



## DrumBeat: April 11, 2008

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Topic: [Miscellaneous](#)

### [OPEC: Gas Prices Will Stay High](#)

As gas prices heads for a possible \$4 a gallon in the U.S. this summer, it's tempting to blame Big Oil — as many in Congress did last week — for its bloated profits greased by generous tax breaks. But the players in the oil-producing world see things a little differently. OPEC officials, oil executives and oil-rich governments met Thursday in Paris at the International Oil Summit, to share their thoughts on the global energy crunch. Total chief executive Christophe de Margerie and Royal Dutch Shell's exploration chief Malcolm Brinded told officials from oil-rich countries that they needed more access to easily accessible oil deposits, rather than the hugely expensive deep-sea drilling or ultra-deep underground reserves on which they are increasingly relying to expand production. Expanded drilling for less accessible oil has seen production costs double in about four years, according to a report by Cambridge Energy Research Associates. Added Brinded, "Costs are still rising and exploration is at record levels."

### [Russia's Arctic Oil Could Supply U.S. for 9 Years](#)

(Bloomberg) -- Russia's Arctic region holds as much as 100 billion barrels of oil and natural gas, enough to meet U.S. fuel demand for almost nine years, OAO Lukoil said.

### [African nations should nationalize oil: Venezuela](#)

DAKAR (Reuters) - African nations should follow Venezuela's lead and nationalize their energy and mining sectors to secure the resources to fight poverty, Venezuela's deputy foreign minister for Africa said on Friday.

Reinaldo Bolivar, on a visit to Senegal, said his oil-rich South American nation would host a summit of African and South American nations in November to discuss cooperation ranging from energy to banking between the two regions.

African nations, which produce 15 percent of the world's oil, could learn from aspects of Venezuelan President Hugo Chavez's nine-year-old leftist revolution, Bolivar said.

### [Nigeria: Angry youths occupy oil installation in southern oil heartland](#)

YENAGOA, Nigeria: Militant youths occupied a Royal Dutch Shell PLC oil installation in restive southern Nigeria on Friday, shutting down its production of 5,000 barrels a day, the company said.

### [Aviation sector struggling with rising fuel costs](#)

PETALING JAYA: While some airlines struggle to cope with record oil prices and weakening economic growth, others have been forced to halt their operations.

The latest casualty, Oasis Hong Kong Airlines, was the fourth carrier to shut down operations worldwide in less than two weeks after a 75% increase in fuel prices over the past year.

### [Australia: Petrol at a premium for holidays](#)

The NRMA is accusing oil companies of stockpiling premium petrol as Canberra prices look set to climb above \$1.50 a litre just in time for the school holidays.

### [Gaz de France, Shell sign LNG supply contract](#)

PARIS (Reuters) - Gaz de France said on Friday that it had signed with Royal Dutch Shell a long-term supply contract for 10 billion cubic meters of liquefied natural gas (LNG).

"The LNG will be delivered to European terminals, in which Gaz de France possesses reception capacity. The deliveries will begin in 2014 at the latest," Gaz de France said in a statement.

### [Mexico's Calderon Attempts Oil Reform](#)

Mexico's President Felipe Calderón on April 8 sent an ambitious oil reform to the Senate. If approved, reform of state oil monopoly Pemex should attract private investment--domestic and foreign. However, approval probably will face legal challenges and political resistance--both in parliament and on the streets.

Government moves to liberalize Pemex had been awaited for weeks. The bill sent to the Senate on April 8 is ambitious enough to boost oil production and reserves through increased partnerships and contracts with other energy companies without seeking to amend the constitution. It would also allow Pemex to become more operationally and administratively autonomous.

### [Serbia state power firm mulls tie-in with Russia](#)

BELGRADE (Reuters) - Serbia's electricity monopoly is considering building new power plants jointly with Russia's Inter RAO, sources told Reuters on Friday, in a deal that would give the Russians partial control of Serbia's electricity market.

### [Olmert vows to strike Hamas, Gaza fuel cut off](#)

GAZA (Reuters) - The flow of fuel from Israel into the Gaza Strip came to a halt on Thursday, one day after Palestinian militants attacked a border terminal used to supply the Hamas-controlled territory.

### [It's got to hurt before it gets better](#)

There is a solution to the rising cost of oil, but it is a painful one. Let's say there is a lot of \$20-a-barrel oil in the world -- deep-sea oil, Canadian tar sands. But who would look for \$20-a-barrel oil if someone else (Saudi Arabia) has lots of \$5-a-barrel oil? The answer is: no one.

