



DrumBeat: April 18, 2008

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Oil hits new record \$117 a barrel

NEW YORK (Reuters) - Oil prices hit a record high \$117 a barrel Friday as jitters over Nigerian oil supplies outweighed a rally in the dollar and fears of an economic slowdown in giant energy consumer China.

U.S. light crude settled up \$1.83 at \$116.96 a barrel, before hitting a record \$117. London Brent crude gained \$1.49 to \$113.92.

... A Nigerian rebel group said Friday it had sabotaged a major oil pipeline operated by Royal Dutch Shell and vowed to step up attacks on oil installations.

Shell officials, which is currently pumping 400,000 barrels per day below capacity in the OPEC nation due to sabotage and security concerns, confirmed a small amount of production had been shut in.

Strikers at the major southern French oil port of Fos-Lavera vowed to remain on picket lines through Saturday. The strike trapped 23 vessels, including four crude oil tankers and six refined products tankers in the port.

A similar strike March lasted 17 days and forced four oil refineries with 603,000 barrels per day of combined capacity to curtail operations, helping spur a late spring rally in European diesel prices.

A British union will launch a two-day strike from April 27 at Ineos Grangemouth refinery, forcing it to shut down with an impact on the North Sea Forties pipeline system, which terminates there, both sides said on Friday.

Transformation time for the LNG industry

When BG Group began to build a billion-dollar liquefied natural gas plant in Trinidad and Tobago in 1996, one of the big draws was the Caribbean islands' proximity to the US, the world's biggest natural gas consumer.

But a little more than a decade later, many of BG's ships are heading half way around the world to Japan, rather than the company's regasification terminal in Lake Charles, Texas.

Canada: Motorists aghast at price of gas

The price hike comes just as Canadians are thinking about summer holidays. If the analysts are right, they might want to think again.

"People should get used to the idea of \$1.50 a litre gas," said economist Jeff Rubin of CIBC World Markets.

Mexico minister says oil reform could boost GDP

MEXICO CITY (Reuters) - A government proposal to overhaul Mexico's statecontrolled energy sector could boost gross domestic product growth by close to 1 percent if approved, Energy Minister Georgina Kessel said on Friday.

Mexico Launches Drilling Tenders For Challenging Oil Basin

MEXICO CITY -(Dow Jones)- Mexico's state oil firm hopes to turn a long-ignored oil basin into a major producer as the country's traditional fields run dry.

This month Petroleos Mexicanos, or Pemex, is collecting bids for two drilling tenders for the Chicontepec basin, according to Compranet, the government's procurement Web site.

Experts say it will be a difficult task for Pemex to reach its production target of 100,000 barrels a day by the end of this year at the geologically challenging area.

Obituary: Nikolai Baibakov

Nikolai Baibakov, Stalin's oil commissar who went on to direct the Soviet Union's planned economy for two decades until the advent of Mikhail Gorbachev, has died in Moscow, aged 97. His life encompassed what a Russian would see as the greatest moments of the Soviet Union. But he also presided over its disintegration, which Baibakov viewed as a national tragedy.

The end is nigh

Kevin Moore is famous for saying the end of the world is nigh.

He reckons he has never said that. What he says is the end of life as we know it is nigh.

New Zealand's current way of living will disappear sometime in the next three to five years, he says.

Peak oil and the world food shortage are the main problems, but there are other factors contributing to a future crisis - it's phosphorous, it's the money system, the water supply, the entire economic system.

Lester Brown: World Facing Huge Challenge on Food Front, BAU not an Option

A fast-unfolding food shortage is engulfing the entire world, driving food prices to record highs. Over the past half-century grain prices have spiked from time to time because of weather-related events, such as the 1972 Soviet crop failure that led to a doubling of world wheat, rice, and corn prices. The situation today is entirely different, however. The current doubling of grain prices is trend-driven, the cumulative effect of some trends that are accelerating growth in demand and other trends that are slowing the growth in supply.

Ag Secretary: 'We have never been less secure' about wheat

Schafer told the International Food Aid Conference meeting that crop failures have left global wheat stocks at their lowest point in 30 years and U.S. wheat stocks are at 60-year lows. Climate changes that have spawned unrelenting drought, floods and late freezes have all had an impact.

