



## DrumBeat: May 13, 2008

Posted by [Leanan](#) on May 13, 2008 - 9:07am

Topic: [Miscellaneous](#)

### [US senators pressuring Saudis to hike oil output](#)

WASHINGTON (Reuters) - Senate Democrats Tuesday introduced legislation to stop a U.S. arms sale to Saudi Arabia worth \$1.4 billion in a tactic supporters said was aimed at pressuring the OPEC country to increase its oil output.

"We are saying that we need real relief and we need it quickly. You (Saudi Arabia) need our arms, but we need you to cooperate and not strangle American consumers," said Sen. Charles Schumer, a New York Democrat.

### [California Utility May Ration Water to Refineries](#)

Bloomberg) -- California's East Bay Municipal Utility District is set to vote today on a proposal to ration water to customers near San Francisco, including two oil refineries, because of a drought.

A seven-member board will vote on the plan to reduce supplies to industrial customers by 5 percent, Charles Hardy, a utility spokesman, said in a telephone interview. Residential, commercial and irrigation customers would also be affected by the plan.

### [Iran reviews proposal to cut oil output](#)

TEHRAN (Reuters) - Iranian President Mahmoud Ahmadinejad said a proposal for OPEC's second biggest producer to cut crude output was under review by experts, Iran's semi-official Fars New Agency reported on Tuesday.

Oil Minister Gholamhossein Nozari said earlier on Tuesday the world's fourth-largest oil exporter was reviewing how much oil it pumps but had taken no decision on any changes.

"There has been such a proposal and it is under expert review," Fars quoted Ahmadinejad as saying when asked about the possibility of reducing output.

### [Myanmar biofuel drive deepens food shortage](#)

BANGKOK (AFP) - Myanmar is struggling to feed its people in the aftermath of Cyclone Nargis -- in part because the regime has been forcing some farmers to stop growing rice in a plan to produce biofuel instead.

In 2005 the military government's leader Than Shwe ordered a national drive to plant jatropa, a poisonous nut he hoped would be the cornerstone of a state industry that would capitalise on growing world demand for biofuels.

### [Iran rumor pushes oil to new record, gas jumps above \\$3.73](#)

NEW YORK - Oil prices shot to a new record near \$127 a barrel Tuesday on reports that Iran is planning to cut crude oil production.

Gas prices, meanwhile, rose to a new record over \$3.73 a gallon Tuesday, and their advance shows little sign of slowing with Memorial Day weekend, the traditional start of the summer driving season, just 10 days away.

Light, sweet crude for June delivery rose as high as a record \$126.71 a barrel in midday trading on the New York Mercantile Exchange before retreating slightly to trade up \$2.24 at \$126.47.

Jim Ritterbusch, president of energy consultancy Ritterbusch and Associates in Galena, Ill., said traders were reacting to news reports that Iran's government is considering cutting crude oil production. James Cordier, president of Tampa, Fla., trading firms Liberty Trading Group and OptionSellers.com, said the news quickly made its way around trading floors.

### [Senate approves end to oil reserve shipments](#)

WASHINGTON (AP) -- The Senate is directing President Bush to temporarily halt the shipment of thousands of barrels of oil a day to the government's emergency reserve.

Both Democrats and Republicans said such shipments make no sense when oil is costing more than \$120 a barrel and could better be used to add supplies to a tight market and possibly lower prices. Senators voted 97-1 Tuesday to suspend the shipments until the end of the year.

### [China shuts mines, oil wells and plans after quake](#)

China ordered coal mines, chemical plants and oil and gas wells to halt production to avoid further casualties after the country's strongest earthquake in 58 years killed

almost 10,000 people.

### [Ottawa promises accuracy at gas pumps](#)

OTTAWA — The federal government says it will step up inspections at gas stations across Canada this summer and will soon increase fines for inaccurate pumps to \$10,000 from \$1,000.

Industry Minister Jim Prentice said Monday that Measurement Canada has reported that about 3 per cent of gas pumps tested between 1999 and 2007 have been inaccurate.

### [Farmers unable to cash in on soaring food prices](#)

All over the world, prices for basic foods -- barley for beer, milk for cheese, corn for tortillas, and the rice that serves as a staple for more than half the world's population -- are soaring. But farmers aren't rushing to cash in on the boom by planting more of the crops.