Basically, American taxpayers have to guarantee potential producers that the price in the future will not fall below \$20 a barrel and that they will not lose their investments.

### [Cheaper diesel in Mexico a draw for truckers on both sides of the border](#)

Saldaña bought about 18 gallons of diesel for just under \$38, paying 5.76 pesos per liter, or about \$2.07 a gallon. Had he waited until he crossed the Pharr-Reynosa International Bridge to top off, he would have paid more than \$72 for the same quantity of diesel.

More and more U.S. truckers and other motorists are taking advantage of the cheaper fuel in Mexico, according to one filling station owner in Reynosa.

### [Oil Crisis?](#)

We are constantly inundated in the press with talk of real or possible fuel shortages and the excuses multiply for increasing heating and motor fuel prices.

One excuse given is the rising Canadian dollar.

Canada has a surplus of oil and gas and is able to export that surplus. Why is our oil priced in US dollars?

## [Iceland Has Power to Burn](#)

The tiny island nation can teach the United States valuable lessons about energy policy.

## [Why the future goes flooey](#)

To be fair, plenty of the technologies listed in "You Call This the Future" - ranging from eyephones to invisibility shields - are on their way to becoming real in one way or another. Even in those cases, however, the technologies tend to obey Hofstadter's Law: "It always takes longer than you expect, even when you take Hofstadter's Law into account."

In other cases, what we imagine never gets made. Sometimes the technology seems just plain impossible to realize (for examples of that, check out this interview with physicist Michio Kaku). Sometimes it's possible, but not feasible or affordable (these seven flights of fancy serve as examples). And sometimes safety issues get in the way. (The Federal Aviation Administration probably wouldn't be too crazy about flying cars, though that hasn't stopped some people from trying.)

## [A message to our grandchildren](#)

My dear ones, your generation will face a series of environmental challenges that will dwarf anything any previous generation has confronted. I'm hoping to add some insights of my own based on things I learned as a policymaker in the 1950s and '60s, when I observed and participated in some monumental achievements and profound misjudgments. As a freshman congressman in 1955, I regrettably voted with my unanimous colleagues for the Interstate Highway Program. All of us acted on the shortsighted assumption that cheap oil was super-abundant and would always be available.

This illusion began to unravel in the 1970s, and it haunts Americans today. Oil lies at the epicenter of a critical energy crisis. Petroleum is a finite resource and is the most precious, versatile resource on the planet. Cheap oil played a crucial role in the development of American power and prosperity, and sustains the military machine that dominates the world today. Oil is now nearing a historic transition that will alter the civilization Americans have come to take for granted. As world oil production reaches its apex and begins its inevitable decline, it will have a radical impact on everyday American life.

## [Tearing itself down: Depopulation of eastern Germany](#)

The cities of the east no longer imagine they can avoid demographic decline. Instead

they seek to manage its consequences, and a few are inventing ways to shrink gracefully. Saxony-Anhalt, which suffered an acute shortage of apartments in communist times, has now destroyed some 45,000 homes with federal help.

The infrastructure that served now-defunct factories and empty apartment blocks must be ripped up too. "Streets cost an unbelievable amount of money," not to mention water pipes and electric cabling, grumbles Klaus Bekierz, who works for the building department of Dessau, half-an-hour's drive from Köthen. Its population has shrunk by a fifth to 76,000 since the early 1990s. "We can't pay for infrastructure for 100,000 people," he says.

### [Americans shaking off distaste for small cars](#)

It used to be if you drove a small car in the United States, you were either a cultural maverick living in California or a Canadian tourist. No more.

Americans appear to have finally cast away their deep fear of subcompact and compact autos. Ford Motor Co. says the trend has been building slowly since 2004 as Baby Boomers downsize and their children start buying cars.

But it is picking up serious speed now as oil prices pierce a record US\$112 a barrel, harkening back to the 1970s energy crisis when gas-sucking pigs like the V8-powered Chevrolet Caprice sat on dealer lots while buyers flocked to new four-cylinder vehicles made by Toyota Motor Corp. and others.

### [Saudi Adds Significant New Production](#)

This may be true or it may be just propaganda in an effort to talk down oil prices. The Khursaniyah field has been said to be coming online for nearly two years now and it never starts. Delays of this magnitude are common but some feel there were serious shortfalls in the capacity being developed and many more wells had to be drilled to produce anything close to what was promised. We may never know exactly how much oil will be produced from this field because the Saudis rarely give any accurate production numbers.

