



DrumBeat: May 16, 2008

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Topic: [Miscellaneous](#)

[High Steel Prices: A Preview of Peak Oil](#)

I use the phrase “Crunch Time” to denote the period after Peak Oil during which oil prices are so high due to production shortfalls that the normal functioning of economic activity is curtailed. Not only are the poor - and eventually the middle class - kept from buying the oil products they need, but industry’s capacity to ameliorate the problem by making what is needed to free society from the grip of oil is also greatly slowed, thereby extending the Crunch Time.

Such necessary products fall in two categories. First are those consumers can use to free themselves of oil: cars, trucks, and trains that operate on electricity instead of gasoline or diesel. Second is the capital equipment needed to make both such consumer items and to obtain more oil and other energy sources. Steel is one of the inputs to those products.

[Are there just too many people in the world?](#)

This is a column I don't want to write. Its subject is ugly; it makes me instinctively recoil. I have chastised people who bring it up at environmentalist meetings. The people who talk about it obsessively have often been callous about human life, and consistently proved wrong throughout history. And yet... there is a grain of insight in what they say.

The subject is overpopulation. Is our planet over-stuffed with human beings? Are we breeding to excess? These questions are increasingly poking into public debate, and from odd directions. Phillip Mountbatten – husband of the British monarch Elizabeth Windsor – said in a documentary screened this week: "The food prices are going up, and everyone thinks it's to do with not enough food, but it's really [that there are] too many people. It's a little embarrassing for everybody, nobody knows how to handle it." He is not alone. A strange range of people have voiced the same sentiments over the past few months, from the Dalai Lama to Hu Jintao, from Conservative mayor Boris Johnson to Democratic Governor Bill Richardson.

[Oil could reach \\$200 before demand gets hit](#)

LONDON (Reuters) - The price of oil could rise to \$200 a barrel in the next two years before it starts to seriously hit demand, fund manager Tim Guinness said on Tuesday.

"I am increasingly comfortable with the analysis which says the oil price is going to have to go to \$200 before demand is dampened enough," Guinness, who is the chief investment officer of Guinness Atkinson Funds, told Reuters in an interview.

[The new realities of record oil](#)

Emerging economies are fighting soaring prices with subsidies and price controls. But are their methods part of the problem?

[Is the world's food system collapsing?](#)

The global food market fosters both scarcity and overconsumption, while imperilling the planet's ability to produce food in the future.

[Conspiracy Theory](#)

Climate-change litigation is heating up. Will the legal strategy that brought down Big Tobacco work against Big Oil?

[Richard Heinberg: Oil and Politics](#)

On Tuesday, Senate Democrats introduced legislation that would halt a US arms sale to Saudi Arabia worth \$1.4 billion. The implication is clear: no more war toys for the Saudis unless they agree to up their oil output.

The same day, the House approved a Senate plan to suspend oil deliveries to the Strategic Petroleum Reserve in hopes of diverting that oil to the market, thus lowering the pump price a tiny amount.

A week earlier, a handful of senators proposed a bill threatening a trade dispute with members of OPEC if the organization doesn't stop its "anti-competitive practices and illegal export quotas on oil."

It's understandable that our elected leaders would want to do something about the meteoric rise of gasoline, diesel and heating oil prices that are now bankrupting independent truckers and forcing many folks in colder states to choose between being able to stay warm and being able to drive to work. Yet, efforts like the ones just mentioned are based on a profound misperception of why oil prices are rising.

[Richard Heinberg: Saying Goodbye to Air Travel](#)

The airline industry has no future. The same is true for airfreight. No air carrier has a viable plan to make a profit with oil at current prices—much less in years to come as the petroleum available to world markets dwindles rapidly.

That's not to say that jetliners will disappear overnight, but rather that the cheap flights we've seen in the past will soon be fading memories. In a few years jet service will be available only to the wealthy, or to the government and military.

[Oil production has peaked as demand soars](#)

In 1998, oil cost \$10 per barrel and experts said the price would return to \$5 per barrel, but it never happened. Many people believed we had huge oil fields that would never run dry, and that new fields would meet our growing demands. Ten years later, the evidence is beginning to align to tell a much different story -- one that we are just beginning to read.

I serve as a member of the Minnesota House of Representatives Energy Committee. This year our committee held hearings on "peak oil."

