



## DrumBeat: June 1, 2008

Posted by [Leanan](#) on June 1, 2008 - 9:00am

Topic: [Miscellaneous](#)

### [Ending dollar peg won't solve Gulf inflation - Paulson](#)

ABU DHABI, June 1 (Reuters) - U.S. Treasury Secretary Henry Paulson said on Sunday leaders of Gulf oil producing states had told him that abandoning their currency pegs to the dollar will not solve their inflation problems.

Paulson, two-thirds of the way through a four-day trip to Saudi Arabia, Qatar and the United Arab Emirates, said leaders in the region have "quite an awareness that the peg does not influence inflation to a significant degree.

"They recognize that inflation is the overriding issue ... Ending the peg is not the solution to the inflation problem."

### [Indonesia says cannot rule out more fuel price hikes](#)

JAKARTA (Reuters) - The Indonesian government cannot guarantee that there will be no further fuel price hikes before the 2009 presidential election, Energy Minister Purnomo Yusgiantoro said on Sunday.

Indonesia raised fuel prices by almost 30 percent last month, sparking protests in a country where millions are already suffering from rising energy and food costs.

### [Iraq oil exports hit post-war highs - minister](#)

BAGHDAD (Reuters) - Iraq has raised oil output and exports to their highest levels since the 2003 U.S. invasion, its oil minister said on Sunday.

"The export figures for May were more than 2 million barrels per day and we have exceeded our previous export and production figures," Hussein al-Shahristani told Reuters in an interview.

### [China Orders Sinopec, Cnooc to Ensure Oil Supply to Quake Areas](#)

(Bloomberg) -- China has ordered China National Petroleum Corp., China Petroleum & Chemical Corp. and China National Offshore Oil Corp. to ensure oil supply after the nation's most powerful earthquake since 1950, the cabinet said.

### [The speculation on oil prices is beating up supply-demand issues](#)

Oil price boom is getting dangerous. Now the economies and consumers are seriously at risk. It is not only developing countries, but major economies are hit by this monstrous trend.

### [Climate Enters Debate Over Nuclear Power](#)

BRATTLEBORO, Vt. — After part of a cooling tower collapsed last August at Vermont's only nuclear power plant, the company that runs it blamed rotting wooden timbers that it had failed to inspect properly. The uproar that followed rekindled environmental groups' hopes of shutting down the aging plant.

The proposed closing, albeit a long shot, has gained some support this year among Vermont politicians. The discussion is bringing into sharp relief a conflict between two objectives long held by environmental advocates: combating nuclear power and stopping global warming.

### [No more cheap shots for gun users](#)

EDMONTON - The price of ammo is shooting up faster than a speeding bullet.

Metal supplies are diminishing due to industrialization in China. On top of that, ammunition supplies have been depleted by wars in Iraq and Afghanistan and by consumers who hoard what they can for fear of higher prices.

Prices are also skyrocketing because fuel prices have meant a doubling of shipping costs in three years.

### [Tropical Storm Arthur Moves Across Mexico's Yucatan](#)

(Bloomberg) -- Arthur, the first tropical storm of the Atlantic hurricane season, is expected to dump as much as 10 inches (25 centimeters) of rain on Mexico, Belize and Guatemala as it spins slowly west across Mexico's Yucatan Peninsula.

...State-owned Petroleos Mexicanos pumps 1.07 million barrels a day from the Cantarell field in the Bay of Campeche. The company had no immediate comment yesterday on whether operations would be affected, spokesman Carlos Ramirez said in a telephone

interview.

### [A Tough Road for Truckers](#)

Rising fuel costs are the single issue to blame and worse yet, it doesn't look likely to dissipate anytime soon.

"It's creating an incredible impact on customers' transportation budgets," says John Hickerson, Senior Vice President & Chief Marketing Office, FFE Transportation Services and President, American Eagle Lines and FFE Logistics ([www.ffex.net](http://www.ffex.net)). "There's no denying it's real. Our customers stop at the fuel pump on their way home and they experience it."