US carbon emissions to rise 23 percent over UN benchmark: IEA

PARIS - US emissions of greenhouse gases are poised to rise by nearly a quarter over a key UN benchmark by 2025, the date set by President George W. Bush for stabilizing this pollution, an International Energy Agency (IEA) expert said on Friday.

The benchmark of 1990 is a closely watched -- and politically sensitive -- measure of commitment for tackling global warming.

"With current policies, the greenhouse-gas emissions of the US will increase by 18 percent between 2005 and 2025," IEA chief economist Fathi Birol told AFP.

Lakes of Meltwater Can Crack Greenland's Ice and Contribute to Faster Ice Sheet Flow

According to research by glaciologists Sarah Das of WHOI and Ian Joughin of UW, the lubricating effect of the meltwater can accelerate ice flow 50- to 100 percent in some of the broad, slow-moving areas of the ice sheet.

"We found clear evidence that supraglacial lakes-the pools of meltwater that form on

the surface in summer—can actually drive a crack through the ice sheet in a process called hydrofracture," said Das, an assistant scientist in the WHOI Department of Geology and Geophysics. "If there is a crack or defect in the surface that is large enough, and a sufficient reservoir of water to keep that crack filled, it can create a conduit all the way down to the bed of the ice sheet."

Food miles don't feed climate change - meat does

That locally-produced, free-range, organic hamburger might not be as green as you think.

An analysis of the environmental toll of food production concludes that transportation is a mere drop in the carbon bucket. Foods such as beef and dairy make a far deeper impression on a consumer's carbon footprint.

11 great green ideas

Entrepreneurs are risking their money to develop everything from hybrid vehicles to home solar-panel systems. Here are some of the best concepts.

Gas prices push closer to \$3.50 a gallon, oil hits \$116

NEW YORK - Retail gas prices set new records Friday on their seemingly relentless march toward \$3.50 a gallon, and diesel prices pushed further above \$4 a gallon.

Oil futures, meanwhile, surged to a new record over \$116 a barrel after a militant group in Nigeria said it had sabotaged a major oil pipeline operated by a Royal Dutch Shell PLC joint venture and promised further attacks on the country's petroleum industry.

..."I would say that energy prices are having the most profound effect on the economy in recent memory," said Phil Flynn, an analyst at Alaron Trading Corp., in Chicago, in a research note.

The rising impact of high oil prices

Now, rising energy prices – oil hit records above 115 a barrel this week – are causing concern about the potential damage to the economy. Americans are spending a larger share of their income on energy than at any time since 1986. That has crimped pocketbooks and helped dampen consumer sentiment. Purchases of everything from cars to clothing are falling.

"We are all worth less and earning less than a year ago," says economist Mark Zandi of

Moody's Economy.com. "That is why consumers are pulling back, and judging from the confidence numbers they are in a panic mode."

Billionaire Texas oil man makes big bets on wind

WASHINGTON (Reuters) - Legendary Texas oil man T. Boone Pickens has gone green with a plan to spend \$10 billion to build the world's biggest wind farm. But he's not doing it out of generosity - he expects to turn a buck.

China delivers as non-OPEC output disappoints

In Russia, the world's number-two producer, output failed to grow for an alarming third month in March.

But in China, where you might expect a decline from aging elephant fields like Daqing, which has been pumping for nearly half a century, growth has been small but steady. Output climbed 2.2 percent in the first quarter, data showed Thursday.

Defying gloomy predictions that their fields would follow the offshore North Sea or Mexico's huge Cantarell into decline, China's oil firms have channeled vast amounts of cash into high and low-tech methods of extracting extra barrels.

While China's surging oil demand grabs the headlines, its upstream sector has quietly become the world's fifth biggest at 3.76 million barrels per day, displacing Mexico and closing in on OPEC member Iran, which pumps just under 4 million bpd.

High crude oil prices bite into refiners' profit margins

CALGARY - Many drivers are frustrated about how much the cost of gasoline has gone up, but experts say the price that refiners pay for crude oil - now trading around a record US\$115 a barrel - has risen even faster.

While Canadians were on average paying \$1.21 per litre on Thursday, compared to about \$1.08 at this time last year, Edward Jones analyst Lanny Pendill said pump prices have not even come close to catching up with refiners' soaring costs.