[US will stop sending oil into strategic reserves](#)

WASHINGTON -- The Energy Department says it has canceled oil shipments into the Strategic Petroleum Reserve beginning in July when the current purchase contract expires.

[In Colorado, an unlikely alliance against drilling](#)

Plans to open up a swath of wilderness are bringing hunters and environmentalists together – and reshaping state politics.

[What Michael Pollan Hasn't Told You About Food](#)

As both obesity and hunger are on the rise, a new book shows why we shouldn't feel guilty about our food choices but angry with a corrupt food system.

[Manufacturing a Food Crisis](#)

The Mexican food crisis cannot be fully understood without taking into account the fact that in the years preceding the tortilla crisis, the homeland of corn had been converted

to a corn-importing economy by "free market" policies promoted by the International Monetary Fund (IMF), the World Bank and Washington. The process began with the early 1980s debt crisis. One of the two largest developing-country debtors, Mexico was forced to beg for money from the Bank and IMF to service its debt to international commercial banks. The quid pro quo for a multibillion-dollar bailout was what a member of the World Bank executive board described as "unprecedented thoroughgoing interventionism" designed to eliminate high tariffs, state regulations and government support institutions, which neoliberal doctrine identified as barriers to economic efficiency.

[Oil sets record near \\$128: pump price at high, too](#)

NEW YORK - Oil prices surged more than \$3 Friday, shattering a previous record in a spike near \$128 a barrel, as prices at the pump pushed to new highs of their own.

The gains come 10 days before the Memorial Day holiday, the traditional start of the peak U.S. summer driving season, suggesting that retail gas prices have further to rise.

Americans are now paying a national average of \$3.787 a gallon for regular gasoline, up nearly a penny from the previous day, according to AAA and the Oil Price Information Service.

Diesel prices also have risen to record levels, meaning that even Americans who don't drive will likely face even higher prices on all sorts of goods because of increased shipping costs. A gallon of diesel now sells for \$4.482 a gallon.

Light, sweet crude for June delivery rose as high as \$127.82 a barrel on the New York Mercantile Exchange, before easing somewhat to trade up \$2.64 to \$126.76 . The contract settled at \$124.12 Thursday.

[Saudi Arabia Declines Bush Request to Supply More Oil](#)

(Bloomberg) -- Saudi Arabia, the world's largest oil exporter, rebuffed a call by U.S. President George W. Bush to pump more crude for a second time this year, saying it would only boost supplies to meet customer needs.

[UBS Now Sees Oil Marching to \\$156 Yearly Average by 2012](#)

Crude oil prices are set to steadily rise over the next four years and will take the earnings of major oil companies along for the ride, UBS told investors Thursday.

The firm now sees crude oil prices averaging \$115 a barrel this year and reaching an average of \$156 a barrel in 2012. This will benefit major oil companies including Chevron Corp. (CVX), which it upgraded to buy, as well as oil service and drilling companies, several at which UBS started coverage Thursday also with buy ratings.

[Does not a doubling of oil prices need a fitting response?](#)

If the price of beans doubles, most shoppers at the local vegetable market will have no hesitation to switch to the cheaper green vegetable and will tell the vendor so in no uncertain terms. If the price of staples such as potato or onion doubles, they may be as unequivocal; nevertheless they will buy smaller quantities.

Vegetable market economics do not seem to apply that easily to crude oil. Over the past year the price of crude oil in the international market has doubled. This should have evoked either of two responses. One, consumers would have tried their best to reduce consumption or two, producers would have stepped up their production to cash in on rising prices. In this rapid run up in crude prices, neither has occurred in any significant sense. Petroleum products are demonstrating their price inelasticity.

[Oil prices: Wall Street's game](#)

Big fund money is flowing into oil markets sending prices to levels never seen before. Is it profiteering or an essential way to ensure supply?

[Time to convene a summit on oil](#)

The inexorable rise in the oil price, from below \$20 to \$126 in less than a decade, makes governments look powerless. But governments can ease the economic harm of a high oil price – if they act together. In order to do so they should put oil at the heart of the next Group of Eight summit, or even better, organise a wider summit to bring together industrialised countries, big emerging market oil consumers and large oil producers.

