



DrumBeat: May 3, 2008

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Topic: [Miscellaneous](#)

[David Strahan: Oil is expensive because oil is scarce](#)

The idea that oil companies are somehow 'to blame' for record oil prices and rising fuel costs is seductive but absurd. For all their power and profits, the international oil companies are in fact in trouble. They may still be swimming in cash, but no longer in oil. Despite vast investment in exploration and production, these days they generally fail to replace the oil they produce each year with fresh discoveries, or even to maintain current levels of output. Shell's oil production has been falling for six years, BP's seems to have peaked 2005, and this week even the mighty Exxon was forced to admit its output dropped 10% in the first quarter of the year.

None of this should come as a surprise since all the evidence now suggests the world is rapidly approaching "peak oil", the point when global oil production goes into terminal decline for fundamental geological reasons. Annual discovery of oil has been falling for over forty years, and now for every barrel we find we consume three. Oil production is already shrinking in 60 of the world's 98 oil producing countries – including Britain, where output peaked in 1999 and has already plunged by more than half. When an individual country peaks it only matters for that country – Britain became a net importer of oil in 2006 – but when global supply starts to shrink the effects could be ruinous for everybody.

[Former Cabinet Members Simulate Oil Crisis](#)

BOSTON -- It's late December 2009.

A simulated cable news network reports, "A brazen terrorist attack left dozens dead."

A global oil crisis is triggered in Turkey.

"Apprehension about the damage this will cause to international oil markets is rising rapidly," the news anchor reports.

Terrorists strike with an oil shockwave that sends gas prices up, and the market down.

[Shell shuts more Nigerian oil after rebel attack](#)

LAGOS (Reuters) - Royal Dutch Shell shut down more of its production in Nigeria after a fresh militant attack on Saturday on a flowstation in the restive Niger Delta, where local militants have stepped up a campaign of violence.

[Big Oil's widening profit gap - Resentful public can't grasp tight refining margins](#)

SAN FRANCISCO (MarketWatch) -- Chevron Corp. reported first-quarter earnings Friday, rounding out results from the top five oil companies operating in the United States. And the verdict is unanimous: They all posted sharply narrower refining margins as a result of skyrocketing crude-oil prices.

This hurts. It means they aren't passing down the full cost of higher crude prices to the motoring public.

[The Philippines: 'More oil price increases in coming months'](#)

Expect more rounds of oil price increases in the coming weeks as crude cost in the world market has become "unpredictable" and is "rapidly" moving up, an oil giant spokesperson said Saturday.

"We don't know about the amount, but it's almost certain that there will be more increases," Virginia Ruivivar, Petron Corp. spokeswoman, told ANC television.

[Bangladesh: High demand, fewer stations cause chaos](#)



The CNG refuelling stations in the capital are struggling to cope with the ever-increasing demand for the fuel as conversion of petroleum-run vehicles continues at a very high pace.

On average, about 2,000 vehicles are being converted into CNG-run ones every month, and about 92,135 vehicles were converted in 116 conversion workshops across the

country until March this year.

The insufficient CNG stations, which face frequent disruption due to persisting power outage, result in long queues of vehicles, often impeding traffic flow on the surrounding roads.

[UK: Priced off the road?](#)

POORER drivers could be forced off the roads next year as the price of filling up looks likely to cost 14 per cent of average salaries, a damning report has warned.

This week the average cost of unleaded petrol hit a UK 20-year high, finally breaching the £5 per gallon mark.

But if motorists think things are bad now, they will be shocked by the gloomy forecast by independent price comparison website uSwitch.com.

[With gas prices climbing, Texans fuel up at Pemex](#)

Over the past year Pemex gas station attendant Juan Alvarado has seen a jump in the number of motorists with United States license plates crossing the border the fuel up.

As of last year, he estimates that about 30 percent of his clients at the station, located on Calle Sexta in Matamoros, were from the United States. Today, he says that figure sits somewhere between 60 and 70 percent.

[Qantas to strike, expect delays](#)

"Our members feel an offer of 3 per cent isn't good enough when inflation is running at 4.2 per cent," said association federal president Paul Cousins.

But Qantas CEO Geoff Dixon said: "At a time of record and escalating fuel prices and major disruptions in the industry, Qantas will not move from its stated 3 per cent pay increase and 1 per cent super."

[Price of diesel hurting truckers - association](#)

OTTAWA - Transport truck drivers in the region need relief from rising diesel costs, says the executive director of the Atlantic Provinces Trucking Association.

Peter Nelson said his group is asking the provincial government to trim tax on diesel by at least a dime a litre.