...They say the reason is simple. The cost of planting some crops is rising as fast as their prices, and sometimes faster, leaving little incentive to increase production of some foods that remain in high demand around the world.

### [New Wave of Nuclear Plants Faces High Costs](#)

A new generation of nuclear power plants is on the drawing boards in the U.S., but the projected cost is causing some sticker shock: \$5 billion to \$12 billion a plant, double to quadruple earlier rough estimates.

### [The oily truth about America's foreign policy](#)

With the oil price heading upwards and President George Bush heading for Saudi Arabia, as part of a Middle Eastern tour, it is time to accept the truth. The pursuit of oil is fundamental to US foreign policy.

The importance of oil to American foreign policy is both obvious and curiously difficult to acknowledge in public. In the run-up to the Iraq war it was left to the left to make the argument that this was a "war for oil". Establishment people -- those in the know -- rolled their eyes at this "conspiracy theory".

### [China gets most of its oil from Mideast](#)

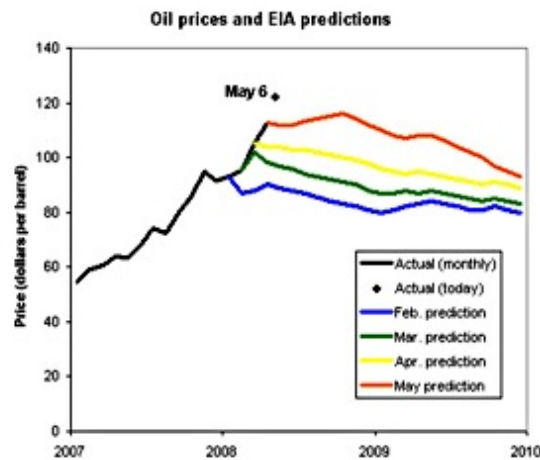
China has one of the fastest-growing economies, and thus its need for fuel is skyrocketing as well. To ensure its security, China has been seeking reserves and importing much of its fuel, the Daily Star in Lebanon reported.

In recent years 40 percent to 50 percent of the oil that China consumes has been imported, and of that 60 percent comes from the Middle East, including Saudi Arabia, Iran, Qatar and Sudan.

### [Congress Should Not Tamper with the Strategic Petroleum Reserve](#)

Congress is about to legislate that the U.S. government stop purchasing oil for the Strategic Petroleum Reserve (SPR). Some believe that this would bring gasoline prices down; in reality, however, shutting down the oil supply to the SPR would jeopardize the security of the United States, and infringe upon the executive authority of the President to ensure the nation's defense, while having no appreciable effect on gas prices. Congress should leave the SPR alone.

### [An Oil Bubble?](#)



I don't really have any good reason for posting this chart, but reader Jonathan C. sent it to me and I thought it was kind of amusing. Every month the Energy Information Agency releases a near-term energy forecast, and as oil prices have been skyrocketing it turns out that the EIA has been a model of consistency: every month they predict that oil prices have peaked and are about to start declining. In May the EIA analysts got a little frisky and predicted a plateau for the next few months instead of an immediate decline, but needless to say, the market failed to cooperate. Prices continued to rise.

### [Peak oil: "It's the flows, stupid!"](#)

Verbal shots from legendary political consultant James Carville land with the shock of a

hand grenade. If the always-blunt and ever-controversial Carville were to grasp our oil dilemma and begin a peak oil education campaign, his war-room slogan would probably paraphrase his winning axiom from the 1992 Clinton campaign, using "It's the Flows, Stupid!"

Peak oil is about peak flow. It's that simple, despite all those lame statements (some from people who ought to know better) that "we aren't running out." That's right, we aren't, but who said we were!

### [Nepal: Pokhara Feels the Heat of Fuel Shortage](#)

Pokhara, the headquarters of the western development region, and adjoining districts have been facing a severe shortage of petroleum products after supply dwindled to nearly 50 per cent of the demand.

Petroleum dealers said the shortage was always there for the last few months, it became acute since last week.

### [Greek fuel truckers continue strike, supplies dry up](#)

ATHENS (Reuters) - Greece's fuel truckers on Monday decided to extend a strike that has cut petrol supplies, causing queues at filling stations and transport disruptions that threaten to bring the economy to a halt.

The strike has already lasted a week, leaving about three quarters of Greece's petrol stations without fuel for the fourth consecutive day.

