



## DrumBeat: May 5, 2008

Posted by [Leanan](#) on May 5, 2008 - 9:12am

Topic: [Miscellaneous](#)

### [Oil passes \\$120, gas prices slip more than a cent](#)

NEW YORK - Oil futures surged to a new record over \$120 a barrel Monday, raising concerns about higher prices for gasoline and goods and services throughout the economy. Retail gas prices fell more than a cent over the weekend, but oil's advance increased the likelihood that pump prices would resume their climb.

Supply threats that emerged overseas and a weaker dollar sent light, sweet crude for June delivery to a new trading record of \$120.36 a barrel on the New York Mercantile Exchange before futures retreated slightly to settle up \$3.65 at a record \$119.97.

Oil's sharp rise this year has driven gas prices to unprecedented levels, prompting consumers to reconsider summer vacation plans and limit daily excursions; they're also spending less at malls and shopping centers because they're paying more not just for fuel, but for all kinds of goods and services.

### [Bush to discuss oil prices on trip to Saudi Arabia](#)

WASHINGTON (Reuters) - President George W. Bush is expected to talk with Saudi Arabian officials about the effect record oil prices are having on the U.S. economy during his upcoming visit to the kingdom, the White House said on Monday.

### [Mexico key opposition party criticizes oil plan](#)

MEXICO CITY (Reuters) - A key Mexican opposition party lawmaker has recommended rejecting part of President Felipe Calderon's energy reform proposal that would allow private companies to own refineries and pipelines.

### [Canada minister says duck deaths won't go unpunished](#)

CALGARY, Alberta (Reuters) - A top Canadian official sought to calm an international uproar over hundreds of ducks killed at Canada's biggest oil sands plant by promising, at a U.S. oil industry event on Monday, that the incident will not go unpunished.

### [No electric power shortage is seen this summer for the Northeast](#)

The only situation in which the electricity supply may be overtaxed is the combination of extreme weather conditions, such as a prolonged heat wave with high humidity, along with "severe resource unavailability," or the outage of several power plants in the region, the NPCC said. Under those circumstances, the New England and New York power grids might need to implement procedures that cut demand, such as asking people to conserve electricity. "This scenario is unlikely to occur," the council said.

### [Quebec plans US\\$2-billion wind park project](#)

Repower Systems AG, a German wind- turbine builder, will supply turbines for a US\$2-billion, 954-megawatt wind power project planned in Quebec, Canada, one of the largest contracts in the industry.

The project, which consists of five wind farms, is due to go into service between December 2011 and December 2015, Repower said in a statement on OTS newswire Monday.

### [The Gospel of Consumption](#)

But despite the apparent tidal wave of new consumer goods and what appeared to be a healthy appetite for their consumption among the well-to-do, industrialists were worried. They feared that the frugal habits maintained by most American families would be difficult to break. Perhaps even more threatening was the fact that the industrial capacity for turning out goods seemed to be increasing at a pace greater than people's sense that they needed them.

It was this latter concern that led Charles Kettering, director of General Motors Research, to write a 1929 magazine article called "Keep the Consumer Dissatisfied." He wasn't suggesting that manufacturers produce shoddy products. Along with many of his corporate cohorts, he was defining a strategic shift for American industry — from fulfilling basic human needs to creating new ones.

### [The era of cheap energy is over](#)

The price of oil is more than \$110 per barrel, coal costs more than \$75 per ton and natural gas prices are climbing. To those who hope to see a return to \$1.50-per-gallon gasoline or a reduction in heating and electricity bills, I have bad news: The era of cheap energy is over.

We've had a century of declining energy prices due to an abundance of oil, natural gas

and coal. Supply has kept up as our consumption of fossil fuels doubled, doubled again and now is 10 times higher than it was in 1900. If energy prices stayed low, we would double our consumption again by 2050.

### [Angola sees oil production of 2 mln bpd by 2009](#)

HOUSTON (Reuters) - Angola's minister of petroleum on Monday said he expects his country's oil production to rise to 2 million barrels per day next year, boosted by ultra deepwater projects.

### [Gas price break may not last](#)

ATLANTA (CNN) -- After a two-week climb in gasoline prices, there appeared to be some short-term moderation Monday - but another run at the record high set last week seems likely, two surveys indicated.

