



DrumBeat: May 10, 2008

Posted by [Leanan](#) on May 10, 2008 - 9:25am

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[Gas Prices Send Surge of Riders to Mass Transit](#)

DENVER — With the price of gas approaching \$4 a gallon, more commuters are abandoning their cars and taking the train or bus instead.

Mass transit systems around the country are seeing standing-room-only crowds on bus lines where seats were once easy to come by. Parking lots at many bus and light rail stations are suddenly overflowing, with commuters in some towns risking a ticket or tow by parking on nearby grassy areas and in vacant lots.

“In almost every transit system I talk to, we’re seeing very high rates of growth the last few months,” said William W. Millar, president of the American Public Transportation Association.

[Gas thieves pumped up by high gas prices](#)

"Rising gas prices can motivate or force people to do these kind of thefts," said Calgary police spokesman Kevin Brookwell. "People who have never done this before will be driven by desperation because it is getting very expensive to drive a car."

[As Gazprom Goes, So Goes Russia](#)

Mr. Medvedev was sworn in as president on Wednesday, after winning the election in early March, and his ascent confirms that in today’s Russia, the line separating big business and the state is becoming so fine that it’s almost nonexistent.

[Tensions Rise as Polar Bear Decision Looms](#)

Steven C. Amstrup, the federal biologist who led an analysis last year concluding that the world’s polar bear population could shrink two thirds by 2050 under moderate projections for retreating summer sea ice, is once again in the field along Alaska’s Arctic coast, studying this year’s brood of cubs, yearlings and mothers.

As the Bush administration rushes toward a court-ordered decision on whether the bears should gain threatened status under the Endangered Species Act, Dr. Amstrup is concerned anew by what he's seeing, he said in an Alaska Public Radio interview a few days ago and in an email exchange Friday evening.

[Playing the Iraq Oil Card](#)

There was a time when we could count on Saudi Arabia to make up a shortfall in oil when something like Iraq came up. During the Gulf war Saudi Arabia boosted its production by 3.1 million barrels a day to make up for the 5.1 million barrels a day of Kuwaiti and Iraqi production that was taken off markets. Oil prices rose relatively little.

Today, Saudi Arabia either refuses or can't increase its production. The peak oil Cassandras are convinced the Saudis can't. Saudi Arabia's mega fields like Ghawar are depleted, they say. And we'd better get used to gasoline at \$4 a gallon and up.

But Crocker wasn't all bad news. He said that if we were to stabilize Iraq, and attract investors to the oil sector, Iraq could become the largest producer in the world, surpassing Saudi Arabia. Crocker didn't put it in terms this baldly, but he might as well have said: We keep an army in Iraq, and we go back to the days of cheap oil. Anyone can afford to drive an SUV if they want one.

[Shell losing 30,000 barrels per day after Nigeria oil attacks](#)

PORT HARCOURT, Nigeria (AFP) - Oil major Royal Dutch Shell said Saturday it was losing the equivalent of 30,000 barrels of crude oil per day because of recent attacks against its installations in Nigeria.

The unrest in Nigeria, Africa's biggest oil producer, helped drive oil prices to a record high above 126 dollars on Friday, analysts said.

The loss in production translates to 409 million naira (2.24 million euros, 3.47 million dollars) in lost revenue every day, said Chidi Izuwah, a spokesman for the Shell Petroleum Production Company.

[Oil remains a hot commodity](#)

At \$123 US a barrel, companies are highly motivated to find new oil reserves. The problem is many regions are running out of oil reserves.

Norway's production has slumped by 25 per cent since its peak in 2001, Britain's by 43 per cent since its peak in 2000, and the giant Prudhoe Bay field in Alaska has dropped 65 per cent from its peak 20 years ago.

Mexico is also having trouble finding new oil to offset the decline of its largest oil field, Cantarell.

The huge offshore field peaked at over 2.2 million barrels a day in 2001. Production continues to fall and it now produces 1.22 million barrels a day.

[Oil Refiners: Cheap for a Reason](#)

Believe it or not, the business of buying crude oil and "cracking" it into gasoline, diesel, jet fuel and heating oil is losing money. It really is hard to believe, considering that everything this industry sells fetches 50% more than it did a year ago.

But just like bakers who are staggering from the rising cost of flour or ice cream makers who are paying through the snout for milk and cream, refiners are squeezed by the rising cost of crude, whose price is rising much faster than the price of gasoline.

