



DrumBeat: March 13, 2008

Posted by [Leanan](#) on March 13, 2008 - 9:13am

Topic: [Miscellaneous](#)

[The Peak Oil Crisis: The Last Spiral?](#)

Events are moving faster and faster. Equity markets and the dollar are dropping. Oil, gas, diesel and commodities are surging as the investment of last resort.

Margin calls are endangering the financial system. Real estate values and markets are falling. Exotic debt obligations are turning worthless by the billions. Central bankers have started the printing presses and are injecting unprecedented billions of “liquidity” into their banking systems in what so far seems to be a futile effort.

One by one, however, talking heads appear on the business channels to assure us that all will be well by the “third quarter” and that this is a lifetime opportunity to buy equities which will never again be a better bargain. In recent days however, some of the tone of optimistic confidence that has obtained for the last eight months has started to darken a bit and some will even confess it might be a little longer before the good times return.

Missing from all this talk is a realistic appreciation of the role of oil in the world's economy and the role increasing oil prices will play in the coming economic “recovery.” Although oil prices are discussed dozens of times each day, increases are nearly always attributed to a temporary flight of capital from equities into the safety of commodities. Discussions are formulated around the premise that high oil prices may be unpleasant, but are, as yet, a long way from doing real harm to the country. Eight or nine dollar gasoline in Europe is cited as proof that prices can go much higher without disastrous consequences.

[Gas, oil rise to records as dollar falls](#)

NEW YORK - Gas and oil prices jumped again to new highs Thursday as the dollar weakened, although crude's advanced limited by fresh evidence of a U.S. economic slowdown.

...Light sweet crude for April delivery rose 41 cents to settle at a record \$110.33 a barrel on the New York Mercantile Exchange Thursday after earlier surging to a new trading record of \$111.

[Schlesinger: No Energy Security in Sight](#)

James Schlesinger, who was the nation's first secretary of energy, had a grim analysis of the nation's current energy predicament this morning at an energy summit in Washington, D.C., sponsored by the National Academy of Sciences. Schlesinger, now a senior adviser to Lehman Brothers and chairman of the nonprofit engineering organization Mitre, predicted that energy prices would continue to rise and declared that the United States would never see energy independence as long as it depended on the internal combustion engine. Excerpts from his remarks...

[Who gets rich off \\$3 gas - who doesn't](#)

The guy running the service station makes just a few cents, while crude oil producers take the biggest chunk.

[Speculation makes oil prices rise](#)

If we lived in a world where oil was a normal commodity, competition would dictate that margins hover just above the cost of production, which is estimated between \$20-\$30 per barrel on average. At the time of writing, oil is trading around \$108 with a one-year high forecast of \$141. Regardless of the many reasons consumers are given, billions in profits for oil producers are obvious.

[Pirate Attacks On the Rise in Nigerian Waters](#)

Pirate attacks in the waters of Africa's largest oil producer, Nigeria, have surged in recent weeks, linked to a decline in general security in the southern oil-producing region. A leading international worker's union wants the waters to be declared a war zone.

[Australia: State puts brakes on petrol bikes](#)

IN a world of rising fuel prices and climate change awareness, these petrol-powered bicycles are seen by some as the way of the future.

But not, it appears, by the State Government which has outlawed them on roads.

[Canada: Please buy our dirty oil](#)

CANADIANS like to think that although they are the junior partner in their trade relations with the United States, the 174 billion barrels of proven reserves in the oil sands of Alberta provide a powerful ace up their sleeve in any dealings with their

energy-hungry neighbour. That belief has now been shaken by an American law that appears to prohibit American government agencies from buying crude produced in the oil sands of the western province.

[Bruce Power sees four reactors in Alberta](#)

OTTAWA — Bruce Power says it wants to build as many as four nuclear reactors in northwestern Alberta to meet the province's growing electricity needs — and it is not committed to choosing Atomic Energy of Canada Ltd.'s ACR design.

[Gazprom pushed to pay more](#)

Kazakhstan wants Russian giant Gazprom to pay more for the transit of Turkmen and Uzbek gas in 2009 when the latter states start charging more for their gas, the head of the Kazakh state energy firm said today.

Gazprom said last week it had agreed to buy gas from Uzbekistan, Kazakhstan and Turkmenistan at prices close to that it charges European customers, minus transport and other costs.

"If the gas we buy becomes more expensive then, logically, the tariff will also grow," Uzakbai Karabalin, head of state oil and gas firm KazMunaiGas told Reuters.