### [A Full Plate Today, Uncertainty Tomorrow](#)

João Cardoso is a fisherman in northern Brazil who lives in a floating house on the Amazon River. The world market does not drive his food security, at least in the short term. He and his wife eat fish that they catch, grow vegetables on their dock and spend only a relative pittance on other things they need, using a small government pension paid to rural retirees. They're fairly self-sufficient. If he moved to Manaus, the capital of his state, Amazonas, or some other urban area, both his diet and his financial circumstances would change greatly, and he'd suffer along with other poor urban Brazilians. Solang da Silva Correia, a cattle rancher's wife who lives two hours upriver from Cardoso, has very little expendable income, but because she and her husband raise cattle, fish and vegetables, their food security is pretty high.

Do they consider themselves poor? Yes. Do they have enough to eat? Yes. Both of these people are rural dwellers, and these days, they seem to be the lucky ones. Hundreds of millions of people have moved into cities around the world in the past 20 years. It is they, the new urban dwellers, who are increasingly being held hostage to international market forces.

### [School kids feel the bite of high food prices](#)

NEW YORK (CNNMoney.com) -- Rising food prices are making it harder for schools to cook up ways to give kids the nutrition they need.

..."I've been in school service for 27 years and this is the worse it's ever been," said Sara Gasiorowski, food service director for Wayne Township Schools in Indianapolis. "I have never seen food prices jump up so far."

### [Demonstrators Protest Chinese Petrochemical Project](#)

BEIJING — Hundreds of people marched in a western provincial capital in China over the weekend to protest environmental risks they say are associated with the construction of a petrochemical factory and oil refinery, witnesses said Monday.

It was the latest in a series of rare but increasingly ambitious organized movements in Chinese cities aimed at derailing government-backed industrial projects that could damage the environment and people's health.

### [Kurt Cobb: The just-in-time economy crumbles](#)

Almost two years ago I wrote a piece called "Is just-in-time nearly out of time?" laying out how completely the just-in-time inventory management idea had infected businesses, governments and even nonprofit organizations. I catalogued concerns that the practice of holding razor-thin inventories of many critical items such as food, fuel and medical supplies could potentially imperil our ability to provide them in circumstances where 1) supplies grow unexpectedly tight, 2) logistical lines are impaired or cut, or 3) a large humanitarian catastrophe requires surge capacity for food aid and medical treatment.

### [America's oil: Good to the last drop](#)

During several of the pressers, the Democrats rattled their swords. They pointed out that the Saudis had reduced their oil output by 800,000 barrels a day since 2005. Then came the threat, saying that Congress would "block their, (Saudi Arabia, Kuwait and UAE), lucrative arms deals." Of course Americans would be on the Democrats' side on this one. Why should we sell arms to countries that are making record profits? The answer is two words: Russia and China. Having just returned from Sudan, it is clear that as soon as the United States opts out of oil production, then China is going to opt in. If that means the price of entry is arms sales, then China and Russia are going to "pay that price" and sell arms. The threat of no arms sales sounds great to the Americans watching the evening news, but it is short sighted indeed.

### [Peak Oil and the '08 Election](#)

The headlines this month have been taken by the most insidious of America's vices: black gold. Oil futures are now projected to exceed \$100 a barrel until 2016, and continue to sit comfortably near the \$115-120 a barrel mark. Many different causes have been blamed for rising prices at the pump, ranging from massive speculation to supply instability in some oil-producing nations. However, one factor must surely be worrisome to most every American: oil companies haven't been getting enough of the

stuff out of the ground.

### [U.S. Recovery Could Push Oil Much Higher](#)

Yesterday on the Connie Mack show, retired Oppenheimer fund manager Bill Wilby made a very simple but very smart observation about oil that resonated with me.

Essentially, he said that oil has made its way up to \$120 all the while as the U.S. has struggled economically. Not to turn this into a debate about whether there is a recession or not (or how bad or whatever), but clearly the U.S. economy, which consumes about a quarter of the world's oil supply, has not been going great guns - yet oil has rocketed higher.

### [Tired of paying through the nose, Americans try praying at the pump](#)

"Someone's making a lot of money and it's really, really wrong," added Twyman, who founded the Prayer at the Pump movement last week to seek help from a higher power to bring down fuel prices, because the powers in Washington haven't.

..."Lord, come down in a mighty way and strengthen us so that we can bring down these high gas prices," Twyman said to a chorus of "amens".

### [The Figure "25" is the Most Circulated Figure in Syria](#)

The Syrian government has stopped lately, in partial, the subsidies of fuel in the sense that each citizen will be granted 1000 Liter of fuel for each Syrian family and with a subsidized price said to be higher than the previous price.