[Libya to Reassess Italy Oil Deals Amid Government Row](#)

Libya is reassessing some of its oil deals with Italian energy company Eni SpA (E) as tensions mount between the two nations following the new Italian government's high-level appointment of a right-wing politician who has angered the North African country in recent years.

[Soaring fuel costs threaten to shut down Suriname fisheries](#)

PARAMARIBO, Suriname; Increasing fuel costs are threatening to shut down fisheries in Suriname completely, with fish and shrimp trawlers kept in docks for over one month now, Prahlad Sewdien, president of the Suriname Seafood Association (SSA) has warned.

He revealed that fishing companies can't cope with the soaring costs of fuel, while there is also unfair competition in Surinamese waters from fishermen from Venezuela and Trinidad and Tobago who allegedly get fuel at a very competitive tariffs from their respective governments.

[Spiking gas prices put towns in a pinch](#)

SOUTH KINGSTOWN — For the first time, the town of South Kingstown expects to spend more than \$300,000 on diesel and gasoline for the town's fleet of vehicles. Town Manager Stephen A. Alfred estimated the town would spend \$321,316 on vehicle fuel in the new fiscal year, up from a budgeted \$271,397 this year and \$249,338 in 2006.

With fuel costs on the rise, Alfred thought he budgeted conservatively when he estimated gasoline at \$3 a gallon. But with diesel prices at more than \$4 a gallon and gasoline over \$3.50 – and neither moving downward – town officials are looking for ways to keep costs in line before the budget year begins July 1.

[No Relief in Sight for High Fertilizer Prices](#)

Across the board, the price of synthetic fertilizer has gone through the roof. Dealers are reporting farmers are paying double or even triple the amount they paid last year for the same amount of fertilizer.

[The False Lure of Lower Gas Prices](#)

The transition to a low-petroleum future is a long-term undertaking that requires far-reaching changes in technology, capital investment and consumer behavior. Thus far, despite fits and starts, hopeful rhetoric, and thoughtful policy proposals, this bright future has eluded us.

[High prices, shrinking wages & juicy profits](#)

The first thing to know is that rising prices are not inevitable. Countries with planned –i.e., socialist–economies have kept prices remarkably stable, beginning with the Soviet Union, continuing with People’s China, until it opened up to the world capitalist market, and still in Cuba and the Democratic People’s Republic of Korea today. This is because prices there have been set not by a capitalist market but by the government –and food prices have always been set deliberately low so that no one goes hungry.

[Ease off gas pedal -- live simply so others survive](#)

Fuel costs will go down when the demand curve drops.

But here's the rub: Those who can afford today's gas costs don't seem to care there are others who can't. The ones with the greatest ability to impact demand aren't willing to sacrifice.

People are still driving gas guzzlers unnecessarily, transporting children to several activities a week and commuting an hour to work. They're seemingly unfazed by how these actions affect others.

I'm glad there's a strong upper-middle and upper-class group of people relatively unaffected by gas prices. But it's selfishness when one's actions cause a hardship for others. Being wealthy doesn't earn anyone a pass for gluttony.

[ANWR should be a part of solving energy crisis](#)

Part of the response from the Democratic side of Congress after President Bush called on the body to approve legislation allowing oil and gas drilling in Alaska's Arctic National Wildlife Refuge is worth repeating just for the "wow" factor.

It's no solution, goes a portion of the argument, because it would be more than 10 years before it could come into production.

Wow, if only President Bill Clinton hadn't vetoed ANWR exploration 13 years ago.

[Many hands make light work of saving energy](#)

SANDWICH, N.H. - Last weekend, some 30 men and women arrived at a neighbor's home in this mountainside community, prepared for a day of hard labor. Their pay would be a pot of coffee, slabs of cornbread, and a spread of roast turkey sandwiches.

In days past, the end result might have been a barn. But in a twist on the traditional mutual aid event of a barn raising, the neighbors put up a solar-heated water system.

[Indiana Agriculture Department reacts to ethanol myths](#)

INDIANAPOLIS (WANE) - Pick up any publication today and you will see alarming claims about corn-ethanol driving the world into famine. Two years ago, the same publications were heralding ethanol as the savior of America's energy crisis. The truth is somewhere in between, and it is time for a calm, rational analysis of ethanol's contributions and limitations.

The best way to begin a rational discussion is to address some of the biggest myths about ethanol.

