



DrumBeat: April 28, 2008

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Topic: [Miscellaneous](#)

[High fuel prices force Californians into hybrids, or off the road](#)

LOS ANGELES (AFP) - Faced with surging gasoline prices, a growing number of car-crazy Californians are ditching gas-guzzlers for hybrids and avoiding the road in a state known for its traffic jams and scenic routes.

Like many Americans, Jorge Montijo and his wife once had two cars in their Los Angeles garage.

But with gas prices between 3.8 dollars and 4.3 dollars a gallon -- four times the cost a few years ago -- the environmentally-conscious couple recently sold their two vehicles and replaced them with one hybrid car in February.

[ANALYSIS - Nigeria may lose top Africa oil exporter status to Angola](#)

LONDON (Reuters) - Nigeria, which has been forced to shut in more than half of its oil output following rebel attacks and a workers' strike, could lose its position as Africa's top oil exporter, analysts and trading sources said.

Nigeria's lifeblood industry, besieged by insurgents fighting to gain control of oil pumped in their backyard and criminals who break into pipelines and steal crude for illegal export, is losing more than half its output at a time when oil prices are at their peak.

The cumulative oil production outage for Africa's most populous nation now amounts to more than 1.3 million barrels per day from its most recent output of about 2 million bpd.

[Curious About Oil Prices? Watch The Fed](#)

LONDON - Although supply worries pushed oil prices close to a record of \$120 per barrel on Monday, the real guide to crude for the rest of the week could be the United States Federal Reserve.

The American central bank is due to meet on Tuesday and Wednesday to decide its next move on monetary policy, which could have an impact on oil prices. The Fed's attempts

to revive the flagging American economy over the past six months--including cutting interest rates down to 2.25%--have pushed the dollar down to historically weak levels against the euro and other major currencies. With equity markets in turmoil, the investments currently benefiting from dollar desertion are commodities like crude oil.

[Venezuela sells \\$4 billion international bonds](#)

CARACAS: Venezuela sold \$4 billion in international bonds in an expanded issue that was launched last week and aimed mainly at importers, the oil-exporting country's Economy Ministry said on Monday.

The government of socialist President Hugo Chavez originally offered \$3 billion in bonds, evenly split between paper maturing in 2020 and 2028.

But demand from Venezuelan investors seeking access to dollar-denominated assets amid tight currency controls far outstripped the offer, prompting the ministry to expand the issue last week.

[Clothesline liberty](#)

Spokesmen for all three of Ontario's major political parties have come out in support of Energy Minister Gerry Phillips' plan for clothesline liberation. Talk to homeowners about the subject, though, and you find nothing like such unanimity. In fact, it can arouse some surprisingly strong feelings. It seems that almost no one is neutral on the core issue; you're either clothesline-friendly, or you're not.

[Russia says has no plans to cap carbon emissions](#)

MOSCOW, April 28 (Reuters) - Russia will not accept binding caps on its greenhouse gas emissions under a new climate regime, currently being negotiated to succeed the Kyoto Protocol after 2012, top officials said on Monday.

[Gas hits \\$3.60 a gallon, crude nears \\$120 on supply outages](#)

While prices are 66 cents higher than a year ago, their rate of increase has slowed some since last week, when prices jumped more than 2 cents a day several times.

That could suggest that a price peak is near, analysts said.

"I've got to think we're close to the end on increases," said Michael Lynch, president of Strategic Energy & Economic Research Inc. in Cambridge, Mass.

[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.

The next five years will tell the story. I'm leaving out the demand side of the U.S. equation. If you believe our next president and the Congress will draft a cohesive energy policy that curbs demand and successfully encourages new energy sources, you don't want to play in this game. Just be mindful that we have over 100 million cars on the road, gas guzzlers, and they're going to hold the road over the next 10 years.

[Brazil Oil Trapped by 500-Degree Heat, Salt Barrier](#)

(Bloomberg) -- Brazil's plan to become one of the world's biggest oil exporters hinges on exploiting crude six miles below the ocean surface in deposits so hot they can melt the metal used to carry uranium to nuclear plants.