Moreover, two days ago, subsidies of gasoline prices have also stopped considerably with regard to the Public sector, as prices of one liter of gasoline has become 25 Syrian Pounds instead of 7 Syrian Pounds.

### [Burma: Gas prices spiral to all-time high](#)

Chiang Mai – Gas prices have risen nearly 20 percent over the past week, reaching an all-time high of 7,000 kyat per gallon in Burma.

Gas stations under the Energy Ministry have stopped selling fuel, and the situation is likely to persist for at least two more days. The prices of gasoline and diesel on the black market have gone up to 7,000 kyat (about \$6.30) and 7,800 kyat (\$6.80) per gallon, respectively, from 6,000 kyat (\$5.40) and 6,500 kyat (\$5.90) as of last Wednesday.

### [Jamaica: A new energy policy](#)

Minister of Technology Clive Mullings in a speech recently seems to have grasped the seriousness of Jamaica's energy crisis when he enunciated the urgent need for ending the 'talk shop' attitude and beginning the shaping of a new energy policy. With the widening of the country's current-account deficit and oil prices spiralling upwards, the country must deal with this issue now.

### [China's Hu: East China Sea Issue Could be Resolved with Japan](#)

President Hu Jintao said here on Sunday that he believed the issue of joint exploration of oil and natural gas resources in the East China Sea, lying between China and Japan, could be resolved.

### [Japan's Fragile Relations with Indonesia and the Spectre of China](#)

Unfortunately for Japan, the failure of its Kashiwazaki-Kariwa nuclear power station coincides with record oil prices, and the impending expiry of long-term LNG supply contracts which require price and volume renegotiation. Moreover, since China signed its LNG contract a new government with different priorities regarding resource exports has taken office in Jakarta, to Japan's detriment.

### [Chinese to rescue Russian coal-fired power expansion](#)

MOSCOW/LONDON (Reuters) - Chinese engineers are coming to the rescue of the Russian electricity sector, as outgoing President Vladimir Putin backs a five-year expansion plan that will rival Lenin's drives to electrify the nation.

An estimated 41,000 megawatts of new generating capacity is to come on line by 2011, much of it coal-fired rather than gas, a goal that is way out of reach for Russian machine builders, and even threatens to swamp the order books of global giants such as General Electric Co and Siemens AG.

### [Long-awaited Asian energy grid gets going finally](#)

THE region's energy and petroleum ministers in their meetings in Islamabad, last week, completed their negotiations and readied the agreements for constructing two transnational gas pipelines. The two projects will cost \$15.1 billion. The efforts to provide energy to the region were topped by Iranian President Mahmoud Ahmadinejad's commitment in talks in Islamabad this week with President Musharraf and Prime Minister Yousuf Raza Gilani. President Ahmadinejad, aware of China's interest in the IPI gas pipeline project, also welcomed the proposal for inclusion of China

in the project. In addition, he also agreed that Iran will provide 1,100 megawatts electricity to Pakistan immediately. The supply will be through the existing grid network connecting Iran and Pakistan via South Western Pakistani province of Balochistan.

### [Two killed as Somalis riot over high food prices](#)

MOGADISHU, Somalia - Troops opened fire and killed at least two people as tens of thousands of people rioted over high food prices in Somalia's capital Monday.

### [Brazil to continue biofuel production amid food crisis](#)

BRASILIA (Xinhua) -- As the world faces a sharp rise in food prices, the Brazilian government recently announced that the country will continue with the production of biofuels, especially ethanol made from sugar cane, without risking food security in the country.

Brazil, a world leader in both food and biofuel production, has faced mounting pressure in the wake of a widespread shortage in staple foods and resulting price hikes for foodstuffs.

### [Ethanol, Starvation, and other Liberal ideas](#)

Democrats once accused Republicans of wanting old people and children to starve to death because the Republicans wanted to end the welfare state's food stamps program. So why are they silent on the government program that's actually causing starvation and food shortages? Oh. Right. The ethanol boondoggle is their idea.

### [ANWR drilling benefits Americans](#)

One of the United States' most pressing political issues over the past 40 years has been the question of whether or not to drill for oil in Alaska's Arctic National Wildlife Refugem known as ANWR. Action has never been taken by the U.S. government to approve drilling because of presidential vetoes, Senate filibusters and allegiance to environmental lobbies. Our economy has reached a breaking point, and it has never made more sense to further explore this option as a means to alleviating our energy crisis in the United States.

