



## DrumBeat: June 4, 2008

Posted by [Leanan](#) on June 4, 2008 - 9:10am

Topic: [Miscellaneous](#)

### [Bernanke: Country won't spill into 1970s-like oil shocks](#)

WASHINGTON — Federal Reserve Chairman Ben Bernanke said Wednesday he does not believe the United States will experience the out-of-control prices seen with 1970s oil shocks.

...Back then, the economy suffered from a dangerous combination of stubborn inflation and stagnant growth. There are fears today that the U.S. may be heading in that direction again.

"We see little indication today of the beginnings of a 1970s-style wage-price spiral, in which wages and prices chased each other ever upward," Bernanke said at Harvard.

### [Magellan Shuts Kansas City Pipeline System After Fire](#)

(Bloomberg) -- Magellan Midstream Partners L.P., a U.S. oil products distributor, shut its main pipeline system in Kansas City after a fire erupted in a gasoline storage tank, cutting supplies to consumers in Iowa and Nebraska.

### [Saudi Arabia Raises Price for Lightest Oil to Record for U.S.](#)

(Bloomberg) -- Saudi Aramco, the world's largest state oil company, will increase prices for its lightest crude oil exports for the U.S. to a record in July.

Aramco increased the price formula for Arab Extra Light exports to the U.S. in July to a premium of \$2.40 a barrel above the West Texas Intermediate benchmark, compared with a discount of \$1.45 in June, the Dhahran, Saudi Arabia-based company said in a faxed statement. That is the biggest ever premium.

### [Oil falls after government says gas demand is down](#)

NEW YORK - Oil prices extended their drop from record highs Wednesday, falling to

the \$122 level after the Energy Department said gasoline demand fell sharply last week.

Retail gas prices, meanwhile, rose to a new record above \$3.98 a gallon and are likely to hit \$4 in coming days, although oil prices have retreated nearly \$13 from last month's record levels.

### [OPEC's Crude Oil Production Rose 0.9% in May, Survey Shows](#)

(Bloomberg) -- The Organization of Petroleum Exporting Countries increased oil production 0.9 percent in May as Iraqi output climbed to a pre-war high, a Bloomberg News survey showed.

### [Total Says Tougher Oil-Sands Laws May Hinder Global Supply](#)

(Bloomberg) -- Tougher environmental rules governing production from Canada's oil-sands region will contribute to a global crude supply crunch, Total SA Chief Executive Officer Christophe de Margerie said.

“Alberta was considered the most cowboyish” among oil producers in the past, de Margerie told French deputies at a finance hearing in the National Assembly in Paris today. That was before legislation to tighten environmental regulations concerning the tar-like sands was proposed, he said.

### [Seven Questions: The New World Energy Order](#)

**Fatih Birol:** We publish a book every year, *World Energy Outlook (WEO)*, that lays out strategies related to energy and climate change. For this year’s WEO, we wanted to look at oil-supply prospects, as there are a lot of question marks. So, we are looking at 400 top oil fields, on a field-by-field basis, asking how much oil we can realistically expect to come to market. We not only look at the geological part of the issue, but also the economics. We are going to publish our study on the 12th of November, so I don’t know the results yet. What I can tell you is that what we are experiencing in the last few years—high prices, lack of investment in many areas, and the significant decline rates, especially in the North Sea, Gulf of Mexico, and elsewhere—will be considered.

We are entering a new world energy order. Today, demand for oil is dominated by China, India, and even by the Middle East countries themselves. The main actors of the recent past — namely the OECD countries, rich countries, the United States, Europe, Japan — their time is passé. It’s over.

### [Texas wind farms choked off from grid due to insufficient power lines](#)

Thousands of wind turbines in the US are sitting idle or failing to meet their full generating capacity because of a shortage of power lines able to transmit their electricity to the rest of the grid.

### [Guzzling up their way of life](#)

Fuel costs may be frustrating city-dwellers, but in rural Canada it's a much grimmer picture. Gas prices are virtually doubling community budgets and driving farmers to question their profession.

### [Australia: Power-hungry gadgets add hundreds to electricity bills](#)

While energy-rating labels have been mandatory for whitegoods since the late 1980s, computing goods remain immune. Some, such as a Sony PlayStation 3, cost five times as much to run as an average-sized refrigerator. That translates to about \$250 a year, said Christopher Zinn, spokesman for the consumer group Choice, which has conducted tests on 16 popular computer gadgets.

While a PlayStation was unlikely to be left on and idle permanently, Mr Zinn conceded, even a standard personal computer, an item invariably left on while not in use (on active standby) could be almost three times more expensive to run than the average refrigerator.

### [Fuel costs a major concern for schools](#)

While Arkansas lawmakers are deadlocked over whether to provide relief to school districts suffering from increased fuel costs, the state's public schools, including the Forrest City School District, are facing the reality.

### [Norwegian Oil Workers Agree on Wage Deal](#)

Norwegian oil worker unions have reached agreement with employer representatives on a new wage deal for offshore work, averting a strike, the Norwegian Oil Industry Association (OLF) said on Wednesday.

### [Peruvian Natural Gas Output Rose to a Record in May](#)

(Bloomberg) -- Peru's natural-gas production rose to a record in May as power plants operated by Endesa SA and Suez SA increased gas purchases.

Gas output jumped to 338.8 million cubic feet a day, an increase of 21 percent from the previous month, on production gains at the Camisea and Aguaytia fields, state oil-

licensing agency Perupetro said today in an e-mailed statement.