[Gas engines: Here to stay](#)

Despite its limitations, the internal combustion engine won't be pushed aside so easily, but it can be made better.

[The Coming War for Earth's Resources](#)

The subject of natural resources has been in the news for years. The media has long reported that the world's supply of oil, minerals, fresh water, and lumber are in danger of running out. Yet few take this seriously.

As earth's resources are being depleted, nations are competing for what remains. This is leading to great conflicts. Eventually, the severity of the problem will cause nations to take drastic measures to ensure continued access. It will change the world in which we live!

[Are we losing our food sovereignty? Where do we grow from here?](#)

Following a year in which "locavore" was deemed the word of the year by the New Oxford American Dictionary and books about the 100-mile diet and local eating flooded store shelves, Puddicombe wonders if harkening back to the eating habits of old is too little, too late.

[Oil Momentum Shaken as Dollar Link Questioned, Eye on Demand](#)

"It's back to demand," said Mark Waggoner, president of Excel Futures in Huntington Beach, Calif. "One of the reasons the dollar is going up is (the belief that) the recession is limited, and if the recession is limited, then demand will stay up for reformulated gasoline."

[Investor's Business Daily: Hugo's all-too-predictable shortages](#)

Economics: The blackout that engulfed most of Venezuela Monday was dismissed as just a technical glitch. But amid the state's takeover of the country's industries, it's not an aberration. It's a signature shortage of socialism.

It happened suddenly in Caracas, and across the country at 3:59 p.m. A hydroelectric station somewhere blew out, and along with a failure of a backup system and a jungle fire, the entire electrical grid in the capital and other cities went down. It knocked out the Caracas subway, made cell phones unusable, cut traffic lights, forced hospitals to

turn on emergency generators, trapped people for hours in high-rise elevators and left thousands stranded.

In Caracas, thousands waited in cars for hours. Thousands more had to trudge for hours to distant shantytowns up steep hillsides to make it home. In several cities, crime had a field day.

[Americans cannot allow oil companies to continue to be fuelish with our future](#)

Is this country ever going to find a scientific way to put efficient energy batteries in cars so we can get away from the dependence on gasoline? I simply cannot believe, given our past history, that it is not possible. History suggests we can meet almost any domestic challenge.

[The Oil Conundrum](#) - Excerpts from *Gusher of Lies: The Dangerous Delusions of "Energy Independence"*

From 1859, when Colonel Drake discovered oil in Pennsylvania, through 1973, the U.S. was the dominant player in the global energy business. For much of that time, America was both the dominant producer and dominant consumer of oil and gas on the planet.

That dominance extended into technology, finance, transportation, and refining. When it came to developing oil reserves and getting those reserves into the marketplace, the U.S. had no serious rivals.

[Gasoline-tax reprieve: an idea running on empty](#)

The gas-tax break would do nothing about United States dependence on imported oil, or, for that matter, on a limited supply of domestic oil. Contrariwise, it would add to consumption and to global-warming emissions.

"We are the laughing stock of Europe because we keep [gasoline] taxes so cheap," notes Matthew Simmons, chairman of a Houston-based investment bank for the energy industry, Simmons & Co. International.

[Barak Obama on rail](#)

"This is something that we should be talking about a lot more," Obama said. "We are going to be having a lot of conversations this summer about gas prices. And it is a perfect time to start talk about why we don't have better rail service. We are the only advanced country in the world that doesn't have high speed rail. We just don't have it. And it works on the Northeast corridor. They would rather go from New York to

Washington by train than they would by plane. It is a lot more reliable and it is a good way for us to start reducing how much gas we are using. It is a good story to tell."

[Chevron: Follow-Up Appraisal Well for Jack Later in 2008](#)

Chevron Corp. (CVX) said Friday it plans to drill another appraisal well at its Jack and St. Malo prospects in the deepwaters of Gulf of Mexico later in 2008.

"One follow-up well for Jack and St. Malo is underway right now...and another a little bit later in the year," said Steve Crowe, Chevron's vice president and chief financial officer, who was addressing analysts during a conference call. "A decision will be made following those evaluations whether or not Jack and St. Malo will be kept as separate projects or conceivably combined."

[Good times return to Oil City](#)

Car-obsessed America may be hurting from record petrol prices, but one group of backwoodsmen have never had it so good.

On the hillsides above Oil City, where the petroleum business was born, small independent producers who could barely survive a few years ago, are rediscovering the meaning of "black gold".