[S. Africa's Sapref, Engen refineries hit by storm](#)

JOHANNESBURG (Reuters) - BP Plc and Royal Dutch Shell Plc said on Thursday their South African Sapref oil refinery, the largest in the country, had shut down after lighting hit the facility on Tuesday.

BP South Africa spokesman Sam Mupanemunda said boilers in the utility section of the 180,000 barrel-a-day refinery had tripped, automatically shutting down the facility in the port city of Durban on Wednesday.

[How plastics industry battles bans on its bags](#)

When San Francisco became the first U.S. city to prohibit large grocery stores and pharmacies from distributing disposable plastic bags in March 2007, it appeared to have sparked a trend. At least a dozen other cities, counties and states were soon considering proposals to ban or severely restrict distribution of what many environmentalists consider a wasteful and harmful product.

The plastics industry had no intention of allowing the San Francisco model to spread without a fight, though. It quickly and quietly joined with retailers and other business

interests and launched a successful counterattack, using lobbying muscle to quash proposed bans.

[Not Just for Tree Huggers](#)

Despite the free fall in housing prices nationwide, green homes are still red hot.

[Three Ways to Play Money Morning's Prediction That Oil Prices Will Reach \\$187 a Barrel](#)

A plummeting greenback, inflationary fears fanned by the U.S. central bank and soaring global demand are combining to fuel a record advance in crude oil prices.

But the market madness of recent days is just the start. Crude oil prices will hit \$187 a barrel within 36 months, translating into gasoline prices of more than \$6 a gallon, and giving investors one of their biggest profit opportunities in decades, Money Morning Investment Director Keith Fitz-Gerald predicts.

[The new limits to growth](#)

Let us venture into a political no-go zone and say that, at some point in the not too distant future, there is a bitter pill that we will need to swallow -- and we are getting just a foretaste with the current energy crisis. In a nutshell, our global growth-based economic model is fundamentally unsustainable.

This is not a new idea -- it dates back to the early 1970s. At that time there was much debate around energy and sustainability, coupled with a search for alternatives. One seminal work published in 1972 was *The Limits to Growth*, commissioned by The Club of Rome.

[IEA to hold oil price talks with experts](#)

"The IEA is holding a round table on oil price formation on Monday 17 March," at its headquarters, the IEA said in an email.

"The meeting is part of ongoing work at the IEA to understand the complex process of price formation," it said, adding the meeting would be closed to the public.

[Canada: Gas tax could help combat our oil dependency](#)

With fuel taxes in Alberta already low at only 20¢ per litre, completely eliminating the

gas tax couldn't even bring it below \$1.20 per litre. Oil companies would have no incentive to raise production even though cheaper gas means more driving, so the price of gas goes right back up—except now it's all going to the oil companies.

[\\$10 a gallon gasoline](#)

If you still have a car with a gasoline engine you're eventually going to pay \$10 per gallon if you want to drive anywhere. It's as simple as that. Take heart, E-85 will probably only be \$9.60!

[Stop complaining about gas prices!](#)

We will never see cheap gas prices ever again - that bears repeating - NEVER AGAIN. All those quaint little anecdotes from my dad about how gas was 25 cents a gallon back in the day enabling him to fill up his big ol' 1964 Chevy Impala for under \$5 are ancient history. People are laying blame everywhere for the \$1.05-plus-per-litre prices. We're running out of oil, they say. They point to emerging markets like India and China and blame them for taking all that precious black goo. Or maybe the government is too greedy, taking half of what you pay at the pump in taxes.

I have a different theory - good old-fashioned human greed prompted by Hurricane Katrina. A little human inactivity helped the situation nicely as well.

[We need new transportation paradigm](#)

Consider the following bad news for travel by automobile:

The Department of Energy forecasts that gasoline prices are expected to stay over \$3 for two years. Beyond that, a Governmental Accounting Office study acknowledges that eventually world production of oil will fall behind demand (so-called peak oil), potentially leading to economic disruption. The only question is timing, and the GAO acknowledges it could happen soon.

[Venezuela Plans New 'Sudden Gains' Oil Tax Soon](#)

Venezuela plans a new tax on foreign oil companies of 20%-25% on what the government deems to be "sudden gains" from strong fluctuations in world oil prices, a lawmaker said Wednesday.

"The tax will be anywhere between 20% and 25% of what we deem sudden gains," lawmaker Iroshima Bravo told Dow Jones Newswires. "We're studying various examples of the tax, and this should be ready soon."

