March 5 (RIA Novosti) - Russia's crude production declined 0.5%, year-on-year, in January to 41.35 million metric tons (830,000 bbl/d) while gas production went up 0.8% to 61.19 billion cubic meters, the industry and energy ministry said on Wednesday.

Russia exported 20.46 million metric tons of oil (410,000 bbl/d) in January, or 1.7% more compared to the same period last year, the ministry said.

### [US voices support for renewable energy](#)

WASHINGTON (AFP) - Top crude oil consumer the United States said Tuesday it is "imperative" to expand the use of renewable energy such as wind power and biofuels to reduce its dependence on foreign oil and slow global warming.

### [MPs urge Treasury to increase green taxes: report](#)

LONDON (AFP) - The government's desire to combat climate change is being undermined by its reluctance to raise air taxes, a report by MPs said Wednesday.

The Commons Environmental Audit Committee (EAC) has pressed the Treasury for a significant rise in green taxes and urged it to follow the recommendations of the Stern Review into the financial impact of climate change.

### [OECD: World must act on climate change](#)

OSLO, Norway - The world must respond to climate change and other environmental challenges now while the cost is low or else pay a stiffer price later for its indecision, the Organization for Economic Cooperation and Development said Wednesday.

A new report by 30-nation organization looks at "red light issues" in the environment, including global warming, water shortages, energy, biodiversity loss, transportation, agriculture and fisheries.

[EPA: No timeline for high court request](#)

WASHINGTON - Nearly a year after being told to do so, the head of the Environmental Protection Agency said Tuesday he couldn't say when he would comply with a Supreme Court directive and determine whether greenhouse gas emissions from vehicles should be regulated.



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