[MMS Prepares for 2008 Hurricane Season](#)

In preparation for Hurricane Season 2008, which begins June 1, the U.S. Department of the Interior's Minerals Management Service (MMS) today discussed actions to reduce risk of severe damage to oil and gas infrastructure in the Gulf of Mexico in the event of hurricanes this season. Key goals of the preparations are to enhance the nation's energy security, provide environmental protection, and continue the emphasis on personnel safety.

[The Food Crisis and Latin America](#)

'Control the oil and you'll control the nations; control the food and you'll control the people.' -- Henry Kissinger (1970)

I've known that phrase from Kissinger for a good many years. I confess that until now I had not given it much importance. It is an absolute truth, almost an axiom, that could become a terrible reality.

[Concern over small biomass option](#)

Small-scale biomass power plants can have a greater environmental impact than other renewables, a study says.

UK researchers found that although the facilities offered carbon savings, they produced more pollutants per unit of electricity than larger biomass plants.

They suggested the way the feedstock was transported produced proportionally more pollutants than larger sites.

[Paul Roberts: Tapped Out](#)

In 2000 a Saudi oil geologist named Sadad I. Al Hussein made a startling discovery. Hussein, then head of exploration and production for the state-owned oil company, Saudi Aramco, had long been skeptical of the oil industry's upbeat forecasts for future production. Since the mid-1990s he had been studying data from the 250 or so major oil fields that produce most of the world's oil. He looked at how much crude remained in each one and how rapidly it was being depleted, then added all the new fields that oil companies hoped to bring on line in coming decades. When he tallied the numbers, Hussein says he realized that many oil experts "were either misreading the global reserves and oil-production data or obfuscating it."

[Time Running Out for Energy in Mexico](#)

WASHINGTON -- Mexican Energy Secretary Georgina Kessel's warning to the Mexican Congress last week sounded ominous: If legislators did not approve reforms within the oil sector, the country would suffer a "severe energy crisis" within a decade.

That's probably an understatement.

[Why investors are so worshipful of Old King Coal](#)

Oil attracts the anger and the ink, but coal, mined here in the U.S., has joined the club of rudimentary resources blessed by the energy crisis.

What we are paying up for is the dirtiest fossil fuel in the ground, infamous for wielding a heavy hand in the planet's warming. In Beijing they wear surgical masks to ward off the

soot from coal-fired plants, which then drifts across the Pacific to further foul the air over Los Angeles. That's not all. Black lung disease, mercury and sulfur emissions and the ravaging of Appalachian mountaintops are part of the legacy that keeps our lights on.

[Airline fuel cuts concern pilots](#)

WASHINGTON — Airlines have reduced the amount of spare fuel on airplanes in a money-saving effort that is raising concerns among some pilots and a government watchdog.

[Gas costs push commuters to park and pedal](#)

More commuters are turning to bicycles today for national Bike-to-Work Day as gas prices continue to reach record highs.

"It's going to be the biggest yet," says Bill Nesper of the League of American Bicyclists, which promotes May as national Bike Month. "Our phone is ringing off the hook. We're getting lots of calls from around the country. People are doing this because of gas prices."

[Oil Traders Draw Congress' Ire](#)

When it comes to high energy prices, OPEC is quickly losing its status as Public Enemy No. 1. Alongside Big Oil, where profits are fattening as gas prices rise, a new bogeyman has emerged: the oil speculator. With the stock market in retreat so far this year and the dollar crumbling, these investors have flooded the commodities markets in hopes of cashing in on rising prices [BusinessWeek.com, 1/17/07]. High oil prices are creating a ripple effect of inflation that's angering consumers; gasoline prices topped yet another new record on May 14, an average of \$3.76 per gallon.

["GasHole" Movie Review](#)

The continued rise in prices of gasoline has the great majority of Americans brimming with frustration and anger. The makers of the documentary film "Gas Hole" have provided a movie that demands the attention of anyone who curses quietly under their breathe every time they pull into the gas station after looking to see what the price is now.

[The Oil-Addiction Fallacy](#)

Watch any talking head, and when the subject comes to energy, one can expect to hear the mantra, Americans are “addicted” to oil, and especially “foreign oil.” This is repeated as though the repetition is proof that the premise is true.

Thus, American taxpayers are currently being forced to contribute billions of dollars – and will be dunned many billions more in the future – for a number of measures that supposedly will “secure” the United States’s energy use and supplies in the coming years. What’s more, the debate about whether or not these energy programs are even necessary is considered passé. The major question on energy today, unfortunately, is this: How much will government central planning replace relatively free markets in determining America’s energy future?