Tapping what may be the biggest oil finds in the Western Hemisphere in three decades will require equipment that can withstand 18,000 pounds per square inch of pressure, enough to crush a pickup truck, pipes that can carry oil at temperatures above 500 degrees Fahrenheit (260 Celsius) and drill bits that can penetrate layers of salt more than one mile thick.

[China fuel import surge may vanish after Olympics](#)

SINGAPORE (Reuters) - The surge in China's gasoline and diesel imports this year has given an unexpected fillip to world oil prices, but that extra demand may vanish this autumn as Beijing unwinds a series of pre-Olympic measures.

To ensure its summer Olympics in August run smoothly, China has invoked national duty to spur its big oil companies to stock up fuel supplies, causing a short-term blip in imports that has turned it into a net gasoline importer for the first time.

[Yemen: Government denies diesel crisis](#)

SANA'A — Yemen's capital and other main cities, including Aden, Taiz and Hadramout, are experiencing a notable shortage in diesel fuel these days, and the crisis became sharper over the past two days when crowds of citizens lined up for hours at fuel stations to get diesel.

Many citizens, who use diesel for agricultural and transportation purposes, complained that several fuel stations were closed over the past two days due to a lack of diesel supplies, while other stations faced long queues of vehicles and trucks. Owners of agricultural machinery and bakeries suffered the most, which is why security personnel were forced to patrol at fuel stations, particularly those affiliated with the Yemeni Petroleum Company, to organize citizens lining up to get diesel.

[Are high oil prices here to stay?](#)

Take shortage in supply, add geo-political tensions to that, season it with loads of liquidity in commodity markets, and you have the perfect recipe of a bull run in one of the most indispensable inputs used by industry and consumers alike.

[Surefire gas cost-cutter: Drive slower](#)

While gas prices at or near \$4 a gallon have persuaded some Bay Area motorists to take public transit, join carpools or curse the oil companies, the high cost of fuel has moved few drivers to practice a proven gas-saver - driving slower.

[Inflation Dominates the Age of Peak Finance](#)

Different week, same three "Fs". Food, fuel, and finance. We mentioned a few weeks ago that these three investment themes intersect, interconnect, and generally get all tangled up. Expect more tangling this week. Let's try to untangle them a bit for you today.

[Running on empty: EU plans emergency oil stock revision](#)

As oil prices paused within sight of USD 120, the European Commission said it had opened a public consultation on its plans to revise the emergency oil stock regime.

[Philippines to distribute rice cards to help poor cope with rocketing prices](#)

MANILA, Philippines: The Philippine government plans to introduce "rice access cards" for the poor to use to buy cheaper subsidized grain to help stave off a wider food crisis, officials said Monday.

The rice cards are supposed to benefit the bottom third of the poorest families in the

capital, Manila. Outside the capital, the government said it will distribute separate bank cash cards to help families in the poorest 20 of the country's 81 provinces with quick money transfers.

[Agriculture experts: Food costs could keep rising for years](#)

The current rise in food prices is the most serious in the last century and shows no sign of slowing down any time soon, according to agricultural economist Prof. Yakir Plessner of the Hebrew University's Faculty of Agriculture in Rehovot. A colleague, Professor Ayal Kimhi, foresees the crisis causing political shock waves in sensitive areas of the world. These will in turn lead to higher oil prices and further increases in food prices.

[Hunger affects us all](#)

Here in Massachusetts, where the shelves of food stores are well stocked, it may seem that hunger is a phenomenon of the distant poor, but that is wrong. Government studies suggested in 2007 that nearly half a million residents of this state do not have enough to eat. In a place where the income gap between the richest and the poorest is vast, the high cost of living puts the supply of basic nutritional needs beyond the reach of many. If a silent tsunami has struck the globe, a quiet Katrina rolls in on Massachusetts families every day. In many households, three meals have become two.