"So the net impact has been the profitability at the refineries has declined significantly from last year's levels," he said.

"The refiner, in essence, is absorbing some of that cost increase of oil."

Bet on oil as the newest bubble

The Fed is printing money to clean up the housing bubble, which was fueled by the money it printed to clean up the Internet bubble. The only question is what kind of bubble the new money will inflate.

Bet on oil and other energy.

The REAL cost of inflation: The Mail's Cost of Living Index reveals food prices rising at SIX times official figure

The true, devastating scale of rising prices is revealed today - by the new Daily Mail Cost of Living Index.

It shows that families are having to find more than £100 a month extra this year to cope with increases in the cost of food, heat, light and transport.

According to the Consumer Price Index, inflation is running at only 2.5 per cent.

Yet the Mail's index finds that food costs alone are rising at 15.5 per cent a year - more than six times the official rate.

Peter Mandelson warning over food protectionism

Europe's trade chief gave warning of "a spiral of protectionism" in the grain trade as the price of rice soared to a new record and grain-producing countries stopped exports to prevent further outbreaks of food rioting.

Leading grain exporters in the developing world are shutting off supplies in an attempt to curb domestic food price inflation, but Peter Mandelson, the European Trade Commissioner, said that the export curbs were aggravating food shortages.

He said: "By chasing an illusion of food security these policies throttle domestic production, choke off supplies and risk leading to a spiral of protectionism and dwindling production."

How the rich starved the world

World cereal stocks are at an all-time low, food-aid programmes have run out of money and millions face starvation. Yet wealthy countries persist with plans to use grain for petrol.

Savvy farmers open the gate to agritourism

 "People are looking for more than cookie-cutter vacations, and (agritourism) is a way to

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help sustain small family farmers," says Erin Rosas, co-owner of Rosas Farms, just south of Gainesville, Fla. The 100-acre ranch hosts "eco-tourism culinary retreats" that cost \$1,500 a night for groups of up to eight guests, including handcrafted beds topped with bamboo sheets, a five-course organic dinner and breakfast and lessons on how to prepare meals using farm-raised, hormone-free livestock, eggs and produce.

Gazprom Seeks Assets in Swap With Eni, Putin Says

(Bloomberg) -- OAO Gazprom expects to receive assets from Italy's Eni SpA in countries like Libya as the two companies cooperate in exploring for oil or natural gas and transporting fuel, Russian President Vladimir Putin said.

Moscow-based Gazprom, the world's biggest natural gas producer, and Eni, Italy's largest oil company, agreed a year ago to swap assets giving each other reciprocal access to their home markets. Eni bought gas fields in Siberia in return for Gazprom gaining the right to sell fuel in Italy.

Waves of destruction

Rising seas are changing Britain's coast dramatically. Norfolk is the first low-lying area to face a stark and cruel new choice - plough millions into doomed defences, or abandon whole villages to the invading waters.

Feds seek more time for polar bear decision

ANCHORAGE (AP) — The Department of the Interior wants 10 more weeks to decide whether polar bears should be listed as threatened or endangered, a delay conservation groups condemned as tied to the transfer of offshore petroleum leases in one of the animals' two U.S. habitats.

How to Win the War on Global Warming

Money will get us part of the way there, but what's needed most is will. "I'm not saying the challenge isn't almost overwhelming," says Fred Krupp, president of the Environmental Defense Fund and co-author of the new book Earth: The Sequel. "But this is America, and America has risen to these challenges before."

No one yet has a comprehensive plan for how we could do so again, but everyone agrees on what the biggest parts of the plan would be. Here's our blueprint for how America can fight—and win—the war on global warming. NEW YORK (CNNMoney.com) -- Americans are used to hearing that their energy supplies are dwindling.

But new discoveries of huge new natural gas fields in the United States and Canada could change that, cutting foreign imports and boosting production of a relatively clean energy source as global warming concerns take center stage.

No Cart Before This Horse: Petrobras Estimate Of Carioca By July

By midsummer, the premature statements made by Brazil National Petroleum Agency's Harold Lima April 14 should be a faux pas Petrobras can look back on with a smile.

Petrobras Chief Executive Sergio Gabrielli said that by July the company should have accurate information about the size of the oil and gas available at Carioca.