[Argentina Protests Oil Exploration in Falklands](#)

The Argentine government presented an "energetic protest" to Britain for offering concessions to explore for oil and natural gas in the waters surrounding the contested Falkland Islands, the foreign ministry said here Thursday.

Argentina's attempt to seize control of the British colony in the South Atlantic spurred a brief but bloody war in 1982.

[Sri Lanka: Benefit of lower gas prices passed on to consumers](#)

Gas prices in the world market have gone down in February and March 2008 and the Government has granted this relief on the evaluation of the pricing formula agreements aiming to provide gas at lower prices for consumers in May and June, said Trade, Marketing Development, Co-operative and Consumer Services Minister Bandula Gunawardana.

[California's Energy Colonialism](#)

Politicians, business titans, academics and environmental activists proudly point to four decades of environmentally conscious public policy – while maintaining a dynamic economy, arguably the eighth-largest on the planet, with a gross state product of more than \$1.6 trillion.

In truth, the state's energy leadership is a mirage. Decades of environmental policies have made it heavily dependent on other states for power; generated crippling costs; and left the state vulnerable to periodic electricity shortages. Its economic growth has occurred not because of, but despite, those policies.

[Brazil's Potential](#)

Brazil, which is second in the region to Venezuela in terms of oil production, now holds 11.8 billion barrels in reserves, or about 1 percent of worldwide capacity. With new finds, Brazil could catapult into the eighth spot globally and give it the political and economic respect it has long sought. It may furthermore cast a shadow over the "peak oil theory" that says such supplies will soon reach a plateau and decline thereafter.

[High petrol prices see Americans ditch SUVs](#)

America's love affair with sports utility vehicles (SUVs) and pick-up trucks is finally over.

The gas-guzzlers that ply the country's freeways and clog its city streets and parking lots are falling victim to ever-rising petrol prices, rather than concern about the country's oversized carbon footprint. The fall-off in sales is dramatic however.

[Fuel busts school districts' budgets](#)

Monroe-Woodbury School District's fuel budget went from \$720,000 this year to a proposed \$1.2 million next year after the projected cost of fuel went up from \$2.40 to \$4 a gallon.

[PHESBs \(Plug-In Hybrid Electric School Buses\)](#)

Okay, I am a big (BIG) fan of PHESBs: Plug-in Hybrid Electric School Buses. With all the (welcome) focus on PHECs (Plug-In Hybrid Electric Cars) like the Volt, Prius, and others, the real potential for some gamechanging through fleets of large fleets seem to be falling by the wayside. In fact, school buses offer some quite serious opportunities for breakthrough benefits and merit serious attention. Happily, we are seeing some serious news advancing the possibility of actually seizing these benefits.

[Logical Conclusions](#) (review of Kunstler's *World Made By Hand*)

His social criticism has influenced his fiction before, but never so much as in his latest novel, *World Made By Hand*, an almost point-by-point fictional translation of the ideas in *The Long Emergency*. Moving beyond the realm of hypothesis and abstraction, Kunstler here conveys his vision of a post-oil society through a richly descriptive narrative. It's as if he wrote *World Made By Hand* in response to what must surely be a question commonly asked by readers of *The Long Emergency*: What then?

[New Zealand: Green Party MP sounds climate change warning](#)

Humanity will enter "a new dark age" if we continue to abuse the environment, Green Party MP Nandor Tanczos told Southland students yesterday.

Mr Tanczos, who spoke to students at the Southern Institute of Technology, said climate change, peak oil, drying up metal deposits and reduced food security would see the end of the world as we know it.

[Ethical bank offers wind of change for green consumers](#)

You are keen to play your part in tackling climate change and have a bit of money to invest. You are distrustful of some of the big financial institutions but would like to earn a decent return on your cash if possible.

If that sounds like you, then you may be interested to hear that Tuesday sees the launch of a public share issue aimed at raising £8.5m to invest in wind farms and other renewable energy projects across the country.

[Controlling crops goes against the grain](#)

To describe it as opportunistic doesn't do justice to the Thai Prime Minister's proposal: a rice cartel as food riots erupt over West Africa and the Philippines, another Asean nation, goes begging for supplies.

Still, it is nothing new. Eight years ago a similar idea was floated and came to nothing.

Plans for cartels among commodity food producers are made and abandoned with regularity.

['Perhaps 60% of today's oil price is pure speculation'](#)

The price of crude oil today is not made according to any traditional relation of supply to demand. It's controlled by an elaborate financial market system as well as by the four major Anglo-American oil companies. As much as 60% of today's crude oil price is pure speculation driven by large trader banks and hedge funds. It has nothing to do with the convenient myths of Peak Oil. It has to do with control of oil and its price.