[At 15p a litre, home-brew biodiesel is fuel of the future](#)

Since the law was relaxed to allow people to make 2,500 litres a year for their own use, most are working legally, but as the price of fuel rises inexorably, so criminal elements are moving in.

"There are wars going on in London to get the oil," said Tom Lasica, who runs Pure Fuels, London's largest refiner of vegetable oil. "Spanish and German companies are moving in to buy up British used vegetable oil. People are stealing it from each other and selling it abroad. We heard that one fish and chip shop in Southend was broken into just to steal the waste oil."

[Oil Costs To Offset Stimulus Package](#)

On the eve of President Bush's visit to Saudi Arabia, crude oil prices set a record for the fifth day in a row yesterday, eating into tax rebates being mailed to U.S. households and prompting FedEx to slash its quarterly earnings forecast by \$100 million because of rising fuel costs.

Since Congress and Bush unveiled an economic stimulus package Jan. 24, the price of the OPEC basket of crude oil has jumped by \$32.51 a barrel, raising the cost of U.S. oil imports enough to offset the entire stimulus package over the course of the year.

[Global Food Shock](#)

As an American, I've taken for granted that I can get just about any food I want at the supermarket. In fact, the number of choices are dizzying. I never really thought about the tenuous chain between myself and my food. Less than 1% of the U.S. population is employed in agriculture, and 40% of these farmers are 55 or older. ¹ The chain of transportation that brings goods to the stores is tenuous and depends on a few key railways and truck drivers. Supermarkets could experience spot shortages if the proposed trucker strike gains momentum or more drivers quit the business.

[Up, Up, and Away?](#)

Two years ago, oil sold for just \$70 per barrel. If you asked energy analysts back then what circumstances would lead to oil prices hitting \$125 per barrel, they would have told you that only a catastrophe could lead to such unprecedented high oil prices such as a terrorist attack in the Saudi oil fields.

[Mystery Indian analyst spooks world economy](#)

WASHINGTON: They are calling him Arjun "Spike" Murti, but his real middle name is Narayana, the supreme manifestation of the Hindu God Vishnu.

Supreme he is, in the oil world. The little known Indian analyst at Goldman Sachs has become a cause célèbre -- or a doomsday prophet -- for his forecasts about oil prices, based on what he calls the "super-spike" theory, predicated on rising demand for crude and limitations in refining capacity.

[A new voice to Paine's cry of rebellion](#) (review of Kevin Phillips' *Bad Money: Reckless Finance, Failed Politics, and the Global Crisis of American Capitalism*)

Beyond this double, double, toil and trouble financial brew, Phillips focuses on the increasing inevitability that global peak oil production is sooner rather than later. Phillips makes no bones about the matter that the American occupation of Iraq is about oil and states the obvious, "the attempt to make US energy policy from bomb bays and guided-missile cruisers misfired in 2003".

[Energy at nexus of future, Yergin says](#)

On a proposed "tax holiday" for consumers and the factors driving up oil prices:

I think the calculation is it would save the average consumer \$26.50. I think that what has driven this last wave of a surge in prices has been the fall of the dollar, the weakness in the U.S. economy, and a tremendous influx of investors into the energy markets, so I don't see what a tax holiday does. If you figure it out, it would really be a mini- mini-mini-rebate.

[Coal is King: Demand worldwide has prices skyrocketing](#)

WILLIAMSON, W.Va. – With coal prices spiking – and the demand for coal surging in overseas markets – local coal companies are experiencing tremendous growth.

And coal – taken from the mountains of eastern Kentucky and southern West Virginia – is fueling economies worldwide.

[How to Use the Strategic Petroleum Reserve](#)

Over the last eight months, the Department of Energy purchased more than 10 million barrels of oil for the SPR as the price rose \$40 to above \$120. This is not sensible. It puts upward pressure on oil prices at the worst possible time. It is a waste of taxpayer money. It gives aid and comfort to unfriendly nations. And it is an insurance policy that, for the most part, is no longer needed.

In fact, we should be *selling* oil from the SPR at \$120. Doing so could be a powerful tool for U.S. energy policy.

[Lebanese PM sends in army to tackle Hezbollah](#)

BEIRUT, Lebanon - Lebanese Prime Minister Fuad Saniora on Saturday ordered the army to restore law and order across the country and remove gunmen from the streets.

Saniora said Lebanese government can no longer accept that militant group Hezbollah

freely hold on to its weapons.