### [Saudi to lift May crude sales to lone Asia refiner](#)

TOKYO: Saudi Arabia, the world's top crude exporter, will supply a bit more oil to one of its Asian customers next month, but shipments to at least three other lifters will be unchanged, refinery sources said on Friday. Traders had expected Saudi Arabia to tell lifters it would supply them with full contractual volumes following a March agreement by Saudi Arabia and the rest of the Organization of the Petroleum Exporting Countries to keep output unchanged.

## [Saudi Aramco says intelligent fields \(I-Fields\) are key to the future](#)

Nasser told conference delegates about the company's investment in intelligent fields and their implementation, through an integrated process of real-time measurement, optimisation and control. He detailed the use of subsurface and surface sensors, which transmit well and field production data in real time to data centers and asset teams.

In addition, earth models are continually updated to reassess optimisation strategies using integrated simulation environments that combine reservoir, well and surface characteristics.

## [India Loses Rigs as Saudi Arabia, Brazil Drill Wells](#)

(Bloomberg) -- Reliance Industries Ltd. and Oil & Natural Gas Corp. are among Indian oil and gas explorers losing offshore rigs as rivals such as Saudi Arabia, Nigeria and Brazil step up efforts to drill wells in deep waters.

## [Oil glitters as world stampedes to 'new gold'](#)

A catchy nickname -- "the new gold" -- has been coined to put in a nutshell the glow of oil on agitated financial markets in the United States.

The price of oil long ago stopped measuring solely its value as fuel, says Cambridge Energy Research Associates. The Boston consulting firm, an internationally known industry pillar led by Pulitzer-winning industry historian Daniel Yergin, came up with the new nickname.

## [The World Food Crisis](#)

Most Americans take food for granted. Even the poorest fifth of households in the United States spend only 16 percent of their budget on food. In many other countries, it is less of a given. Nigerian families spend 73 percent of their budgets to eat, Vietnamese 65 percent, Indonesians half. They are in trouble.

## [Protect Water Resources from Climate Change](#)

Washington, DC – Today, U.S. Reps. John Hall (D-NY19) and Maurice Hinchey (D-NY22) introduced legislation that will help protect America's water from climate change. The legislation would direct the Environmental Protection Agency (EPA) and National Academies of Science (NAS) to study the impact of climate change on America's water resources.

## [Harnessing Biology, and Avoiding Oil, for Chemical Goods](#)

THE next time you stop at a gas station, wincing at the \$3.50-a-gallon price and bemoaning society's dependence on petroleum, take a step back and look inside your car.

Much of what you see in there comes from petroleum, too: the plastic dashboard, the foam in the seats. More than a tenth of the world's oil is spent not on powering engines but as a feedstock for making chemicals that enrich many goods — from cosmetics to cleaners and fabric to automobile parts.

## [The New Hampshire working forest is in crisis](#)

Everyone in the forest food chain is being squeezed to the point of no return. As a forest landowner, I checked my stumpage values of more than 25 years ago and found that I received almost twice as much for hardwood pulp at that time than I do today. Loggers and truckers, mills and anyone else using diesel fuel at \$4.25 per gallon (and climbing almost daily) are being crushed by these huge fuel bills, along with higher insurance, labor and equipment costs, with likely no chance of passing on these costs. This, along with ever-increasing state rules and regulations and added or higher fees, is having a crushing impact on our business and owning forestland.

## [Conservative Environmentalism](#)

The fact is that America is in the midst of an energy crisis that has been going on for thirty years. It is clear that oil as a fuel source is dangerous. Not only does it pollute the environment, but it also represents a huge security risk to the United States. Our biggest and most outspoken enemies happen to be sitting on the largest deposits of oil in the world, and they are using the clout that their location provides to bully the rest of the world and in some cases finance terrorism. Without the west's need for oil, these fanatical countries would lose their wealth and bargaining power, thus adding a layer of security for the United States. So what are the alternatives?

## ['Peak oil' crisis, and drastic change, coming our way.](#)

In the U.S., Al Gore just launched a \$300-million ad blitz to increase awareness about climate change, aiming to have his fellow citizens cut their greenhouse-gas emissions by 90 per cent by 2050.

Something similar needs to happen on the so-called "peak oil" front because the world is running out of cheap oil.

So far, that something is not happening. Not here. Not in the U.S., which consumes 25 per cent of the world's oil. In the presidential campaign, none of the candidates is

discussing policies to wean Americans off oil. But then, as one-time PM Kim Campbell said in 1993, elections are no time for serious issues.