### [Food and fuel crisis must be solved: MP](#)

Food crops must be kept separate from crops used for biofuels in order to put a stop to global food shortages, a Rudd government minister has warned.

Agriculture Minister Tony Burke says the challenge for countries around the world, as they face an increasing shortages in food, is to balance the harnessing of biofuel with global food demands.

### [NAFTA hurts Mexico, too](#)

Mexico has tripled its imports of grain since 1994 and now depends on them for 40 percent of its food needs. "Today Mexico has to rely on imports for basic foodstuffs, whatever the market price," said Armando Nartra, director of the Institute for Rural Development Studies.

An unexpected consequence of the invasion of Mexico by basic and processed U.S. foods is a dramatic increase in obesity. Almost 33 percent of adults are obese; another 40 percent are overweight. The side effects absorb 21 percent of the public health budget.

### [A free oil market would lower prices](#)

Gasoline appears headed for \$1.50 per litre and oil \$150 a barrel. Airlines are the first of many industries to force rising fuel costs onto consumers. High oil prices are driving up food costs worldwide, causing enormous suffering. Flat petroleum supply and relentless increases in demand ensure all but the wealthiest will soon run out of something. Much misery lies ahead.

## [Asphalt Jungle: The Temple Of Doom - It's the end of the car as we know it. And I feel fine](#)

I don't know whether the future means hybrids, advanced diesels, fuel cells, electrics, a combination of all four, or some other system we haven't even thought of yet-but I don't need to know. All I need to know is this: Cars will continue, and they'll continue to wow us. How can I be so sure? Because mankind has always risen to the challenge. Always. The charts don't lie: The progress wrought by human ingenuity knows no bounds.

## [Gates Warns China Not to Bully Region on Energy](#)

SINGAPORE — Defense Secretary Robert M. Gates issued a set of thinly veiled warnings to China on Saturday, cautioning that it could risk its share of further gains in Asia's economic prosperity if it bullied its neighbors over natural resources in contested areas like the South China Sea.

## [Helping Big Blue go greener](#)

After 25 years of leading development teams in cooling mainframes, servers and processors, Schmidt says the rapid expansion of information technology has created an unprecedented energy crisis for major corporations. He says IBM is "keen on green data centers," and his mission is to help solve that crisis.

"Big Fortune 500 companies are out of power," he said. "If I told you the names of these companies, you would recognize them."

## [Saudi to double refining despite rising costs](#)

Saudi Arabia is pushing ahead with plans to nearly double its refining capacity despite a sharp increase in investment requirements for such projects due to a surge in construction costs and a shortage in manpower.

After a long delay, the Gulf Kingdom, the world's dominant oil exporter, approved two mega refining ventures with foreign partners this month despite an increase by at least 60 per cent in their costs, according to analysts.

## [Kazakh Energy Suppliers Warn of Upcoming Power Deficit](#)

Kazakhstan faces an energy crisis. Energy consumption is increasing in the country every year, while the existing power stations are able to satisfy the demand for energy only up to 2009, the country's energy suppliers said at a special meeting in Almaty today.

According to experts' forecasts, if the measures are not taken immediately, Kazakhstan's north and south will be the first to suffer energy shortages, while the west will become more dependent on foreign supplies. Besides, almost all power stations are worn out and the equipment's exploitation period exceeds all acceptable norms.

### [Energy Crisis in Europe Becomes Worse](#)

The energy crisis in Europe is becoming increasingly worse. More and more people are protesting the high fuel prices; businesses that depend a lot of fuel have had enough. All throughout Europe, fishermen and truck drivers are protesting.

Although it's reasonably calm in the Netherlands for now, the same cannot be said for the rest of Europe, especially not for Germany (as reported yesterday) and Spain.