BP Says OPEC Quota Doesn't `Impact' Oil Production in Angola

(Bloomberg) -- BP Plc, Europe's second-largest oil company, said the company's plan to raise production in Angola won't be hindered by the quota OPEC set for sub-Saharan Africa's second-largest crude producer.

Pickens Reverses Position to Bet on Higher Oil Prices

(Bloomberg) -- Boone Pickens, a billionaire energy investor, said he reversed course and is betting the price of crude oil will rise.

Pickens, 79, the founder and chairman of Dallas-based BP Capital LLC, said today in a speech at Georgetown University that the price of crude will only continue to climb and demand will eventually be dampened.

``The position is long, not short," Pickens told reporters after his speech. ``I covered the short position, it was a mistake on my part. We missed."

Gas hits \$3.42 a gallon, bus ridership rises (Rochester, MN)

Hundreds of people who commute to Rochester from outlying communities are opting to leave their cars in their garages and ride the bus to and from work instead.

Fear of a growing energy shortage is leading to calls for more nuclear power plants. What many people are forgetting is that nuclear power is an expensive and risky investment, and there would be little interest in such projects without federal subsidies and incentives, including liability insurance, risk insurance for delays, production tax credits and loan guarantees totaling billions of dollars. In Florida, two proposed new reactors may cost \$24 billion, with ratepayers expected to pay during construction. With wind power already more economical than nuclear power, and solar power soon to be, one critic predicts nuclear power plants will be "economically obsolete before they are built."

UK's first Hydrogen fuel station

Despite a shortage of potential customers, Britain's first hydrogen filling station has opened at Birmingham University.

The station is the first of 12 outlets planned to open nationwide by 2010 and will serve a fleet of five fuel-cell cars. It's the first part of the infrastructure needed to support the far-off prospect of hydrogen-powered cars in the UK.

The Ethanol Apologists

The outrages of the ethanol mandates are growing by the day.

Last week, a study funded by American beef, pork and chicken producers estimated that the total cost to taxpayers of the corn ethanol mandates now exceeds \$33 billion per year. That's equal to about \$106 per American citizen. While the soaring cost of the ethanol are maddening, even more galling are the continuing claims by a group of ethanol apologists who insist that the ethanol industry is having no effect on food prices. Those spurious claims are being made at the same time that the World Bank is warning of a global food crisis and unrest is increasing in several countries due to soaring food prices.

Palm oil boycott will not protect rainforests

Speaking at the first international palm oil sustainability conference in Kota Kinabalu, Malaysia, biologist Dr David S Wilcove said that simply calling for boycotts of palm oil from South East Asia is unrealistic and ineffective in conserving the regions rainforests.

"In the context of its tremendous economic importance, it must be recognised that the notion of boycotting palm oil is impractical and unrealistic. It is simply not an approach that will work," said Dr Wilcove.

Potash the new crude

Saskatchewan potash is the new crude oil, according to one market analyst monitoring the historic rise in value of the plant nutrient.

Breaking the Efficiency Gridlock

Under federal rules, utilities must have enough reserve power plants to meet the most extreme spikes in demand and prevent massive blackouts. As our appetite for electricity grows, so has the number of peaking plants, which now constitute at least 14 percent of our 2,600 power plants. And because peak demand is growing even faster than overall energy use, that number will continue to grow. Scott Simms, spokesman for the Bonneville Power Administration, another Pacific Northwest utility, likens the peaker boom to "building an extra freeway lane to accommodate one day of Super Bowl traffic."

Conservation Can Mean Profits for Utilities

A utility urging customers to use less energy? Seems impossible, since more BTUs and more kilowatts always meant higher profits in the energy business. But states are changing the way that utilities get paid—decoupling profits from energy consumption —to promote efficiency and curb the need for new power plants.

PG&E to tack on an extra bill

Starting in June, PG&E will collect the money to help recover costs related to the state's power crisis early in this decade, and to restore the sites of closed nuclear plants.

The California Public Utilities Commission in February affirmed PG&E's right to levy the charges. The action came over protests from the irrigation districts.

"PG&E needs to explain why it is charging fees for electrical service when it doesn't provide electrical service to these people and never has provided electrical service to these people," said Kate Hora, a spokeswoman for the Modesto district.