[Shoppers in Solomon Islands Face High Prices](#)

People in Honiara, Solomon Islands, are now feeling the pinch of what seems to be a general rise in the price of goods due to the dual effects of high fuel prices and a global food shortage.

In less than a month the price of food has jumped quite significantly, a 20 kilo bag of rice now cost SBD\$138, up from SBD\$115, the price for a loaf of bread is now SBD\$7, up from SBD\$5.50, a small packet of sugar, which was then SBD\$5.00, is now SBD\$6.00.

[Food prices rising, but no shortage in U.S.](#)

Hurt, the agricultural economist, believes that higher food prices, like higher fuel prices, may become a fact of life for Americans in coming years. But it's not clear how much more money Americans will have to allocate to food. Currently, Americans spend about 8 percent of their disposable income on food, or about 10 percent if beverages are factored in, Hurt said.

If price increases continue, Hurt expects to see Americans make dietary changes.

At first, that might be similar to what we're already seeing — more families choosing to

cook steak at home rather than eat it in a restaurant, for example. But further down the road, we might see Americans in general consume more fruits and vegetables, which require fewer resources to produce, and rely less on meat. Americans also may find themselves substituting cheaper foods, such as potatoes, for rice or bread.

[Sticks and stones can break the bank](#)

“China began building its modern infrastructure and creating a strong consumer class simultaneously,” he said. “Now they are living with electric wiring, plumbing, modern appliances that they never had before.

“All these things require copper and steel,” he said. “And there are only a few copper mines in the world and many of the steel and copper mines have been hit hard recently by strikes and earthquakes, pushing prices even higher.”

[Government outlines measures to aid energy conservation in Jamaica](#)

PRIME MINISTER Bruce Golding has outlined several measures aimed at reducing the country's high energy bill.

In his maiden budget speech as prime minister last week Tuesday, Golding stressed that the cost of energy was the most immediate challenge facing the economy.

"It affects virtually everything - the cost of production, transportation, the cost of living. It is the biggest drain on our foreign exchange," Golding emphasised.

[The dangers of ethanol](#)

(Fortune Magazine) -- Now that milk and gasoline can cost \$3.50 each, filling up your grocery cart or SUV has become an exercise in pain. Most people just wince, pay, and get along as best they can. But someone like me can't help but see these price spikes as a nasty side effect of America's ethanol program. How nasty? Think of the recent film starring Will Smith, "I Am Legend."

You might ask what the connection is between a half-baked energy policy and overdone sci-fi. Answer: the unanticipated consequences of supposed miracle cures.

[Lula to rich nations: 'Stop your hypocrisy,' buy Brazil biofuel](#)

BRASILIA (AFP) — Brazilian President Luiz Inacio Lula da Silva blasted wealthy nations for their punitive agricultural tariffs and urged them Sunday to "stop your

hypocrisy" and start buying Brazilian biofuel.

"We have said that if we want to achieve success in the Doha Round (of World Trade Organization negotiations), then rich countries must lower their agricultural tariffs for poor countries' products entering their markets," Lula told Correio do Brasil newspaper in an interview.

"So, stop your hypocrisy and start buying biofuels," he said.

[Merkel Urges Germans To Buy Greener Cars](#)

BERLIN - Germans should buy more fuel-efficient cars, Chancellor Angela Merkel said, even though her government is fighting European Union efforts to force down carbon dioxide emissions.

Merkel, who regularly defends Germany's powerful luxury car industry against European Commission plans to clamp down on CO2 emissions, said more efficient cars could provide an answer for two problems: higher energy prices and climate change.

[Extreme Ocean Storms On the Rise, Tremors Show](#)

Extreme ocean storms have ramped up in frequency over the past 30 years, according to new research based on small tremors.

[Wind power is great, but not a panacea](#)

BC Hydro approves three clean projects, but needs more to meet electricity demand and deliver it in an environmentally safe way.