### [China's oil imports hit record in March](#)

SHANGHAI — China's oil imports surged to a record 17.3 million tons in March, the government reported Friday, as the country nearly unseated Japan as the world's second-largest buyer of foreign crude oil.

### [Nigeria oil at record, refinery shutdown hits N. Sea](#)

LONDON (Reuters) - Spot differentials for Nigeria's key light crude have struck a record high this week due to better outlook for U.S. demand in coming months.

In contrast, maintenance at European refineries has pushed down the light North Sea Forties benchmark crude to deep discounts.

### [Boomtown](#)

The town also happens to sit at the epicenter of the biggest inland oil discovery in the United States in 50 years. Two miles below the surface lies a stratum of oil known as the Bakken formation, holding an epic haul of crude — some surveys suggest up to 200 billion barrels, a near-Saudi-sized reserve. And since the end of 2000, when new drilling technology and rising prices combined to unleash the find, Montana and North Dakota have become the underground rock stars of American oil, among the few states recording production increases. With oil prices soaring above \$100 a barrel, it's like giant vaults of cash opened beneath the MonDak soil.

### [One Sure-Fire Sign That Gas Prices are Heading Higher](#)

Economic forecasters - especially those employed by the government - have a spectacular history of getting little, if anything, right. Not only that, but according to a study conducted by Societe Generale (OTC: SCGLY), financial analysts lag reality badly and change their minds only when there is irrefutable proof they are wrong.

### [UK: Energy firms agree fuel poverty initiative](#)

Up to 100,000 households could be lifted out of fuel poverty by an extra £225 million to help with rising fuel bills under a new initiative agreed by Britain's 6 major energy companies - Centrica, EDF Energy, EoN, Npower, Scottish & Southern and Scottish Power.



Under the deal, brokered by Energy secretary, John Hutton, households struggling to pay their fuel bills are set to receive significant extra help with the cost of warming their homes. A fuel poor household is one which needs to spend more than 10% of its income to heat its home to an adequate standard of warmth.

### [IMF warns of 'fire and ice' threat to the world](#)

The head of the International Monetary Fund has warned that the world economy is trapped between "fire and ice" - the threat of slumping growth and of rising inflation.

Opening the IMF's spring meetings, Dominique Strauss-Kahn told ministers coming to Washington that there was only limited time to repair the financial system after the worst crisis since the Great Depression.

Speaking with oil prices at record highs, he declared that "inflation may be back" and warned the relentless rise of food prices would hit efforts to reduce poverty in Africa and Asia.

### [Russia Bank On The Prowl](#)

LONDON - First came Russia's great energy push, with Gazprom snapping up assets across Europe. Now comes its banking sector, which is hoping to exploit the subprime woes of the rest of the world.

Sberbank, Russia's largest bank, has emerged relatively unscathed from the credit market turmoil and is now planning to spend "billions" on international expansion. One of its targets for acquisitions could be Dresdner Kleinwort, an investment banking division of German insurer Allianz, according to press reports on Friday.

### [Pemex and Mexican Peak Oil Equal Expensive Oil](#)

The trouble is that Mexico's government has been using the state oil company, Pemex, like a cash machine that never runs out. Pemex contributes 40% of the total tax revenues of Mexico's Federal Government. It's a resource of the people, for the people, and by geology. But you cannot print oil on a printing press. There is no such thing as "just in time" energy resources.

Mexico's government has not been investing enough in exploration or new production to top off Pemex's reserves. Those reserves are being depleted. What's more, its largest oil field Cantarell, is in an alarming state of decline.

## [Cap and trade conundrum](#)

The partisan divide over global warming is well-known; however, this year a new element has been injected into the debate. In a series of information hearings, members of the House Energy Finance and Policy Division heard testimony from analysts who said that global oil production is peaking, and that reserves of petroleum, coal and even natural gas should begin to dwindle over the next few decades.

This phenomenon, known as peak oil, presents an entirely different set of challenges to policymakers. But it also begs the question: if we're running out of fossil fuels, do we really need to worry about reducing our emissions? Beard says no.

"If we continue on the pace we're on, we're going to outstrip our supply ... so the problem — if you think CO<sub>2</sub> is a problem — is going to fix itself anyhow in the next 20 years," he said.

## [Scrapping skyscrapers](#)

According to the current thinking of professional planners, tall buildings are our only hope for disinheriting our cars and reuniting with our neighbours---up on the rooftop garden. Urban density also concentrates and thus limits our impact on the land, water and air.

Density is our hope for long-term survival. At least until peak oil.