### [As their battle to the death nears its climax, Max Hastings delivers a surprising verdict on the White House rivals](#)

McCain's victory would threaten America with more ill-judged Republican remedies. A

triumph for Obama, by contrast, would send a thrilling message of change to the world.

But once the cheering dies, expectations would surely be disappointed, because they are impossibly high.

I hope I am wrong in sensing about him something of Tony Blair - a man of inspiring vision, rather than effective execution.

Under any president, American power is waning. The energy crisis will not go away.

### [Australia: Wrong turn - freeway funds a waste](#)

At what point is this cycle of stupidity to stop? When peak oil pushes the price of oil to \$US200 a barrel or when carbon dioxide emissions and other forms of vehicle pollution become so acute that car access to the city will be severely restricted?

### [New Zealand: City transport Plan built on fantasy, not fact](#)

"Despite acknowledging public concerns about climate change and peak oil it's 'business as usual' for the traditional transport planners, who are fixated with ever more cars needing ever more road space," said Cr Pannett.

### [What the future didn't bring](#)

Matt Novak has seen a vision of the future. A lot of visions.

That's because in the past year or so, the 24-year-old St. Paul resident has turned himself into a sort of accidental expert on the paleo-future: depictions of the future from the past.

### [This oil squeeze may be permanent](#)

Whether it is rising cost of the commute to work or operating a second car for the family, Canadians are justifiably stressed out by the sky-high price of oil. We are all nervously wondering if current prices are a once-in-a-generation spike, or if \$1.20-per-litre gas will seem like a bargain a year from now.

### [Spratt Hedge Fund IPO May Signal Top of Canada Commodity Rally](#)

Spratt espouses the ``Peak Oil" theory that says new supply is insufficient to replace declining production. He devoted his April newsletter to the topic. The September issue



stated simply, ``Buy Gold."

### [Our Energy Efficient Economy Can Handle \\$112 Oil](#)

The energy-efficient economy of today is much better able to absorb higher energy prices than in the past. Although high oil prices crippled the economy in the 1970s and early 1980s, and contributed to three serious recessions between 1973-1982, the energy-efficient Goldilocks Economy of the 21st Century just keeps humming along, recession-free.

### [Saudi Aramco Widens Heavy Crude Discounts for Asia](#)

``Demand for fuel oil has remained feeble," Vienna-based JBC Energy Research GmbH said in its weekly report today. ``More supplies from South Korea are pressuring the crack."

### [McCain Calls for 700+ New Nuclear Plants \(and 7 Yucca Mountains\) Costing \\$4 Trillion](#)

McCain is repeating his little-noticed uber-Francophile statement from his big April 2007 speech on energy policy, "If France can produce 80% of its electricity with nuclear power, why can't we?"

Why *can't* we? Wrong question, Senator. The right question is -- Why *would* we? Let's do the math.

### [China's satellite launch city aims to be global wind power giant](#)

LANZHOU, May 5 (Xinhua) -- The northwest Chinese city of Jiuquan, famous as the nation's satellite launch center, has been busy with a new mission to exploit its rich wind energy resources in the hopes of becoming a global giant in the field of renewable energy.

Altogether 28 new wind farms, with a combined installed capacity of 10.65 million kilowatts, will be built around Jiuquan, a far-flung Gobi desert city by the year 2015.