Walkout at huge oil refinery may cause petrol shortage

A strike at one of the biggest oil refineries could cause severe petrol shortages and spiralling prices.

Up to 1,200 workers at the Ineos plant at Grangemouth, near Glasgow, are to stage a 48-hour walkout this month in a row over pensions.

UAE, IEA discuss cooperation on stabilising global oil markets

ABU DHABI — Energy Minister of the United Arab Emirates Mohammed bin Dha'en Al Hamili and Executive Director of the International Energy Agency (IEA) Nobuo Tanaka yesterday discussed ways to further bolster the standing relations and cooperation on stabilising the oil markets, reducing volatility and achieving an oil supply-demand balance.

Oil buyers and sellers to talk, not act on \$115 oil

ROME (Reuters) - Sky-high oil prices and a bruised world economy ought to focus minds, but there is little prospect some 60 energy ministers meeting from Sunday will agree any meaningful action to control fuel costs.

Representatives of producer and consumer countries meet every two years at the International Energy Forum. They include members of the Organization of the Petroleum Exporting Countries, which pumps about a third of the world's oil.

Previous events have been dismissed as a talking shop and few expect the 2008 talks to be any different.

South Africa: Thousands march over food, power

"Electricity and food is not a luxury. It's a necessity. In the end of the day people will not have the money to buy food."

These are the words of Karin Jafta (29), who -- together with her husband -- was one of an estimated 3 000 members of the Congress of South African Trade Unions (Cosatu) and the South African Communist Party (SACP) who took to the streets of Johannesburg on Thursday to protest against the rising prices of food, fuel and electricity.

Second week for Mexican Congress coup

MEXICO CITY (AP) — A week-long blockade of Congress by leftist lawmakers not only is stalling urgent energy reforms — it's also getting downright embarrassing, Mexico's foreign minister said Thursday.

The administration of President Felipe Calderon showed signs of dwindling patience after congressional leaders were forced to withdraw an invitation for Indian President Pratibha Patil to address a session of Congress.

Shipping Rates for Coal, Ore to Advance on Brazil, Sempra Says

(Bloomberg) -- The cost of shipping commodities by sea may climb as an increasing number of vessels are sailing to Brazil's two largest iron ore ports, cutting supply elsewhere, Sempra Metals said.

Fuel prices fatten up airfares again

FORT WORTH — Airfares are going up again, but not fast enough for most big airlines to cover their rising fuel expenses.

Even top discounter Southwest, which reported a profit Thursday on the strength of its successful fuel-hedging program, raised its fares for the second time this year.

It's time to scrap the ethanol boondoggle

Government-funded conversion to "biofuels" such as ethanol is scarcely helping with energy efficiency and is exacerbating a global food crisis. It's time for Canada to reverse course on this failed approach.

More demand for oil in Mideast hikes prices

WASHINGTON -- Middle Eastern oil-producing nations are behind today's record high oil prices, but not for the reason you might think. Taken together, oil-rich nations represent a bloc of fast-growing economies that are now sucking up new energy supplies almost as fast as they're coming to market. Together, the six nations that make up the Gulf Cooperation Council (GCC) are now consuming about as much oil as China, whose thirst for oil frequently gets the blame for tight global supplies.

These GCC countries -- Saudi Arabia, Kuwait, Oman, Qatar, Bahrain and the United Arab Emirates -- have grown at a 7 percent annual clip since 2002. They boast a percitizen income -- \$19,000 -- that is three times China's. Demand for oil in the Middle East has risen by almost 6 percent annually since 2004.

..."Every time you jump 1 million barrels per day of energy demand in the Middle East, your supply [for export] falls by 1 million barrels per day," said Matthew Simmons, an investment banker specializing in oil.

The Peak Oil Crisis: The Silly Season Is Upon Us

During the past week, the surge in oil prices continued with crude, gasoline and diesel

prices all hitting new highs.

U.S. gasoline consumption may be down by a few tenths of a percent (which seems logical) or then again, it may be up a bit in recent weeks depending on which numbers you are reading. Our Presidential candidates, or at least their handlers, are beginning to grasp that we have a problem here and are beginning to make proposals.