### [Petrobras to Start Long-Term Test at Tupi in March 2009](#)

Brazil's state-run oil firm Petroleo Brasileiro SA (PBR), or Petrobras, will start a long-term production test at its giant Tupi field in March 2009, Chief Financial Officer Almir Barbassa said in a conference call Tuesday.

The test will last two to three months, during which the company will produce 30,000 barrels a day from the field from three wells, Barbassa said.

### [Ditch that car, hop a train](#)

NEW YORK (CNN) -- The soaring price of gas has convinced New Jersey resident Eric Scott to trade the comfort of his car for a seat on the train every morning after 17 years of driving to the office.

"It's a huge savings," said Scott., "In today's economy, you know, every penny counts so I'm just glad I made that switch."

### [How the energy crunch hurts UK](#)

From classical musicians to pensioners, from airlines to bus firms, no one can escape the runaway escalation of the cost of fuel.

### [Australia: Pets pay as household costs soar](#)

Many pets are given away by owners who say they have had to make a choice between paying rising interest rates, petrol and grocery bills or keeping their pets, according to the Animal Welfare League.

The squeeze on family budgets has seen 3832 dogs and 6147 cats surrendered to the league in the past six months.

### [Change We Can Stomach](#)

Farming has the potential to go through the greatest upheaval since the Green Revolution, bringing harvests that are more healthful, sustainable and, yes, even more flavorful. The change is being pushed along by market forces that influence how our farmers farm.

### [Could higher fuel prices actually help U.S. airlines?](#) - *Some airlines could benefit from a protracted fuel price crisis, and they may be the ones you'd least expect*

In this harsh environment, where jet fuel costs increased more than 70% in the past year and more than 200% in the past five years, every major U.S. airline is curbing expansion plans and scaling back operations. Most of the big six already cut domestic capacity by 5% in the last few months and are planning additional 5% to 10% cuts by year end, assuming oil prices remain at these levels. Even rapidly growing LCCs like Southwest and jetBlue have trimmed their expansion plans for the current year. For the first time in decades, as the big six contract, no airline is poised to replace those abandoned flights, routes and markets.

The big six airlines have another advantage over the LCCs: A substantial portion of revenue is derived from premium business and first class customers and extensive international operations. This premium and international travel business is far more profitable than domestic coach, where the big six compete with LCCs. The additional premium revenue will help the big six offset operating costs on less profitable domestic coach routes and survive an extended fuel price crunch, while most LCCs have no premium business to cushion the blow.

### [Palin will call special session on energy relief](#)

JUNEAU, Alaska — Gov. Sarah Palin will call lawmakers into a second special session this year to address energy cost relief for Alaskans.

Palin will unveil a plan from her energy coordinator, Steve Haagenson, on Thursday to address the short-term energy crisis caused by oil prices.

### [In Defense of 'Big Oil'](#)

Robertson said President Bush's trip this week to Saudi Arabia is "highly embarrassing" because he is "calling on the Saudis to produce more oil when we are not doing it ourselves." The last refinery built in America was in 1976. Tighter government regulations are the main reason. That's how unserious we are about our energy "crisis."

### [Oil Shortages: Here They Come](#)

Russia is the world's second-largest oil exporter. But something ominous is happening: Its oil production fell for each of the first three months of this year. Russia is now pumping less than it was last year.

### [China: To raise oil prices or not, that is the question](#)

Diesel sold out. This notice can be seen at many gas stations in the country. Diesel has been in short supply again in a number of provinces and regions over the past few weeks, with Guangdong, Guizhou and Yunnan being the worst hit.

Han Xiao, who works for a private firm, drove from Beijing to Guangdong with his friends recently. He looked tired and upset after having had to wait for what seemed like ages at gas stations on his way to Guangdong. The experience made the journey in his Audi A6 TDI more like a burden, he says. "It seemed our journey could end anywhere on the way. We came across many gas stations that didn't have any gas."

### [UAE has to integrate gas pipeline networks](#)

ABU DHABI — The UAE, which is facing a net deficit of 1.5 billion cubic feet (BCF) of natural gas daily against a rising daily consumption of 5.4 BCF, has to integrate its pipeline networks for a more efficient, cost-effective supply of fuel, apart from sourcing more supplies from Qatar and Iran, to support its economic growth.