The problem with these sky-scraping symbols of long-term sustainability, according to Larry Hughes of Dalhousie's Energy Research Group, is "figuring out how to heat the damn things. If we assume the heat source will be oil," he says, "it's very short-sighted, naive to the extreme."

## [IEA cuts world oil demand growth by most in 7 years](#)

LONDON (Reuters) - World oil demand will rise much less than expected in 2008 because of slower economic growth in the United States and elsewhere, the International Energy Agency (IEA) said on Friday.

The cut to demand growth is the IEA's biggest since 2001 and follows the release of lower economic growth forecasts by the International Monetary Fund (IMF) this week, and the impact of high oil prices above \$110 a barrel.

## [Oil Price Defies Easy Calculation](#)

Is there a fair price for oil?

It doesn't seem that way. Over the past year, the price of crude oil has nearly doubled even though oil inventories are ample, there has been no disruption in supplies, and petroleum demand in the United States, the world's biggest consumer, has leveled off in recent weeks as the economy has slowed.

"There may be [a fair price] but it would be difficult to get consumers and producers to ever agree on it," said Guy F. Caruso, administrator of the Energy Department's Energy Information Administration (EIA). "Ideally, if there was a more competitive market, we might find out. But it's not the world we're living in today."

### [How soaring fuel prices hurt kids](#)

*Across the nation, school districts are slashing spending on teachers, books and computers as filling up the school bus gets more expensive.*

NEW YORK (CNNMoney.com) -- The school buses in Dubuque County, Iowa, travel 4,900 miles each day ferrying kids to and from class. That's the equivalent of driving across the entire United States and halfway back again.

The price of the diesel these buses run on has jumped 35 percent over the last year. The extra money paid to fuel the buses must come out of the local school district's general fund - money it would prefer to spend on other things.

### [Frontier Airlines files for bankruptcy](#)

Frontier, whose major hub is in Denver, has been affected as other airlines have by rising fuel costs and the credit crisis in financial markets.

ATA Airlines, Skybus and Aloha Airgroup all have filed for bankruptcy recently, but Menke said Frontier's reasons for doing so were different.

"Unfortunately, our principal credit card processor very recently and unexpectedly informed us that, beginning on April 11, it intended to start withholding significant proceeds received from the sale of Frontier tickets," he said. "This change in established practices would have represented a material change to our cash forecasts and business plan. Unchecked, it would have put severe restraints on Frontier's liquidity and would have made it impossible for us to continue normal operations."

### [Aloha may also mean \\$4 gas](#)

WAILUKU, Hawaii - The average price of regular gasoline on Maui island has reached a record \$4 a gallon.

Wailuku is the first area in the nation tracked by AAA's Daily Fuel Gauge Report to hit

the \$4 mark. In the remote coastal town of Hana, the price is around \$4.55 a gallon.

### [Poor go hungry while rich fill their tanks](#)

Rocketing global food prices are causing acute problems of hunger and malnutrition in poor countries and have put back the fight against poverty by seven years, the World Bank said yesterday.

### [Leftists lawmakers storm Mexico Congress](#)

MEXICO CITY - Leftist lawmakers took over both chambers of Mexico's Congress to protest President Felipe Calderon's energy reform bill, which would make it easier for the state oil company to seek outside help to develop oil fields.

Legislators from the Democratic Revolution Party and two minor parties stormed the podiums and forced a recess in both the Senate and lower house of Congress. Some donned hard hats with the symbol of the state-owned oil company and shouted, "The country is not for sale!"

### [The new age of the train](#)

Britain is witnessing the dawn of a new era of rail travel as an unprecedented demand for environmentally friendly transport encourages people to take more train journeys than at any time since the Second World War.

### [Logging Boreal Forest Could Detonate Massive 'Carbon Bomb,' Says Report](#)

OTTAWA - Canada's boreal forest is a ticking "carbon bomb" and its continued logging could trigger a massive release of greenhouse gases, says a new report.

A Greenpeace study released Thursday says cutting down trees in the boreal forest is exacerbating climate change by releasing stores of greenhouse gases trapped in soil and vegetation.

It also found that logging makes the forest more susceptible to insect outbreaks and wildfires which, if widespread, could cause a spike in greenhouse-gas emissions - the so-called "carbon bomb."

### [UN climate chief: US election may help](#)

"I'm really encouraged to see that all three of the presidential front-runners have climate change high on their agenda," Yvo de Boer, executive secretary of the U.N. climate treaty secretariat, told The Associated Press. "So whichever one of them wins, I think it will be good news for climate change policy."



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