[Why Exxon Still Denies Peak Oil](#)

One beauty of British mystery writers like Conan Doyle and early Le Carre is their use of deductive reasoning to relate odd facts and explain reality. Matt Simmons used the same powers to help us understand why major oil companies deny Peak Oil and why they finance groups like Cambridge Energy Research Associates that go around sewing doubt in the public's mind about Peak Oil (although, as recently reported, their scheme has failed).

[The cost of keeping the economy afloat on oil](#)

A two-day stoppage gave Scotland a flavour of what might happen when North Sea supplies run out, and the effects are grave.

[Gas prices slip for first time in weeks, may be near top](#)

NEW YORK - Retail gas prices fell slightly Friday — the first time in 18 days they haven't risen to a new record — and analysts say pump prices may be peaking for the year. Oil futures, meanwhile, soared after Turkish airstrikes on Kurdish rebel bases in Iraq injected some supply concerns into the market and the Labor Department's employment report gave investors reason to be optimistic about the economy.

[Shell, Repsol aim to leave Iran gas projec](#)

MADRID (Reuters) - Royal Dutch Shell Plc and Spain's Repsol are negotiating with the Iranian government to pull out of a \$10 billion natural gas project due in part to U.S. pressure, Spanish newspaper Expansion reported on Saturday.

[Nigeria drops treason charges against rebel leader](#)

LAGOS (AFP) - Nigeria has dropped treason charges against one of two accused rebel leaders in the country's main oil producing region, but a bid to have an open trial for the remaining suspect was rejected, their lawyer said.

[Oman 2007 budget surplus hits \\$1.13bn](#)

Oman said on Saturday it had made a budget surplus of RO434.3 million (\$1.13 billion) in 2007, wiping out a projected deficit of RO400 million, thanks to windfall oil revenues.

Net oil earnings rose by 12.5 per cent to 3.63 billion rials last year while gas income increased 32 per cent to RO811 million, according to the economy ministry's monthly report.

[Kidnapped oilman's wife released in Nigeria](#)

LAGOS (AFP) - Nigerian kidnappers on Saturday released the wife of a senior oil executive who was taken hostage in its oil capital of Port Harcourt last month, a company spokesman said.

[Gulf cuts some key interest rates as Qatar signals tightening](#)

DUBAI — Gulf Arab oil producers cut some interest rates on Thursday in line with a U.S. move, to ward off currency speculation, while Qatar signalled it could raise its benchmark lending rate as the region grapples with inflation.

Dollar pegs in all Gulf states bar Kuwait compel their respective central banks to track the Federal Reserve to maintain the relative value of their currencies, even though inflation is spiralling and their economies are booming.

[Oil firms can weather the price storm](#)

Higher oil prices hurt, not just when you are filling up your car. They push up an enormous range of other prices, from chemicals to consumer staples. But the oil firms themselves seem one group that is well able to weather the storm.

[Chevron joins other oil companies with gushing profits](#)

San Ramon, Calif. - Astounding profits in the oil industry are becoming as routine as the anguished looks of motorists filling up their gas tanks.

Chevron Corp. put yet another exclamation point on the oil patch's long run of prosperity Friday with a first-quarter profit of \$5.17 billion, or \$2.48 per share. That was up 10 percent from net income of \$4.72 billion, or \$2.18 per share, last year.

[National Express suffers as fewer fly from Stansted](#)

Fears for the state of the UK aviation industry deepened after National Express warned that fewer people are travelling to Stansted, hitherto London's fastest growing airport.

[Union highlights aviation job loses](#)

Unite, the biggest union for the UK's aviation industry representing over 70,000 staff, has warned that a significant number of jobs are at risk following a spate of redundancy consultations with airlines. The union said the cutbacks were a clear indication of widespread problems facing the industry.

A spokesman for Unite said the recently implemented EU - US 'Open Skies' agreement, consolidation within the sector, competition from low-cost airlines and increasing fuel costs are just some of the factors that are currently putting aviation jobs at risk.

[Japan, China to Use CO₂ in Oil Extraction Project, Nikkei Says](#)

(Bloomberg) -- Japan and China will cooperate on technology to extract crude oil by injecting carbon dioxide into wells, the Nikkei newspaper reported today.

[European rainfall could decline by 20 per cent](#)

Summer rainfall in northern Europe is likely to decline by between 5 and 20 per cent by the end of this century, scientists have said.

The prediction by the Meteorological Office's Hadley Centre is the first to give a precise range of predicted rainfall which is expected to be used by insurance companies and flood defence experts.



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