### [Mexican rebels reject direct talks with government](#)

MEXICO CITY, May 12 (Reuters) - A Mexican rebel group that bombed energy pipelines last year rejected on Monday direct talks with the government but left open the possibility of negotiations through a group of mediators.

### [Mexico's oil wealth drying up](#)

World oil prices are breaking records. The Middle East is racked with problems. Latin America's energy companies should be booming.

Yet Pemex, Mexico's state-owned oil company, recently posted net losses of nearly \$1.5 billion. The company's inability to turn a profit has sparked a nationwide debate over Pemex's future. President Felipe Calderon is proposing that the state oil monopoly open itself to foreign investment.

### [MOEA dismisses Saudi oil supply report](#)

TAIPEI, Taiwan -- A deputy economics minister yesterday dismissed a report that Saudi Arabia might cut oil supplies to Taiwan in retaliation for a possible suspension of investment in the Middle East nation's independent water and power production (IWPP) project.

"I've never heard of this," said Hsieh Fa-da during a hearing of the Economics Committee of the Legislative Yuan, adding such a retaliatory measure would be "impossible" based on his knowledge of Taiwan's business dealings with Saudi Arabia.

### [The heat is on](#)

The rate of sea-level rise has startled both scientists and policy-makers enough to make headlines and become embedded in government and international reports. It is easy to see why they are concerned – even a half-metre rise would cause flooding that would affect hundreds of millions of people in low-lying areas. Suddenly, "glacier dynamics" – the physics that controls how fast glaciers flow – has become a subject of international importance.

### [America @ \\$100/Barrel: How Long Will the Oil Last?](#)

These days everyone is worried about oil. The primitive black goo has been linked to climate change, economic disruption and other problems, but make no mistake: We still need oil, and lots of it. Not only is American demand rising—this year it's expected to top



21 million barrels per day—but ascendant economies in India and China have developed huge appetites for the stuff. The stark reality is that the supply is finite. "Peak oil" theorists argue that production is already maxed out, meaning imminent shortages and sharper price spikes; more optimistic experts believe that day is 20 to 30 years away. Both camps agree that the task ahead is twofold: Develop new supplies while learning to stretch existing reserves.

### [Average gas prices set record at \\$3.72 a gallon](#)

High oil and gasoline prices "are making a huge difference, because they're diverting so much from spending on other things," says Mark Vitner, senior economist at Wachovia. Just 43 cents of every dollar spent — a record low, Vitner says — is "going to things we want to spend it on (such as) golf, vacations, restaurant dining, clothes, new cars."

Analysts are beginning to exhaust logical reasons for prices to climb. "It seems momentum is carrying it up. It just doesn't want to stop," Beutel says.

### [Raymond J. Leary: The Why of Chokingly High Oil Prices: Bush Together with Saudi Arabia Spells Disaster for America](#)

There was a time when the Organization of Petroleum Exporting Countries (OPEC) controlled by Saudi Arabia and under the pragmatic thumb of Sheik Ahmed Zaki Yamani, would have opened wide the oil spigots in the face of sky high prices and a looming U.S. economic recession. The kingdom's wily old minister wanted to maintain a balance, siphoning off just enough out of consumer's pockets to keep the kingdom in opulent palaces and extravagant gift items for U.S. Presidents -- all without strangling the egg-laden Yankee goose that made the royal family's life both fabulous and secure. Then too, no one in the oil patch wanted prices so high as to make the search for alternative fuels economical.

### [Black Gold; The End of Oil](#)

U.S. NEWS: As oil passed the \$125 mark like a freight train passing a bum, what are the remarks being heard at the pumps and on the news, but "This is ridiculous."

What is really ridiculous is that America didn't plan for peak oil; that point in time when supply and demand would have a head on collision. But as I've reported both in this blog and in my book, it sure wasn't that we didn't know it was coming. We've known it since 1956.

### [Krugman weighs in for "peak oil"?](#)

Although he doesn't actually invoke the phrase, Krugman is giving too much credibility

to the "peak oil" thesis. He comes close to certain right-wing propaganda motifs himself: an inevitable Malthusian strain on resources due to the rise of the Yellow Peril. China's aspiration to replicate the already unsustainable US development model in a nation of 1.3 billion is, certainly, a grave long-term problem. But it is less the reason behind the price shock than the US project, through the instrument of the Iraq occupation, to *deny* China access to the Persian Gulf oil except on terms dictated by Washington. Geopolitics, not geology or demographics, remain behind the shock—for now, at least.