### ['Oilman' not a dirty word](#)

Many good and qualified geologists came before and have come after him, but Carter's assessment of Robert D. "Bob" Gunn in 1979 continues to plague an entire industry. The denial to allow one of the country's brightest geological minds to serve as a voice of reason on behalf of the nation was because, as Carter put it: Mr. Gunn represented "dirty oil."

### [Michigan may raise residents' electric bills to help businesses](#)

LANSING, Mich. - State lawmakers plan to raise residential electric bills by as much as 15 percent so businesses and schools can pay less.

Prices historically have been "skewed" by state regulators so residents pay less than the actual cost of electricity, while businesses pay more.

### [Probing Oil Prices](#)

The investigation by the Commodity Futures and Trading Commission of possible manipulation of the oil market is welcomed news. But it would be a mistake to blame improper trading behavior alone for the record high oil prices.

### [New Hampshire: New state DOT commissioner faces fiscal, infrastructure challenges](#)

"It's a challenging time because of the energy crisis, and there's a lack of a strong national transportation policy," Campbell said. "First and foremost, we need a strong

approach that includes other modes (of transit.)"

Campbell said freight rail and air transportation are areas in need of more focus, citing rail as a tool for strengthening the economy of the northern portion of New Hampshire, and the recent Skybus closure at Pease.

### [Tennessee devours energy.](#)

TVA, once one of the most conservation-oriented utilities in the country, abandoned its innovative ways in the 1980s and is only now returning to a major focus on energy efficiency.

As a result of the decades-long lag, Tennesseans use more residential electricity per person than any other state except Alabama. In contrast, utilities in several other parts of the country have embraced efforts to reduce electricity use by customers, leapfrogging TVA and offering a wide array of programs designed to save energy.

### [Diesel deposes road kings](#)

Everybody's taking record oil prices hard, but few are hit harder than the nation's 3.4 million truckers. Unlike most people, truckers can't cut back on their driving to make a living – driving is their living. And the high cost of diesel fuel – which recently broke the \$5-per-gallon mark on the West Coast – is driving small trucking companies and independent drivers to the brink of ruin.

### [Sue, don't drill: It's the American way](#)

If we lived in a country where "capitalism" flourished, the solution to the energy crisis our country is currently facing would look something like this: Investor owned companies would drill more wells to produce more crude to meet demand, federally controlled lands and waters would be open for exploration of its natural resources, consumers would conserve, and researchers and IOCs would diligently work to develop alternative fuels for the future.

### [U.S. must tap its own oil resources or face even greater energy crisis](#)

My analysis indicated that the company would deplete its reserve production capacity by the early 1970s. Interestingly, the late Dr. M. King Hubbert, perhaps the most knowledgeable production forecaster of his age, developed a model in 1956 that predicted that all U.S. domestic production would peak in the early 1970s. In other words, the nation would begin to become dependent on imported oil in the 1970s. Only oil people and government bureaucrats knew of this disturbing fact at that time.

### [Bangladesh: Use 2.5b tonne coal for energy security](#)

A UNDP-Bangladesh report recommends increasing the use of coal resources to avert a deep energy crisis that would affect economic growth in near future.

"The estimated resources of 2.5 billion tonnes of coal in Bangladesh are equivalent to 65 trillion cubic feet of gas which could assure energy security in the medium and long-term," says the report titled "Sustainable Energy Development in Bangladesh -- Coal as an alternative energy resource."

### [How to harvest solar power? Beam it down from space!](#)

By 2030, India's Planning Commission estimates that the country will have to generate at least 700,000 megawatts of additional power to meet the demands of its expanding economy and growing population.

Much of that electricity will come from coal-fired power plants, like the \$4 billion so-called ultra mega complex scheduled to be built south of Tunda Wand, a tiny village near the Gulf of Kutch, an inlet of the Arabian Sea on India's west coast. Dozens of other such projects are already or soon will be under way.