[Wildlife populations 'plummeting'](#)

Between a quarter and a third of the world's wildlife has been lost since 1970, according to data compiled by the Zoological Society of London.

Populations of land-based species fell by 25%, marine by 28% and freshwater by 29%, it says.

[The Peak Oil Crisis: Diesel](#)

The evidence is mounting that the U.S. might just encounter the first real crisis of the oil depletion age before the year is out.

The crisis at first will be one of spiraling prices for diesel and heating oil, followed by actual shortages here in the United States. In the last two weeks, the wholesale price of heating oil has moved up by nearly 70 cents a gallon and no end is in sight. Many observers are starting to note that what they call “a tight market for distillates” -- the industry’s term for diesel and heating oil – may be what is driving up the price of crude and consequently gasoline.

[US-Saudi oil axis faces day of truth](#)

When President George Bush went to see Saudi Arabia's King Abdullah in January to plead for higher oil output, he was politely rebuffed.

The rematch today is likely to be a great deal more strained.

If the Saudis deny help once again, they risk incalculable damage to their strategic alliance with Washington. The price of crude has rocketed by over \$30 a barrel since that last fruitless meeting, briefly touching the once unthinkable level of \$127.

[Bush To Prod Saudis Again On Oil Prices](#)

Anthony Cordesman, a security analyst for the Center for Strategic and International Studies, said Abdullah may produce something "simply because it's good manners," but nothing that would have a significant effect.

"U.S. influence over OPEC and Gulf oil production is diminished," he said. "It's not clear what the incentive is to Saudi Arabia. We can't deliver on (Mideast) peace. We can't deliver on arms transfers. We can't deliver on the Iraq that Saudi Arabia wants. We are raising problems in terms of Iran. And the reality is the market isn't being driven by us; it's being driven by China, by India, by rising Asian demand."

[Who Really Controls the Oil Market?](#)

Does OPEC really control the crude markets? Instead of embarking on political rhetoric, Bush needs to comprehend the situation. The combined oil production by all 13 OPEC member countries averaged 31.87 million bpd in April, the OECD Energy watchdog International Energy Agency reported. As compared to the OPEC output, IEA believes the global oil product demand to be 86.8 million barrels of oil equivalent a day for 2008 - some 1.2 percent rise from 2007 levels. Thus OPEC has something like 37 percent of market share at the moment.

And this leads to another deduction. Non-OPEC producers today control 63 percent of the global crude markets. It thus remains unclear how the Saudis have any more power to control the skyrocketing prices than the Americans.

[Why America Doesn't Need Foreign Oil](#)

The U.S. had reached peak oil long ago. The world resources are now reaching, if not already reached, peak oil. There's nothing more substantially new to drill that will fill the gap. Our economic way of life and security are in imminent danger.

The U.S., however, has coal reserves to last hundreds of years. We have advanced technology now that will enable us to process coal with much less pollution. We can get oil from coal. It will still be more expensive but the government can subsidize the cost and the money doesn't have to come from tax payers.

[Australia: Opposition fails to deliver alternative to building fund](#)

The Greens, however, want less spent on roads and freeways, with Senator Christine Milne using the Greens budget reply to argue for increased investment in rail projects.

"No government that takes peak oil or climate change seriously would spend only five

per cent as much on rail as on road funding in the coming year," she says.

[Expert warns climate change will lead to 'barbarisation'](#)

Climate change will lead to a "fortress world" in which the rich lock themselves away in gated communities and the poor must fend for themselves in shattered environments, unless governments act quickly to curb greenhouse gas emissions, according to the vice-president of the Intergovernmental Panel on Climate Change (IPCC).

[Oil price surges to record high above \\$127](#)

LONDON (AFP) - The price of oil rocketed to a record high point of 127.43 dollars per barrel on Friday, as US President George W. Bush prepared to urge Saudi Arabia to pump more crude, analysts said.

New York's main oil futures contract, light sweet crude for June delivery, beat the previous all-time peak of 126.98 set on Tuesday owing to worries about tight supplies despite a downgrade to global oil demand growth for 2008.

[Some see oil bubble; others see trouble](#)

The recent trajectory of oil prices — a fairly steady increase followed by a much more vertical rise — has a familiar look to it. Remember those charts of tech stocks and housing prices? It's hard not to wonder: Are oil prices forming the next big "bubble?"