### [OPEC's Days Are Numbered](#)

The end of OPEC will come about simply because very soon there will be no further need to regulate supply. Once peak oil arrives and all available production is less than actual demand there will no longer be any need to have quotas or restrictions on production.

### [The looming commodity crisis](#)

BOSTON (MarketWatch) -- There is a crisis looming in the world's commodity markets, but it is has nothing to do with high prices, food shortages or the "peak oil hypothesis."

It has everything to do with the flood of capital into new financial instruments tied to commodity prices.

### [Tories lack policies to prepare for 21st century: Dion](#)

MONTREAL -- Liberal Leader Stephane Dion blasted the Conservative government on Monday night for not preparing Canadians for 21st-century issues such as rising fuel prices, pollution and poverty.

..."The peak oil era is happening and we need to prepare our country to win in this economy. This is vital for success in the 21st century and for that we need a Liberal government with a good vision."

### [CNPC Says It Will Own 40% of Venezuelan Oil Venture](#)

(Bloomberg) -- China National Petroleum Corp., the nation's biggest oil producer, said it will own 40 percent of an oil-production venture in Venezuela.

The venture between CNPC and state-owned Petroleos de Venezuela SA targets to produce 20 million tons of crude oil a year, CNPC said on its Web site today. The companies will pump oil from an area called Junin 4, Venezuelan President Hugo Chavez said at a signing ceremony in Caracas May 9.

### [UK: Birmingham should become a transition city](#)

The really big change that is coming will result from the challenge of global warming, peak oil and the strain on global resources resulting from growing populations and massive economic growth in China and India.

Our whole way of life, since the industrial revolution is based on massive energy use. And most of that energy comes from oil. But oil also produces all our plastics, fertiliser and most of our pharmaceuticals.

### [Norway's greenhouse gas emissions rise](#)

OSLO, Norway (AP) -- Officials say Norway's greenhouse gas emissions rose nearly 3 percent to record levels last year.

The national statistics agency blames the pollution on the startup of a new natural gas plant in the Arctic.

### [Southwest Airlines borrows \\$600 million](#)

DALLAS — Southwest Airlines Co. said Monday that it borrowed \$600 million from Citibank and seven European banks to bolster its cash position because of uncertainty about the economy.

...The filing didn't give a purpose for the debt, but spokeswoman Beth Harbin said, "It's due to uncertainty about the economy and the credit market and the high price of fuel."

### [Nothing governments can do about rising oil prices: oil expert Richard Heinberg](#) *(transcript and video)*

Now to tonight's interview with Richard Heinberg. He's one of the world's leading experts on the phenomenon of peak oil. That's the point at which the world's oil reserves go into decline. The idea is that having reached its peak it's all downhill from there and there's evidence that global rates of oil discovery have been declining since the 1960s, and that new oilfields are becoming more and more inaccessible.

So as demand increases and supply decreases the price of oil goes up and up and up, as we've painfully experienced in recent years. No one really knows when we'll reach peak oil. It may have already happened, it may take another three decades. Why has the price of oil gone up so fast and so high in recent years? How much higher could it go and can anything be done to reverse this relentless process?

### [Biofuels Will Account for 63% of Non-OPEC Oil Growth, IEA Says](#)

(Bloomberg) -- Biofuels will account for 63 percent of oil supply growth from non-OPEC countries this year, taking global production of crop-based fuel to more than 1.5 million barrels a day, the International Energy Agency said today.

### [IEA Cuts 2008 Oil Demand Forecast for Fourth Month](#)

(Bloomberg) -- The International Energy Agency, the energy adviser to 27 nations, cut its forecast for global oil demand in 2008 for a fourth month as record prices crimp consumption in the world's most developed economies.

The forecast was cut by 390,000 barrels a day to 86.84 million barrels a day, from 87.23 million barrels last month, the Paris-based agency said today in its monthly report. After today's revision, which ``may not be the last," the group expects world consumption to grow 1.2 percent this year, the slowest expansion since 2006.