[Thailand: Oil subsidies are only good in the short term](#)

Poonpirom Liptapanlop, the Energy Minister, has sent a strong signal that it is time for Thai people to learn to live with the era of high oil prices. The oil prices are beyond anybody's control, as oil is the most important global commodity. Although the government may be able to provide some relief, at the end of the day, the Thai people must learn to cope with the high prices on their own. Most analysts now believe that oil prices won't fall again.

[Pakistan: Fuel crisis feared during May, June](#)

ISLAMABAD: Pakistan may face a fuel crisis in the coming months as the oil marketing companies (OMCs) have informed the incumbent regime about their inability to book import orders for the POL products due to financial constraints, a senior government official told The News.

"The government owes Rs 61 billion to the OMCs against the price differential claim (PDC) that has been accumulated since long. The petroleum ministry time and again asked the finance ministry to release the amount piled up against the PDC to the OMCs so that they could maintain oil reserves in the country and ensure fuel supply chain, but the finance ministry is still unmoved."

[PetroVietnam imports gas to plug shortage](#)

Vietnam Oil & Gas Group plans to import natural gas in the next decade to meet a widening shortage of the fuel, an official said.

"We may start gas imports by 2015," Bui Minh Tien, vice president of PetroVietnam Gas Corp., a unit of the state-run group, said in Bangkok.

"Before that, we have to speed up domestic gas projects. We have a shortage because of demand from power plants and industries."

[Conoco Could Reach Deal With Venezuela This Year](#)

ConocoPhillips could reach a settlement with Venezuela over its nationalized assets some time this year, Chief Executive Jim Mulva said Wednesday, adding that the oil giant has a normal business relationship with the South American country.

"We continue to have routine meetings where we negotiate the issues," Mulva told Dow Jones Newswires on the sidelines of the company's annual analyst meeting. "We hope we can reach an amicable settlement sometime this year."

[Backgrounder: Oil resources in China](#)

BEIJING, March 13 (Xinhua) -- China has announced a creation of a high-level body to integrate its energy management supervision and policies, functions that are currently dispersed among many government agencies.

Below is basic information about oil resources in China.

[Jeremy Leggett: A load of hot air](#)

A "green budget" should have at its heart the green-ness of buildings. More than half our national greenhouse emissions come directly and indirectly from buildings. Most of the gas we will have to import will be used to heat and light buildings. The thousands of fuel-impooverished people who die each year of hypothermia shiver to death in un-insulated and under-heated buildings.

[Tata steals the show](#)

At a price of about \$2,500, this four-door city car from India costs about the same as a decent three-night stay at a modest Geneva hotel. On the floor of the Palexpo exhibition centre near the airport, a funny-looking, little, four-door, yellow Nano was within a stone's throw of a \$2.4-million Bugatti Veyron special edition (made in co-operation with luxury good maker Hermès) and Alfa Romeo's \$200,000 8C Competizione.

['Disposable' nuclear reactors raise security fears](#)

A US government-led plan to design small nuclear reactors for deployment in developing countries is continuing despite ongoing fears about security and proliferation risks.

[Fomenting a Revolution in Small Steps](#)

At the World Future Energy Summit (WFES) in Abu Dhabi at the beginning of 2008, experts from business and politics alike were unanimous: We are on the threshold of an era in which energy production will produce significantly fewer carbon dioxide emissions. But this revolution will take time - too much, say the critics.

[John Michael Greer: Pieces of the puzzle](#)

One of the continuing disputes on the end of the peak oil community concerned with agriculture is whether farming will continue to use tractors and the like, or whether draft horses will prove to be more viable. Both sides have good arguments. On the one hand, a large farm running tractors on homegrown biodiesel can keep them fueled by devoting 10% or so of its acreage to oilseed crops, while it takes around 30% of acreage to produce fodder for draft horses to provide the same amount of power. On the other, you don't need a factory or its substantial inputs of energy and resources to manufacture horses – they do it themselves, with noticeable enthusiasm and no tools other than the ones nature gave them – and a properly fed horse also produces large amounts of excellent organic fertilizer, a significant value that tractors don't provide.

Which is the best option? That depends on a galaxy of factors, few of which can be predicted on the basis of abstract arguments.

[Pakistan: Australian role in climate genocide](#)

Pakistan is acutely threatened by climate and sustainability emergency now facing the world. As a mega-delta country, Pakistan is acutely threatened by the 20-metre sea level rise predicted from paleo-climate data by top American climate scientist Dr James Hansen of NASA: “There is strong evidence that the earth is within 10C of its highest temperature in the past million years. Oxygen isotopes in the deep sea foraminifera reveal that the earth was last 20C to 30C warmer [relative to 2,000] around three million years ago, with carbon dioxide levels of perhaps 350 to 450 parts per million. It was a dramatically different planet then, with no Arctic Sea ice in warm seasons and sea level about 25 metres higher, give or take 10 metres.” Pakistan is acutely threatened by declining agricultural output due to global warming and is already threatened by huge increases in world food prices. Checked the price of a roti?