### [Oil-Rich Abu Dhabi Builds Renewable-Energy City](#)

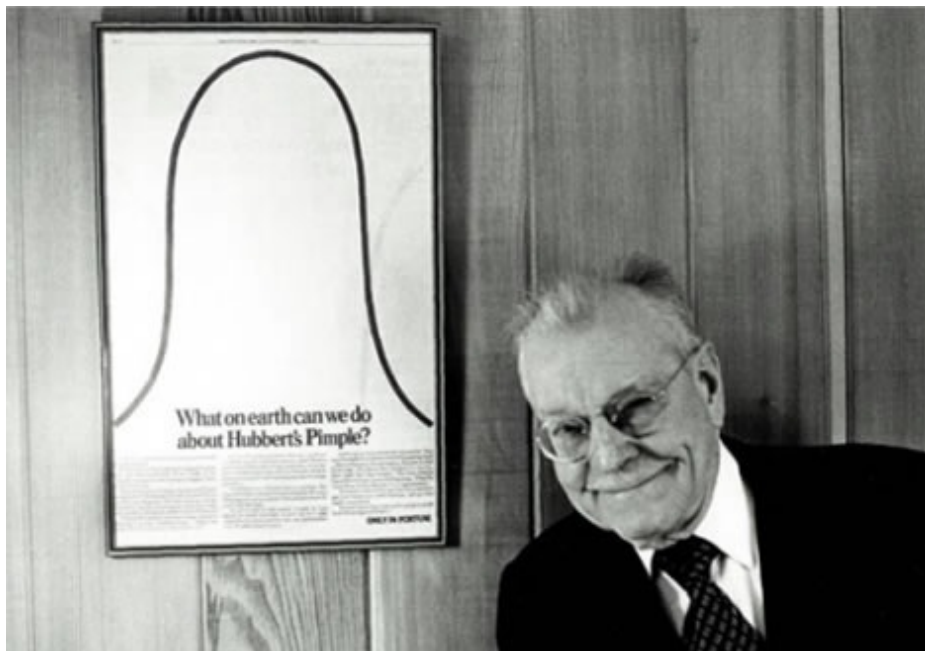
In the United Arab Emirates, Abu Dhabi sits on nearly 10 percent of the world's oil reserves. So it may be surprising to hear that climate leaders there have launched a major initiative in sustainability called Masdar. The demonstration city of 50,000 inhabitants will have a zero carbon footprint.

## [The coming crisis](#)

For more than a decade, English petroleum geologist Colin Campbell has been sounding the warning bell about the coming of peak oil and its disturbing ramifications for the world. Since 2005 Dr. Robert Hirsch has been giving specific warnings for the United States through a series of Department of Energy-sponsored reports outlining the dangers to America if the peak finds us unprepared. And in the past year, the GAO, the National Petroleum Council, and scores of other organizations and governments around the world have reported on the severe consequences the world might incur once the peak has been achieved.

The issue is not simply a concern that we will have to pay outrageous prices for a gallon of gas. If that were the worst of it, the situation would be difficult but manageable. The reality, however, goes deeper and is much more troubling. There are multiple problems affecting the world that are having a decidedly negative net effect: a global rise in demand for crude oil, the plateau in the production of crude oil (which may indicate the peak has already been reached) and continued global population growth. Together, these three factors are serving to shove the world into a crisis that has ominous possibilities.

## [Shell Execs Briefed on Peak Oil in 1956](#)



When did Shell executives first learn that the world would one day face the moment of peak oil, known to many as Hubbert's Peak? Answer: as far back as 1956 when M. King Hubbert delivered his seminal speech to Shell employees predicting the day when oil reserves would begin to decline. For more than a half century, Shell has known that the world of the 21st Century would begin running out of oil with disastrous ramifications. Yet little was done to prepare society.

### [Survey finds gas prices up about 15 cents over past 2 weeks](#)

The average price of self-serve regular gasoline on Friday was \$3.62 a gallon, up 15 cents from two weeks ago. Mid-grade was at \$3.74 and premium was \$3.85. That's all according to the Lundberg Survey of 7,000 stations nationwide released Sunday.

### [What has driven up oil prices](#)

The recipe for record US gasoline prices goes like this: Take a tight oil supply and growing world demand. Add a falling dollar and lots of investment money flowing into oil and other commodities.

Finish with market turbulence caused by the annual switch from winter to summer gasoline blends. The result: an average US retail price for regular of more than \$3.60 a gallon.

### [Warren Buffet on peak oil](#)

...Buffett also said that the world's production of oil, about 87 million barrels a day, is close to capacity. While the world won't run out of oil this century, as one questioner suggested, Buffett said gradually depleted oil fields could reduce the amount produced.

Munger said he thinks oil production 25 years from now will be less than today.

"That's not an insignificant prediction, believe me," Buffett said, since demand for oil is growing steadily as the population grows and standards of living rise. "If oil production is down 25 years from now, it's going to be a different world."

"I think we can confidently predict there will be some pain in the process," Munger said. After using oil, coal, natural gas and uranium fuel supplies, "we will have no other alternative to the sun."

### [Dallas Fed: No Letup in Energy Prices](#)

**Chart 1**  
**Real Oil Price above Post-WWII High**



Oil prices continued rising, with the benchmark West Texas Intermediate (WTI) crude oil setting new records week after week and strengthening by about 20 percent in April alone. On Tuesday, April 23, WTI surged to nearly \$120 per barrel, eclipsing the previous inflation-adjusted high of \$104.10 set in April 1980.