### [Iran's economy](#)

The indications that Shell and, most likely, Total will not meet Iran's mid-June deadline for them to commit themselves to going ahead with their long-standing liquefied natural gas (LNG) projects reflect both the difficulties of doing business in sanctions-hit Iran and the broader problem of escalating global costs of energy schemes of this sort. Major oil and gas projects are indeed stalled in Iran, but progress is also painfully slow elsewhere; according to *Petroleum Economist*, an industry magazine, only four LNG projects have attained "final investment decisions" over the past 18 months (in Peru, Australia, Algeria and Angola), and all of these have also faced long delays.

### [IEA Says 500,000 Barrels/Day of Nigerian Oil Output Still Shut](#)

(Bloomberg) -- The International Energy Agency, the energy adviser to 27 nations, expects about 500,000 barrels a day of Nigerian crude production to remain shut for the ``foreseeable future" while output is still threatened by further industrial action.

### [Shell repairs two Bonny oil facilities in Nigeria](#)

LONDON (Reuters) - Royal Dutch Shell has restored some of its shut-in production in Nigeria, repairing two of the four Bonny Light oil facilities damaged by militant attacks, a company spokesman said on Tuesday.

About 164,000 bpd of Bonny Light crude production, or about 40 percent of the Anglo-

Dutch major's equity oil output in the West African country, was shut-in due to recent attacks.

### [Nigeria to probe abuse of 'expatriate quota' by foreign oil companies](#)

ABUJA (Thomson Financial) - The Nigerian government will investigate allegations that international oil companies operating in the upstream sector employ more foreigners than allowed by the law, an official statement said.

### [China restarts oil line, gas wells shut on quake](#)

BEIJING — China resumed operation of a major oil products pipeline on Tuesday after the previous day's earthquake forced it to briefly stop pumping, but some gas wells were shut by a government order, industry officials said.

Southwest Sichuan province, still reeling from a massive 7.9 magnitude earthquake that has so far killed nearly 12,000, produces about a fifth of China's natural gas. Operations at major refineries across China were unaffected.

### [The global slump of 2008-09 has begun as poison spreads](#)

Crude ceased to be a friend of equities when it reached around \$110 a barrel. At last week's close of \$126, it became an outright threat. The Bush rescue package - \$800 in rebate cheques per household - has been rendered null and void by the latest spike. The average US home is now spending over 8pc of income on energy or fuel.

OPEC is playing with fire by refusing to pump more oil to offset rebel attacks in Nigeria. The cartel's output drop of 350,000 barrels a day in April is a hostile act at this point.

But there again, why should Middle Eastern states help America as long as the White House keeps filling the US petroleum reserve to prepare for war with Iran? Bush is playing with fire, too.

### [Russian regulator accuses Rosneft of forcing up gasoline price](#)

IRKUTSK/MOSCOW (RIA Novosti) - Russia's anti-monopoly service said on Tuesday it had launched a probe into state oil giant Rosneft for using its dominant position to force gasoline prices up in a Siberian region.

### [Gas prices spike plans for Hyundai pickup](#)

SEOUL—Hyundai Motor Co. shelved plans to build pickup trucks in the United States as soaring gas prices chip away at demand for trucks, a company official said Tuesday.

### [BP, Rio Cancel \\$2 Billion Australian Power Project](#)

(Bloomberg) -- Rio Tinto Group, the world's third- largest mining company, and BP Plc, Europe's second-largest oil producer, canceled a plan to build a coal-fired power plant in Australia that would capture and store carbon to cut emissions.

### [Global Warming Worries Wealthy, Polluting Nations Least](#)

The wealthier a country is and the more greenhouse gases it spews into the atmosphere, the less worried its citizens are about the effects of global warming. Residents of the low-lying Netherlands, ironically, are the least worried of all.

### [What Condoms Have to Do with Climate Change](#)

But now, the pendulum is shifting back. The sudden spike in both food and fuel prices is raising concerns that we may not be able to grow forever, that even with the best technological innovation, the planet may have limits. It's becoming increasingly clear that if we can't curb carbon emissions in a world of 6.8 billion, it may be impossible to do when there are 9 billion of us. And while population growth has slowed drastically in many countries in Western Europe and in Japan, where women are having fewer and fewer babies, it's still rising in much of the developed world - and for that matter, in the United States. "You really can't talk about the supply and demand imbalance that is sending energy and food prices up without acknowledging that we are adding 78 million people each year, the equivalent of a new Idaho every week," says Engleman.



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