Yet Mehta has another solution for India's chronic electricity shortage, one that does not involve power plants on the ground but instead massive sun-gathering satellites in geosynchronous orbits 22,000 miles in the sky.

### [A rural pain: Gas prices impact West Virginians' long commutes](#)

The state ranks 13th in the percentage of workers who work outside their county of residence, according to the 2006 American Community Survey by the U.S. Census Bureau. With an average travel time of 25.6 minutes, the state ranks 11th in work commute time.

And as a largely rural state, mass transit isn't available to most people. Only 1 percent of workers used public transportation to get to work in 2006, compared to a national average of 4.8 percent.

### [Cutting back on miles traveled isn't enough](#)

The bad news is that the Highway Trust Fund, which was created in 1956 to finance the national road system, is losing a lot of money because it depends on the federal gasoline tax. Fewer miles driven mean fewer dollars going to the fund.

## [Energy policy doesn't attack root of problem](#)

Virtually every individual, family, business and institution in the United States is grappling with the destructive consequences of our national failure to devise a responsible energy policy.

The price of oil has risen 85 percent in the past two years. Because of our extreme dependence on fossil fuel, that price increase is causing a shock to our economic system that is apparent in higher gas and food prices, rising costs for manufactured goods, damaged corporate profits and painfully stretched household budgets.

## [With gas at \\$4, a few strive for 55](#)

Jon Zehnder, 54, knows he's a curiosity because, as his bumper sticker says, "I drive 55."

"I like to drive fast, but I'm old enough to remember the energy crisis in the 1970s," said the Lindsborg, Kan., social worker. "And," he added with a laugh, "I'm saving a butt load on gas."

But even in a time of \$4-a-gallon gas, the slow lane is lonely these days.

## [What happens when oil runs out?](#)

GRAND RAPIDS -- The collapse of cities, a return to rail transportation, famine and a worldwide depression are but a few outcomes predicted by energy industry insiders and believers in the peak oil theory who gathered this weekend at Calvin College.

"We will have a different civilization, to be sure," said David Goodstein, a vice provost and professor of physics at the California Institute of Technology (Caltech).

## [Algeria riots pose risk of wider unrest](#)

ALGIERS, June 1 (Reuters) - Sporadic riots in OPEC member Algeria this year risk triggering wider protests against a political elite slow to turn unprecedented oil wealth into jobs and homes.

Street clashes are a prickly issue in Algeria, a major gas exporter to Europe with a record of rebellion and where youth riots in 1988 forced the authorities to abandon one-party rule.



### [Fuel subsidies hurting Indonesia: Pertamina executive](#)

SINGAPORE (AFP) -- Fuel subsidies in Indonesia are hurting the economy, sucking away precious funds which could have been better used in other areas such as health and economic development, an Indonesian oil executive said Sunday.

The country cannot go on indefinitely subsidising fuel and bold decisions are needed from the government to address the situation, said Widhyawan Prawiraatmadja, a senior vice president with state-owned Pertamina.

### [So long to cheap oil](#)

Several ominous transportation issues recently converged that foreshadow a major problem. It began with truckers grinding large sections of our national highways to a halt in protest of rising fuel prices. These same fuel increases forced several airlines to close or cut operations. Meanwhile, car manufacturers were reporting some of their worst numbers in a generation-again, with much of the blame focused on rising gas costs.

### [Saudi Jizan oil refinery hits new delay - report](#)

RIYADH, June 1 (Reuters) - Saudi Arabia has for a third time delayed a tender for bids for a 200,000 barrels-per-day oil refinery in the southern province of Jizan, al-Watan newspaper reported on Sunday.

...Spiralling costs have cast doubt over the viability of new oil refineries worldwide and industry observers have been sceptical over the Jizan plan as it is a long distance from crude production facilities.

### [U.S. lawmakers scramble to close energy 'loopholes'](#)

With gasoline prices in the United States perhaps bubbling up toward a once-unthinkable \$5 a gallon, lawmakers in Washington are running frantically to do something - anything - to halt the parabolic rise in the price of oil.