### [Exxon Agonistes](#)

Department of Irony: On Tuesday, members of the Rockefeller family won media huzzahs for airing their grievances against Exxon Mobil, the oil and gas giant in which they are the oldest continuous shareholders but which they say isn't doing enough to prepare for a greener world. Then yesterday, Exxon reported a 17% rise in first-quarter profit, to \$10.9 billion. It was merely the second-largest quarterly profit in U.S. corporate history, though Exxon still holds the quarterly and annual records.

Could it be that the heirs of John D. Rockefeller's Standard Oil empire (founded 1870) are angry that Exxon's management made them too much money?

### [Playing the Haynesville Shale](#)

The recent announcement of a large natural gas deposit in northwest Louisiana, called the Haynesville Shale, could be this century's gold rush — or a fool's gold of hype.

### [Kazakhstan Increased Oil Production 6.3% in First Four Months](#)

(Bloomberg) -- Kazakhstan, the largest oil producer in the former Soviet Union after Russia, increased crude production by an annual 6.3 percent in the first four months of the year, the government said.

### [The poor will inherit the dearth](#)

Queues for petrol on British gas station forecourts appear to bear scant relation to ongoing killing, rape and mass refugee movements in eastern Congo. The unfolding humanitarian disaster in ungoverned Somalia likewise seems unconnected to Western taxpayers' worries about falling mortgage lending and rising prices.

But as UN Secretary-General Ban Ki-moon pointed out recently, it is those least able to cope who will be hardest hit by rocketing food and energy costs and a global economic slowdown. The world faced "the spectre of widespread hunger, malnutrition and social unrest on an unprecedented scale", he said. In short, the poor will inherit the dearth.

### [As oil prices soar, crofters return to the old ways and get their heat from peat](#)

The soaring price of fuel is leading cash-conscious crofters in the Outer Hebrides to revive the ancient tradition of cutting peat to fire their kitchen stoves and central heating. Over the past few months the steep surge in the price of oil, now routinely used by residents on islands such as Lewis, has led to a rush in orders for traditional, hand-made peat cutters and peat-cutting permits.

### [Multinationals make billions in profit out of growing global food crisis](#)

Giant agribusinesses are enjoying soaring earnings and profits out of the world food crisis which is driving millions of people towards starvation, *The Independent on Sunday* can reveal. And speculation is helping to drive the prices of basic foodstuffs out of the reach of the hungry.

### [Oilsands suck dollars from cleaner oil and gas](#)

There's a giant sucking noise emanating from northeast Alberta that gets louder as oil prices rise.

Called the Athabasca Tar Sands, its rapid development is draining imagination from the Stelmach government, flexibility from labour markets and diversification from Alberta's economy. It has also sucked Edmonton into a hopeless global environmental confrontation.

### [Is Japan a Leader in Combating Global Warming? The Wind-Power Problem](#)

In the country that hosted the Kyoto Protocol, wind power has ground to a stunning halt. According to the last assessment by the Brussels-based Global Wind Energy

Council, Japan ranked a dismal 14th in terms of yearly growth in wind capacity, with newly installed wind power totaling only 139 megawatts in 2007. That compares with 5.2 gigawatts – 38 times the capacity – installed the same year in the United States, and lags even further behind other wind-power giants such as Denmark, Germany and Spain.

### [U.N. sees world climate change deal in 2009](#)

MADRID (Reuters) - The world can reach a significant new climate change pact by the end of 2009 if current talks keep up their momentum, the head of the United Nations climate panel said on Sunday.

The United Nations began negotiations on a sweeping new pact in March after governments agreed last year to work out a treaty to succeed the Kyoto Protocol by the end of next year.

### [Climate Change Warms Arctic, Cools Antarctica](#)

"All the evidence points toward human-made effects playing a major role in the changes that we see at both poles and evidence that contradicts this is very hard to find," said Jennifer Francis, an atmospheric scientist at Rutgers University in New Jersey.

### [Sinking without trace: Australia's climate change victims](#)

Father Ezra Waigana, priest of St Matthias Church on Saibai, says: "We were told there's an iceberg melting and the level of the sea is going up. We don't know how we will survive. Our island is only flat, and the water seems to be taking all the land."

There was an exodus from Saibai after a major flood in 1948 but elders of Mr Waigana's clan decided to stay on, in the place where their ancestors are buried. Their descendants feel it would be disrespectful to move – and some people cite God's promise to Noah never again to flood the Earth.



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