According to the UN Genocide Convention, genocide involves the “intent to destroy in whole or in part” and that is precisely what the major climate criminal, greenhouse gas (GHG) polluting countries such as the US, Australia and Canada are doing to increasingly climate-impacted developing world countries. The US, Canada and Australia are among the world's worst per capita GHG polluting countries and firmly opposed GHG reduction targets at the recent US-wrecked Bali Conference.

[EPA sets tougher air-quality standards](#)

WASHINGTON — The smog in more than 300 counties across the USA threatens public health and must be cleaned up to save hundreds or even thousands of lives a year, under new federal rules announced Wednesday.

The long list of smog-ridden counties is the result of a new ozone limit the Environmental Protection Agency finalized Wednesday. Under the old standard, set in 1997, 85 counties have air quality considered too poor to breathe.

[Cutting trees can fall on wrong side of the law](#)

LAKE TAHOE, Nev. — Douglas Hoffman didn't like trees blocking his view of the Las Vegas Strip. He is now serving a state prison term of up to five years for cutting down more than 500 of them.

Patricia Vincent, federal prosecutors say, was annoyed with some pines in her line of sight to scenic Lake Tahoe. A federal grand jury indicted her in January, and she faces trial in April for allegedly arranging to have three trees cut down on U.S. Forest Service land.

Both are part of a trend that has officials in the Lake Tahoe area and elsewhere cracking down — with fines and prison terms — on people willing to cut trees to improve views from their homes or businesses.

[What`s up with oil?](#)

So, is there any hope for that a new flood of oil from other sources that would complete the cycle and lead to another generation of low prices? This is the key question in oil markets today — and it's one that takes us to the heart of the debate between the "cornucopians" (those who suggest there's lots left to find) and the depletionists, the peak oil types who say that we've found all there is.

[Oil Price Bubble?](#)

Oil prices climbed to their highest level ever, reaching over \$108 per barrel this week. And Americans are feeling this price spike at the pump, with gasoline averaging \$3.22 per gallon. An analysis released by the investment firm Goldman Sachs suggested that oil prices might soar to \$200 per barrel. Does this make sense?

Not really. Although U.S. crude oil inventories have fallen, gasoline inventories are at their highest since March, 1993, notes Tim Evans, an energy futures analyst at Citigroup's Futures Perspective. World oil production was up 2.5 percent in the first quarter of 2008 over the same period in 2007 while world oil consumption rose by just 2 percent. In fact, world production is projected to be 3.3 percent higher in the second quarter and 4.1 percent higher in the third quarter than the same periods a year ago. On the other hand, world demand is projected to rise by just 1.6 percent over the next six months.

[China Raises Fuel Oil Tax to Help Curb Energy Use](#)

(Bloomberg) -- China, the world's third-largest buyer of crude oil, increased the consumption tax on imported fuel oil by more than fourfold on March 5 as part of efforts

to limit energy use.

The levy rose to 0.1 yuan (\$0.014) a liter from 0.03 yuan, the Beijing-based Customs General Administration of China said in a statement on its Web site today. Fuel oil is burned by power plants and processed into gasoline and diesel by privately run refineries.

[Diesel: Fuel for Inflation?](#)

The average price of diesel fuel has been shooting up even faster than that of gasoline, rising more than 50 cents in barely two months. That is not only squeezing profit out of the trucking business but is also driving up the cost of delivering all kinds of goods to American consumers.

"People talk about gasoline, but it's diesel that puts the goods on the shelves," said James Hughes, an independent trucker who yesterday was hauling stone in Maryland, from La Plata to Hollywood.

[A new 'neighborhood watch': Azeri horsemen guard BP pipeline](#)

BP and other energy companies are under scrutiny for their relations with local communities worldwide for the cost, disruption, and even bloodshed their lucrative pipelines are responsible for. So in recent years they've honed a new formula: invest heavily in the affected communities and try to foster goodwill, neutralize controversy, and hopefully safeguard their multibillion-dollar investments.

[Ukraine, Russia resolve gas disagreement](#)

MOSCOW - Russia's natural gas monopoly OAO Gazprom says an agreement has been reached with Ukraine on gas deliveries for the remainder of the year.

The agreement announced Thursday appears to cut out at least one of the controversial intermediary companies that had been involved in the trade. The announcement also is likely to fend off anxiety in Western Europe about possible interruptions in Russian gas shipments.