[Punjab reaps a poisoned harvest](#)

The new strains of seed and chemical pesticides and fertilisers, certainly brought high yields.

They called it the Green Revolution.

But today the food the cows eat and the milk they produce, along with the water the cows and Mr Singh's family drink, all show high levels of pesticide residue.

[Record complaints over 'greenwashing'](#)

Record numbers of complaints have been levelled at major businesses who "severely exaggerate" their environmental credentials, the advertising watchdog will say next week.

[Iraq may have 350 bln barrels of oil - Deputy PM](#)

BAGHDAD (Reuters) - Iraq may have oil reserves of 350 billion barrels, Deputy Prime Minister Barham Salih said on Monday, a massive figure that is triple the country's proven reserves and which even exceeds the oil in Saudi Arabia.

Salih said he had seen estimates from "reputable sources, reputable companies" that put Iraq's reserves at up to 350 billion barrels. He declined to name the sources.

Iraq's current proven reserves are 115 billion barrels, already the world's third largest. The country produces around 2.3 million barrels of oil per day (bpd).

[Rebels say cut 350,000 bpd of Shell Nigeria output](#)

LAGOS (Reuters) - Niger Delta rebels said on Monday that an April 24 pipeline attack had shut down a further 350,000 barrels a day of production by Royal Dutch Shell in Nigeria, the world's eighth-biggest oil exporter.

A Shell spokesman was unavailable for comment.

[Fuel cost: Changing U.S. life](#)

Americans should reduce their ceaseless come-and-go driving in large cars - and perhaps move closer to their jobs to shorten commuting - because the nightmarish price of gasoline will force a lifestyle change upon society. Already, fuel costs are damaging many businesses and bankrupting some airlines.

[Barack Obama says Special Interests are Blocking Energy Reform](#)



"It isn't right that oil companies are making record profits at a time when ordinary Americans are going into debt trying to pay rising energy costs. In the paper today, there was an article about how millions of Americans are falling behind on their energy bills, and a record number of Americans could face energy shut-offs over the next two months. That's why we'll put a windfall profits tax on oil companies and use it to help Indiana families pay their heating and cooling bills and reduce energy costs".

[A call to Congress: Address high gas prices](#)

First and most importantly, we must work to lessen the demand for oil. As for supply considerations, with the Strategic Petroleum Reserve filled to 96 percent capacity, I believe we should consider suspending shipments during the summer months, and we may also want to consider increasing refinery capacity in the United States. The United States should also work with other oil importing countries to require more transparency from oil producing countries to verify available oil reserves and production capacity.

[Sanders: High Oil and Gas Prices a National Emergency](#)

WASHINGTON – Senator Bernie Sanders (I-Vt.) said today that outrageously high oil and gas prices that Vermonters and Americans are paying constitute a national emergency that requires a bold response from the White House and Congress.

...“While energy prices are soaring,” Sanders said, “big oil companies are reporting record profits and speculators at hedge funds and financial institutions are making billions investing in energy futures.”

[Chevy Chase to crack down on 'mansionization'](#)

Town resident Joan Glickman said the aesthetics of “homes that have gone wild in size” frustrate many residents, but others are also concerned about how oversized homes can affect the environment.

“We’re in kind of an energy crisis right now,” Glickman said.

“The larger a house is, the more energy it uses, even if they are building more energy-efficient homes. Plus, when your neighbor builds big, it can mess up your natural lighting.”

[Transparency: Pemex Best, PDVSA Worst](#)

Venezuela's state oil giant PDVSA is the least transparent among leading oil companies in the region, according to a new report from Transparency International. In contrast, Mexican state oil firm Pemex is the best in the region, followed by Brazil's state oil company Petrobras. "Among national oil companies, both Petrobras and Pemex stand out," says Juanita Olaya, author of the report.