In his first public remarks since fighting began on Wednesday, Saniora accused Hezbollah of carrying out an "armed coup" against Lebanese democracy.

[U.K. Grangemouth Oil Refinery Blaze Extinguished](#)

(Bloomberg) -- Firefighters extinguished a blaze at Ineos Group Holdings Plc's 200,000 barrel-a-day Grangemouth oil refinery in Scotland, which is still recovering from a strike last month, the Central Scotland Fire and Rescue Service said.

[Shell pulls out of Iran gas deal](#)

LONDON (Reuters) - Oil major Royal Dutch Shell has pulled out of a planned gas project in Iran, after coming under pressure not to participate from U.S. lawmakers who were concerned about Iran's nuclear programme.

[Al Qaeda targeting Nigeria, police chief warns](#)

LAGOS (Reuters) - Al Qaeda Islamist militants have renewed their threat to bomb targets in Nigeria, Africa's top oil producer, a newspaper reported on Saturday quoting the national police chief.

The United States embassy in Nigeria said last September the country was at risk of "terrorist attack" and Osama bin Laden once named the world's eighth biggest oil exporter as ripe for jihad or Islamic holy war.

[China says 3 of its construction workers abducted in Nigeria have been freed](#)

BEIJING: Three Chinese construction workers who were abducted in southern Nigeria's troubled oil region have been released, the government said Saturday.

The Chinese were freed Friday after three days in captivity, Foreign Ministry spokesman Qin Gang said in a statement carried by the official Xinhua News Agency. It gave no details of how they were released.

[Russian roulette on the pipelines](#)

The chilly front of the Cold War is being replaced with a heating battle, as demand for gas increases along with the price. Russian giant Gazprom appears to have the upper

hand in this power struggle but eastern European countries have weapons of their own to keep fuel prices at the low levels they have become accustomed to.

[Venezuela, China to Create Joint Venture to Supply New Refinery](#)

(Bloomberg) -- Venezuela agreed with China, the world's fastest-growing major economy, to form a joint venture that will produce oil in Venezuela's Orinoco Belt to supply a new 400,000 barrel-a-day refinery they will build in China.

[Brazil eyes Opec entry](#)

Brazilian President Luiz Inacio Lula da Silva believes his nation wants to join Opec to help bring down oil prices, a leading German weekly quoted him as saying Friday. Silva said in the interview published in Der Spiegel news magazine that his nation plans to exploit massive deep-water oil reserves discovered near Rio de Janeiro. "Then Brazil will become a major oil exporter," Silva said in an advance copy of the interview to be published Saturday. "We want to join Opec and to try to make oil cheaper."

[An Energy Policy That Makes Sense, Revisited](#)

On April 4 (2008) I published my first energy policy here on Seeking Alpha. Oil was around \$100/barrel. Roughly one month later, oil is up another 20% and now over \$120/barrel; the US dollar is dropping like a rock; the S& P500 has done nothing in years, and inflation, food and otherwise, is high and rising. CEOs of major oil companies took the unprecedented step to publicly say at the World Economic Forum in Davos, Switzerland that worldwide oil supply will not keep up with worldwide oil demand by the year 2015. That is only 7 years from now. If oil prices are \$120/barrel today (while oil supply and demand are balanced), what will prices be in 2015? Regardless, it is well past the time to take action. Yet still no word from the President and Congress on a real energy policy to prepare and protect America from the realities of peak oil. Why?

[Oil Lobby Reaches Out to Citizens Peeved at the Pump](#)

Faced with a national outcry over the high price of gasoline and soaring profits for energy companies, the oil and gas industry is waging an unusually pricey campaign to burnish its image.

The American Petroleum Institute, the industry's main lobby, has embarked on a multiyear, multimedia, multimillion-dollar campaign, which includes advertising in the nation's largest newspapers, news conferences in many state capitals and trips for bloggers out to drilling platforms at sea.

[Rising fuel prices are a driving force for change - away from autos](#)

Only 7% of people in Los Angeles took public transportation to work in 2006, the last year for which figures are available, while 2.8% walked, 1.4% took a cab or motorcycled and 0.6% bicycled, according to the Southern California Assn. of Governments.

But people are cutting back in a million little ways, and even in the Los Angeles area they're cutting back on driving. Interest in cycling is growing, gasoline consumption is down and bus and light-rail ridership is up.



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