[Review: Kunstler's *World Made by Hand*](#)

As you'd expect from Jim Kunstler there are humorous interchanges and sharp observations, and there is a strong and simple plot. But what makes a far greater impact is the way Kunstler inserts us into the minds of the main characters, so we begin to see the changing world through the eyes of the narrator and others. This world is rural

upstate New York in the 2020s. The US and state governments have ceased to be effective, encephalitis and flu epidemics have decimated the population and fuel oil disappeared a decade before the novel opens. Many men are infertile, possibly due to "the bomb." Those of us familiar with Kunstler's writing about peak oil will not be disappointed at the depth of the transformation he depicts - vividly.

[Big Oil Looks To Renewables For Future Profit](#)

WASHINGTON (Dow Jones)--As crude oil prices soar to new highs, big oil companies are looking beyond the windfall to place bets in the growing alternative energy market.

In addition to the allure of a new market, there are worries that record-high oil prices could lead to a backlash plunge in demand. But there are other reasons the petroleum industry wants to plan for a more alternative-energy future. Dwindling access to new oil reserves, which is seen constraining supplies and forcing prices ever skyward, and a global political push to both cut greenhouse gases and shift to cleaner-energy technologies, are driving oil firms to the alternative energy industry.

[The Greening of the Baptists](#)

The most famous conversion in Christian history is that of Paul, who the Bible says "persecuted The [Christian] Way to death," before the "scales fell from his eyes" on the road to Damascus, and he became a Christian himself. Jonathan Merritt, a seminary student with the Southern Baptist Convention (SBC), is familiar with that paradigm. "I was an enemy of the environment," he says. "I approached it with disdain. And then I was sitting in a classroom and I felt like God spoke to me and put this idea in my heart." The idea - encapsulated in the "Southern Baptist Declaration on the Environment and Climate Change" - is a strikingly potent challenge to his denomination's official stance on global warming and to his own previous scorn. Yes, he says with a chuckle, "you could say the scales fell from my eyes."

[Farm research network braces for less funds from U.S.](#)

WASHINGTON (Reuters) - A leading agricultural research network is bracing itself for a sharp cut in funding from its top donor, the United States, even as bioenergy, population growth, and climate change pose pivotal challenges for global food production.

The U.S. Agency for International Development has warned the Consultative Group on International Agricultural Research, which includes 15 research centers around the world, that it expects to cut the network's core funding by 75 percent this year, the network's director said on Wednesday.

[Atlantic's Gulf Stream has huge influence on atmosphere](#)

PARIS (AFP) - The conveyor belt of Atlantic warm water known as the Gulf Stream massively influences the lower layers of the atmosphere, a finding that could shed light on a poorly-understood aspect of global warming, scientists report.

[Climate change adds to world clandestine migrant dilemma](#)

DAKAR (AFP) - Migration from the world's poorest nations to the rich West is going to increase and could be speeded up by climate change, a top international agency chief has warned.

With growing numbers of poor Africans dying trying to reach Europe on flimsy boats and Asians paying "snakehead" traffickers to get them out of the poverty trap, International Organisation of Migration (IOM) director general Brunson McKinley said wealthy nations need foreign workers but must arrange a proper mechanism for their arrival.

[Climate refugees in political pass-the-parcel](#)

LONDON (Reuters) - The islanders of Tuvalu could lose their homes and much of their land in the coming decades. But the world has yet to figure out how it will deal with them, and millions of others, who may be displaced by climate change.

"It's a game of political pass-the-parcel," said Andrew Simms, policy director at British think-tank New Economics Foundation. "No one wants to be left holding the problem of climate refugees."

[Aviation industry must act fast on climate change: Airbus chief](#)

LONDON (AFP) - The aviation industry must act quickly to lower its own carbon emissions or face government regulation, the chief executive of European plane company Airbus wrote in a comment piece Thursday.

[China tells developed world to go on climate change 'diet'](#)

BEIJING (AFP) - The developed world should go on a climate change diet rather than lecture China over its rising greenhouse gas emissions, Chinese Foreign Minister Yang Jiechi said Wednesday.

Yang told reporters that China's per capita emission of the gases linked to global warming remained less than one third the average in developed countries.

"It's like there is one person who eats three slices of bread for breakfast, and there are

three people, each of whom eats only one slice. Who should be on a diet?" he said at a press conference on the sidelines of parliament.



This work is licensed under a [Creative Commons Attribution-Share Alike 3.0 United States License](http://creativecommons.org/licenses/by-sa/3.0/us/).