[Michael T. Klare: The U.S. and China are over a barrel](#)

Given that the United States and China are the world's two biggest users of petroleum - a fuel whose worldwide availability is likely to peak at 100 million barrels or so per day in the next five years or so and then commence an irreversible decline -- it makes great sense for us to collaborate in the development of oil alternatives and energy-saving technologies.

Such collaboration could take the form of joint ventures to develop advanced biofuels (not derived from food crops) and transportation fuels extracted from coal (without releasing heat-trapping carbon dioxide into the atmosphere). It could also include the development of super-light vehicles, advanced hybrid engines and other energy-saving systems. Such endeavors have been discussed on a preliminary basis by U.S. and Chinese officials, so it is hardly utopian to envision a more elaborate and constructive undertaking of this sort.

[Oil aplenty, but investment needed](#)

THE world is paying dearly for two lost decades in the oil industry - from the mid-1980s until the mid-2000s - when prices hovering around \$US20 a barrel discouraged investment.

There is a thick soup of factors contributing to the dizzying rise in oil prices - among them the fall in the US dollar, surging demand from China and the rise of commodities as an asset class - but the most important is the lack of investment.

[Crude Oil Hits \\$119- Ways to Profit From Peak Oil](#)

If oil prices stayed at \$180 to \$200 per barrel for more than a year or two, huge new oil supplies would come on line, causing crude prices to plummet and tipping the market decisively back towards consumers. The environmental cost of getting really large quantities of oil out of Athabasca and Colorado would be immense, particularly if we attempted to supply the needs of the entire U.S. market from these sources, but at \$180 per barrel, I'm confident that the economic necessity would probably trump the environmental problems.

[Here's a bad idea: Gas from trees](#)

Already, Weyerhaeuser and Chevron have joined forces to develop "treecell technology" to manufacture cellulosic ethanol. As you read this, ethanol factories are popping up across the United States like gaping mouths hungry for a constant supply of forest. And, conveniently, just when industry develops the technology to exploit even the smallest tree for profit, the Forest Service announces that "more than half of Oregon's 29.7 million acres of forest lands" are overgrown and in need of "thinning" to keep down fire risk. What a coincidence!

[In Baghdad, power supply may worsen](#)

Last July and August, massive blackouts stretched across parts of Baghdad. This summer could be worse because drought has cut in half power generated by hydroelectric plants. Add war, attacks on transmission lines, antiquated equipment, overdue maintenance and local corruption or bureaucracy and reliable electricity remains out of reach for most Iraqis.

[Photos in Oberlin illustrate our consumption numbers](#)

The Allen Memorial Art Museum at Oberlin College is having a Malthusian moment. Thomas Malthus was the early 19th-century English economist who theorized that human populations always outgrow their food supplies, which leads to shortages followed by the four horsemen of war, pestilence, famine and plague.

With oil prices hitting \$117 a barrel and riots over high food prices occurring in poor countries around the world, the spirit of Malthus seems to hover over the Allen's exhibition of photographs by Seattle artist Chris Jordan.

[Loss of fuel economy from ethanol-blended gasoline hits motorists in the wallet](#)

Charles Kigar doesn't think twice when he has a choice of buying a gallon of conventional gasoline or a gallon of gas that contains ethanol at the same price.

He buys the gas without ethanol.

The reason is a simple matter of science. Conventional gas delivers more energy than a gallon that contains ethanol.

...If it's E-85, a blend containing 85 percent ethanol that can be used in specially equipped vehicles, the energy loss soars and more than offsets its lower cost, even though E-85 is about 60 cents per gallon less at retail than conventional gas.

[Oil majors fail to replace reserves](#)

With the exception of BP, IOCs in 2007 failed to replace reserves, according to U.S. Securities and Exchange Commission definitions of proved reserves: ExxonMobil. ExxonMobil ended 2007 with proved reserves totalling 22.7 billion barrels of oil equivalent (boe, a unit of energy companies use to combine oil and natural gas reserves).