We have clearly entered the silly season, for all three major candidates now have endorsed the notion that the U.S. should stop buying oil for its strategic reserve in order to force prices back down. This might sound sensible until you learn that the U.S. is only squirreling away eight ten-thousandths of the world's production each day.

Nigerian rebels say attack major Shell pipeline

LAGOS (Reuters) - Rebels in Nigeria's oil-producing Niger Delta said on Friday they sabotaged a major pipeline operated by Royal Dutch Shell, and a company spokeswoman said it was investigating reports of an explosion.

A statement from the Movement for the Emancipation of the Niger Delta (MEND) said it attacked the Shell pipeline, which crosses from the Cawthorne Channel to the Bonny terminal, at Adamakiri in Rivers state late on Thursday.

<u>Balkin' at Bakken</u>

The latest USGS report only points to as much as 4.3 billion barrels accessible with today's technology. That's a far cry from 500 billion barrels, but is still a 25-fold increase over the agency's 1995 estimate of 151 million barrels, and is therefore an increase of some 6 percent in the total U.S. national recoverable oil estimates. Further oil technology innovation could potentially unlock more of the reserve, experts say, but at significant cost.

Gazprom Neft raises 2020 oil output forecast

MOSCOW (Reuters) - Gazprom Neft, an oil arm of Russian gas giant Gazprom, said on Friday it planned to more than double oil output by 2020 to 2 million barrels per day, up by a quarter from its previous forecast.

Roman Yefimychev, head of Gazprom Neft's petrochemical department, told a conference his firm would be producing 100 million tonnes of oil per year by 2020, a 25 percent increase from its previous forecast of 80 million tonnes.

Weak dollar not sole reason for high oil prices

Experts, therefore, point out that only when expectations about the U.S. dollar's depreciation completely break down can international oil prices truly step on a downward track.

However, some experts say other aspects besides the weak dollar are also responsible for pushing oil prices up dramatically and they would continue to wield an influence on international oil price trends.

Rice traders hit by panic as prices surge

Rice prices hit the \$1,000-a-tonne level for the first time as panicking importers Thursday scrambled to secure supplies, exacerbating the tightness already provoked by export restrictions in Vietnam, India, Egypt, China and Cambodia.

The jump came as the Philippines, the largest rice importer, failed for the fourth time to secure as much rice as it wanted.

The unsuccessful tender followed Bangladesh's inability to buy any rice at all this week.

UK: Scientists agree placing wind farms on peatland is 'disastrous'

BUILDING wind turbines on Scotland's precious peatland could be catastrophic for the environment, according to a Scottish MEP.

Following a seminar given by key scientists at the European Parliament in Brussels, Struan Stevenson, MEP, is calling for action to stop any further building on peatland.

Wild Fires Likely To Spread Due To Global Warming

VIENNA - Wild fires are likely to be bigger, more frequent and burn for longer as the world gets hotter, in turn speeding up global warming to create a dangerous vicious circle, scientists say.

March the warmest on record over world land surfaces

WASHINGTON - Planet Earth continues to run a fever. Last month was the warmest March on record over land surfaces of the world and the second warmest overall worldwide. For the United States, however, it was just an average March, the National Oceanic and Atmospheric Administration reported Thursday.

NOAA's National Climatic Data Center said high temperatures over much of Asia pulled the worldwide land temperature up to an average of 40.8 degrees Fahrenheit (4.9 degrees Celsius), 3.2 degrees (1.8 C) warmer than the average in the 20th century.

Jet stream, America's storm maker, moving slowly northward

WASHINGTON - The jet stream — America's stormy weather maker — is creeping northward and weakening, new research shows. That potentially means less rain in the already dry South and Southwest and more storms in the North.

And it could also translate into more and stronger hurricanes since the jet stream suppresses their formation. The study's authors said they have to do more research to pinpoint specific consequences.

France warns climate change driving war, hunger

PARIS (AFP) - French President Nicolas Sarkozy on Friday told the world's biggest carbon polluters that global warming was becoming a driver of hunger, unrest and conflict, with the war in Darfur a concrete example.

"Climate change is already having a considerable impact on security," Sarkozy said in a speech to ministers from 16 economies that together account for 80 percent of the planet's greenhouse-gas emissions.

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