### [Russia raises oil export duty to record \\$398.1 per ton from June](#)

MOSCOW (RIA Novosti) - Russia's oil export duty will rise to a record \$398.1 per metric ton from June 1, 2008, in line with global market trends.

"The average [crude] price was \$102.8 per barrel for the March-April monitoring period, which puts the maximum duty rate at \$398.1 per metric ton. Therefore we will reach a record export duty on Russian oil that will be fixed at \$398.1 per metric ton

from June 1," Alexander Sakovich, deputy head of the customs payment department at Russia's Finance Ministry earlier said.

### [US envoy talks of 'apocalypse' in Sudan town](#)

Burned and looted huts stretch as far as the eye can see in Sudan's oil-rich town of Abyei, now empty of civilians, the United States special envoy to Sudan, Richard Williamson, said on Saturday.

Williamson, who toured Abyei on Friday, said he saw "scorched earth" devastation in the town where heavy fighting last month between northern and southern Sudanese troops sent tens of thousands of civilians fleeing.

### [Vladimir Putin weighs into TNK-BP Russia row](#)

Vladimir Putin has waded into the shareholder row at BP's Russian joint venture, TNK-BP, saying that he warned the British company years ago about the risks of setting up the partnership with a group of Russian billionaires.

"Several years ago they [BP] created a joint venture splitting the firm 50-50. When they did it, and I was present at the signing ceremony, I told them: 'Don't do it. Agree to one of you having a controlling stake'", the Russian Prime Minister told French newspaper Le Monde on Saturday.

### [Russia to increase oil output after tax cuts](#)

PARIS - Russia, the world's second-largest oil exporter, will raise its oil output in the next few years as new tax cuts will allow oil firms to invest more in exploration and production, Prime Minister Vladimir Putin said.

Russia imposed heavy taxes on the oil industry, stashing away the proceeds in two oil wealth funds. Oil companies have complained about the excessive tax burden, which they say has led to underinvestment and stagnation.

### [Ex-official: Enron probably a focus of oil inquiry](#)

(CNN) -- Federal regulators investigating possible price manipulation of crude oil are probably looking at what role collapsed energy giant Enron may have played, a former government official said Friday.

### [Forecasting inflation is now harder: Bank of Canada](#)

OTTAWA (Reuters) - Rising gas prices are making it increasingly hard for the Bank of Canada to forecast inflation, central bank Governor Mark Carney said in an interview published on Saturday.

### [Power struggle: demand for oil is rising far quicker than production](#)

Rising prices at the petrol pumps are a direct result of a lack of oil supply. When there's not enough to go around, the sellers can name their price. The result is that oil prices have almost doubled, rising from less than \$70 a barrel this time last year to around \$130 a barrel today.

### [Separating the myths from the facts about North Sea oil](#)

Gordon Brown's announcement in Banchory last week that he plans to increase North Sea oil production by up to 70,000 barrels a day was confirmation, if any were needed, that the country is in the grip of a fuel crisis.

### [French threat to North Sea oil reserves](#)

A consortium of foreign oil companies led by French giant Total is threatening to block government plans to fully develop the North Sea's last frontier, which contains over a fifth of Britain's flagging oil and gas reserves.

### [David Strahan: Sorry Gordon, but geology has us over a barrel](#)

Even by the low standards of his Government, Gordon Brown's recent pronouncements on oil have been surprising. Writing in a national newspaper on Wednesday, he argued that the price of a barrel had soared to \$135 because of barriers to production that are "technical, financial and political".

There are problems here, sure enough, but the word he left out was "geological", and the omission is crucial. It means he really doesn't understand the profundity of the current crisis, and explains why panicky initiatives are bound to fail.