[Exxon shuts nearly all Nigerian oil output](#)

LONDON (Reuters) - Exxon Mobil has shut nearly all its Nigerian oil production, totalling around 770,000 barrels per day (bpd), due to a workers' strike, a senior oil official and industry sources said on Monday.

The outage, which represents nearly 40 percent of total Nigerian output, comes after a series of attacks this month by militants in the Niger Delta which has shut-in an additional 169,000 bpd from Royal Dutch Shell.

[PetroChina sees steady oil output at Liaohe heavy oil field over the next 10 yrs](#)

BEIJING (XFN-ASIA) - PetroChina, the country's top oil and gas producer, aims to keep the output of the Liaohe field -- China's largest heavy oil field -- steady at 12 mln tons a year for the next 10 years, chairman Jiang Jiemin said.

The company will increase exploration in the field's western onshore block and a shallow water area, Jiang said in a statement on the website of China National Petroleum Corp, the parent of PetroChina.

[Indonesia to miss oil production target this year as subsidy threat looms](#)

Already under threat of a fiscal calamity amid soaring oil prices and unrealistic

government fuel subsidy spending, Indonesia is expected to miss this year's oil production target of 977,000 barrels per day (bpd), the Energy and Mineral Resources Ministry said.

The ministry announced in a media statement over the weekend the country would only produce 965,000 bpd, 12,000 bpd short of its target, as some oil producing companies revised down their output targets.

[Russian oil competes despite flat output](#)

LONDON (Reuters) - Russian oil output may stay flat but offers a competitive return as global oil companies face the rising cost of developing tougher, less accessible fields, an owner of Russia's No. 3 oil company said on Friday.

"It's true production reached its peak. It's true we might not see the same rate of growth," said Viktor Vekselberg, a major shareholder in BP's Russian oil venture.

"But we will see production on the same level. Maybe it will decline a little, a few percent. But nothing catastrophic."

[Mexico's Oil Dilemma](#)

As production declines, state-run Pemex struggles to find new reserves under daunting restrictions on foreign involvement.

[The need to rethink energy security](#)

Much has been said about Asia's surging demand for energy, fuelled by its spectacular economic growth and an expanding middle class. Indeed, the total consumption of energy in Asia and the Pacific increased by 70% between 1992 and 2005.

Yet, consumption per person is still relatively low by global standards: 749 kilogrammes of oil equivalent (kgoe) in 2005, compared with the global average of 1071 kgoe.

[Japan's March Russian fuel oil imports almost double](#)

TOKYO/SINGAPORE (Reuters) - Japan's imports of Russian fuel oil nearly doubled in March versus February to the highest in at least 16 months, as some refiners turn to cheaper alternative feedstocks due to record-high crude oil prices. The world's third-largest oil consumer imported a total 275,803 tonnes of the distillate-rich Russian fuel oil (M100) last month, up 135,803 tonnes from February's imports, data from Japan's Ministry of Finance showed on Monday.

[Oil alternatives remain elusive: Could we not just try to use less?](#)

While natural rock oil came along just in time to save the whales and light up Charles Dickens' writing desk, attempts at its displacement are proving futile.

[Recession Diet Just One Way to Tighten Belt](#)

Stung by rising gasoline and food prices, Americans are finding creative ways to cut costs on routine items like groceries and clothing, forcing retailers, restaurants and manufacturers to decode the tastes of a suddenly thrifty public.

[Saudi Crown Prince in Geneva for medical tests](#)

RIYADH (Reuters) - Crown Prince Sultan of Saudi Arabia, the world's largest oil exporter, has arrived in Switzerland for unspecified medical tests, the official Saudi Press Agency (SPA) reported on Monday.

[Human warming hobbles ancient climate cycle](#)

WASHINGTON (Reuters) - Before humans began burning fossil fuels, there was an eons-long balance between carbon dioxide emissions and Earth's ability to absorb them, but now the planet can't keep up, scientists said on Sunday.

The finding, reported in the journal Nature Geoscience, relies on ancient Antarctic ice bubbles that contain air samples going back 610,000 years.



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