[U.S. says it will help Saudis protect oil](#)

RIYADH — The United States said on Friday it had agreed to co-operate to protect Saudi Arabia's oil and will help the world's top crude exporter to develop peaceful nuclear energy.

The White House announced the agreements as President George W. Bush flew into Saudi Arabia on Friday to renew his appeal for the kingdom to help lower record oil prices.

[Keep stockpiling oil](#)

Legislation to halt deposits to the Strategic Petroleum Reserve may be the most popular initiative from Congress this year. But it's a bad economic bet, bad for national security and gives the American public the false impression that lawmakers are actually doing

something about skyrocketing gasoline prices. President Bush should veto the bill -- even though Congress passed legislation by huge margins Tuesday and could actually override his veto.

["Hungry" Nigeria oil hijackers slash ransom demand](#)

PORT HARCOURT, Nigeria (Reuters) - Gunmen who hijacked a supply ship working for U.S. energy giant Chevron in Nigeria have drastically reduced their ransom demand to 5 million naira from 30 million naira, security sources said on Friday.

[Nigeria pipeline burns for second day after deadly explosion](#)

LAGOS (AFP) - Nigerian firefighters battled Friday to put out flames pouring from a burst oil pipeline a day after a huge explosion that Red Cross officials said killed 100 people.

An excavator accidentally pierced the pipeline, creating a lake of petrol that ignited into a huge fireball which engulfed a local school, cars and shoppers in the Lagos suburb of Ijegan around midday on Thursday. The inferno raged through the night.

[Oil industry beefing up storm plans](#)

The U.S. offshore oil and gas industry is much better prepared to deal with hurricanes than it was in 2005, when major storms whipped through the Gulf of Mexico, damaging many offshore operations, government and industry officials said Thursday.

Not only has the scientific knowledge improved about hurricane behavior in the Gulf, oil companies now are following new regulations designed to keep offshore facilities in place during even the biggest storms. Government and industry groups also have beefed up hurricane response measures, the officials said.

[Biofuel bacteria wrecks engines](#)

Biofuel is wreaking havoc with car engines. Due to Government rules, all diesel sold in the UK must be blended with the eco-friendly fuel.

But what the authorities didn't bank on was the filth inside filling station tanks. With no rules forcing forecourt owners to clean them, the reservoirs are rife with bacteria. And when they come into contact with the vegetable or wheat-based fuel, the result is oil clots, which clog up engines.

[Duke Energy cutting off service more often this year](#)

The newspaper reported Friday that Duke disconnected 14 percent more North Carolina customers in the first four months of the year, compared with the same period in 2007. That's an average of more than 500 disconnections every working day among the company's 1.8 million customers.

[Clean-air rules for national parks may be eased](#)

The Bush administration is on the verge of implementing new air quality rules that will make it easier to build power plants near national parks and wilderness areas, according to rank-and-file agency scientists and park managers who oppose the plan.

[Peruvian 'Switzerland' melting under climate change](#)

LIMA (AFP) - Peru's Cordillera Blanca, a snow-topped northern mountain range sometimes called the "Peruvian Switzerland," is slowly disappearing because of climate change, a key issue on the table of a Latin America-EU summit being held in Lima this week.

[Obesity contributes to global warming: study](#)

GENEVA (Reuters) - Obesity contributes to global warming, too.

Obese and overweight people require more fuel to transport them and the food they eat, and the problem will worsen as the population literally swells in size, a team at the London School of Hygiene & Tropical Medicine says.

This adds to food shortages and higher energy prices, the school's researchers Phil Edwards and Ian Roberts wrote in the journal *Lancet* on Friday.

['Nitrogen cascade' called threat to ecosystems](#) - *Studies cite compounds in fertilizers, fossil fuels with cascading effects*

WASHINGTON - While carbon dioxide has been getting lots of publicity in climate change, reactive forms of nitrogen are also building up in the environment, scientists warn in two new studies.

"The public does not yet know much about nitrogen, but in many ways it is as big an issue as carbon, and due to the interactions of nitrogen and carbon, makes the challenge of providing food and energy to the world's peoples without harming the global environment a tremendous challenge," University of Virginia environmental sciences professor James Galloway said in a statement.



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