### [America's suburbs: An age of transformation](#)

Valencia was designed by Victor Gruen, an architect who did as much to shape American suburbia in the 1960s as William Levitt had done in the 1950s. Gruen was an idealist: his most enduring invention, the two-storey enclosed shopping mall, was supposed to evoke a European city centre. For Valencia he devised a dense urban core and a series of

neighbourhoods connected to each other and downtown via walkways known as *paseos*. The settlement was supposed to be orderly and self-contained, unlike the chaotic San Fernando valley just to the south. As one of the town's early planners explained, it would be "an island of reason in the path of metropolitan sprawl".

It didn't quite work out that way. Valencia contains no building taller than six storeys and few taller than three storeys. These days the *paseos* are used mostly for walking dogs, and by children. Everybody else drives. Nor did Valencia prove to be economically self-contained. Each morning about half of its residents leave for jobs in Los Angeles. Roughly the same number make the reverse trip over the Santa Monica mountains to toil in Valencia's offices, sound stages and warehouses.

### [Australia: Govt 'backing down on renewable energy'](#)

The Rudd government has been accused of neglecting to set aside money for renewable energy.

Treasurer Wayne Swan has been criticised for a budget decision to means test the \$8,000 rebate for installing solar energy panels.

But that's just one of several blows to the renewable energy sector, University of New South Wales (UNSW) senior lecturer Mark Diesendorf says.

### [Oil drilling plan outrages green groups](#)

An Australian joint venture is planning to drill off the NSW coast in search of oil and gas in a move that has outraged green groups.

The venture says the skyrocketing world oil price has made it feasible to establish a drilling rig 22km offshore between the Central Coast and Newcastle, The Sunday Telegraph newspaper reports.

### [Michael T. Klare: How Scarce Energy Resources Can Quickly Lead to Deadly Wars](#)

Shows of force by nations competing to control dwindling energy supplies could trigger conflict in hot spots across the globe.

### [US Regulators Crude Probe Sparks Jitters Across Atlantic](#)

"No doubt speculation is boosting the oil price, and perhaps oil markets are also being manipulated," said David Strahan, a trustee for the Oil Depletion Analysis Centre, a U.K.-based charity. "But the reason the oil price continues to soar, and why investors

apparently see crude as a one-way bet, is a growing physical shortage of supply."

"Even if the CFTC investigation does uncover market manipulation it is unlikely to moderate the oil price, since the fundamental cause is geological constraint and the approaching global oil production peak," Strahan said.

### [The decline of oil's empire](#)

If the soaring crude price has shown anything, it is that a paradigm shift is under way in the global oil industry: the Western world can no longer take for granted the abundant supply of affordable energy that has sustained its economy and living standards in the past.

### [Oil shock brings cheer at last to EU's carbon market](#)

PARIS (AFP) - After slumping to prices that had made it a near-laughing stock, the European Union's carbon market, the Emissions Trading System (ETS), has been given a useful boost by, of all things, oil.

### [Economic cost drives Senate climate debate](#)

WASHINGTON - The possible economic cost of confronting global warming — from higher electricity bills to more expensive gasoline — is driving the debate as climate change takes center stage in Congress.

The Senate will begin considering legislation Monday that would mandate a reduction in carbon dioxide and other greenhouse gases from power plants, refineries, factories and transportation, cutting heat-trapping pollution by two-thirds by mid-century.

### [Pethokoukis \(USNews\): Do We Need an Energy "Manhattan Project"?](#)

Can Big Government really solve the energy crisis? It would be nice to believe that. While America has a much-deserved reputation as the land of free-market-loving entrepreneurs, that doesn't mean Uncle Sam can't occasionally take the lead and achieve some pretty impressive results. Two that quickly come to mind are the Manhattan Project (\$20 billion in today's dollars), which developed the atomic bomb, and the Apollo space program (\$100 billion in today's dollars), which eventually put 12 men on the surface of the moon. And it's those two examples of successful collective action that many people think should serve as the models for how we deal with our current power problems, whether it's slowing climate change or achieving energy security.



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