### [Mexico Pemex urges law to help deep-sea drilling](#)

MEXICO CITY (Reuters) - Mexico's state oil company urged lawmakers on Tuesday to approve an energy reform to spur on deepwater production after a key opposition party threatened to water down the government proposal.

Carlos Morales, head of exploration and production at oil monopoly Pemex, said that going after crude oil in the deepest parts of the Gulf of Mexico was crucial to maintaining output levels as Mexico's largest oil fields decline.

### [Brazil Oil Regulator Seeks Revision in Production Tax Rules](#)

Brazil's government should revise surcharges on oil production by private sector companies to increase state revenues, the director of the country's National Petroleum Agency regulatory body, Haroldo Lima, said Tuesday.

Speaking before the Brazilian Senate Economic Affairs committee, Lima said the increase of oil prices together with the recent discovery of large offshore oil reserves has made revision of taxes on oil production, known as "special participation," an urgent matter.

### [Pakistan: Shopkeepers defy government order](#)

Almost all shopkeepers have been keeping their outlets open till late hours in defiance of the energy conservation plan announced by the federal government.

According to the plan, it is mandatory for all shopkeepers to close down their outlets at 9 p.m. from June 1 to August 31 to help overcome the problem of electricity loadshedding.

Most outlets in shopping plazas of the city remain open after 9 p.m. contrary to directives issued by the government with a large number of shoppers turning up till late night.

### [Pakistan: JI women rally against price hike](#)

LAHORE: Jamat-e-Islami (JI) Pakistan Lahore Chapter Women Wing Tuesday took out a rally in protest against the rising prices, unemployment, lawlessness and power outages and demanded the government ensure relief to the poor.

## [Pakistan: Citizens protest against loadshedding](#)

KARACHI - The residents of Khadda Marke, Khyaban-e-Shamsher and DHA staged protest demonstration against the suspension of electricity. They blocked the local roads by burning tyres and old furniture for hours. The protesters were chanting slogans against the KESC management and demanded immediate restoration of electricity.

## [The End of Cheap Oil](#)

According to Duennebier, the United States is the most fossil-fuel-dependent (oil) nation on Earth, and Hawai'i is the most oil-dependent state in the nation. He called Hawai'i the "canary in the coal mine" when it comes to energy dependence. The phrase refers to the practice of miners who often brought a live canary in a cage into a mine. If the bird died due to gases or bad air, it was time to get out.

Eighty-five percent of Hawai'i's food and staples travel to the state on ships that burn oil. Burning oil produces 78 percent of Hawai'i's electricity.

## [Oil crisis, meet water crisis](#)

Almost three decades ago, President Jimmy Carter said the following words in a nationally televised address: "The energy crisis is real. It is worldwide. It is a clear and present danger to our nation. These are facts, and we simply must face them."

America saw the facts and looked away. Now, 30 years on, we're entering another energy crisis, this one not caused by OPEC but by the rigid law of supply and demand. And the nation is in a worse position to meet the challenge.

## [Lester Brown: Falling Water Tables, Falling Harvests](#)

Scores of countries are overpumping aquifers as they struggle to satisfy their growing water needs. The drilling of millions of irrigation wells has pushed water withdrawals beyond recharge rates, in effect leading to groundwater mining. The failure of governments to limit pumping to the sustainable yield of aquifers means that water tables are now falling in countries that contain more than half the world's people, including the big three grain producers—China, India, and the United States.

## [Start-up takes over abandoned ethanol project](#)

LA BELLE — An alternative-energy start-up setting up shop in Vero Beach will take over an ethanol project that agricultural giant Alico Inc. dropped this week.

Late Monday, Alico, headquartered in La Belle, announced that it no longer will explore the development of an ethanol plant, saying that the risk associated with the project outweighs any "reasonably anticipated benefits for Alico."

### [Futurist Jeremy Rifkin and the Future of Work](#)

Futurist Jerry Rifkin, president of the Foundation or Economic Trends in Washington, D.C., painted a bleak picture of the future of the world unless almost immediate steps are taken to reduce global warming and the carbon footprint the human species has left on the earth. While other ages have been known as the Stone Age and the Bronze Age, Rifkin said our age will be the Fossil Fuel Age. We will be known as the Fossil Fuel People, he says.

According to Rifkin, climate change, increasing inflation and debt, increasing political instability in oil-producing countries and the growing divide between the very rich and the very poor is contributing to a species – ours – that is on the brink of extinction unless the mindset of every citizen of the world begins to change.

### [Total Says Jubail Refinery Will Cost Close to \\$12 Bl](#)

“There is no official figure for the simple reason that it doesn't yet exist,” Chief Executive Officer Christophe de Margerie told journalists after a speaking to a commission at the French National Assembly today in Paris.

Earlier he had told the French deputies the investment would be “close to \$12 billion,” higher than an estimate of “more than \$10 billion” given last month.

“Costs are spiralling upward,” he said, reiterating that he doesn't want to “send a message to contractors” by giving an estimate that may send prices even higher.

### [Australia: When the fuel runs out](#)

The Opposition's demand that Mr Rudd somehow guarantee cheap petrol is as foolish as the government's lack of initiatives in the face of the crisis at our doorstep.

With world oil production stagnating and skyrocketing demand from China and India, the problem every government has been warned about and has been aware of for the past two decades is upon us.

### [The Science of Denial](#)

The Bush administration has worked overtime to manipulate or conceal scientific evidence — and muzzled at least one prominent scientist — to justify its failure to address climate change.

Its motives were transparent: the less people understood about the causes and consequences of global warming, the less they were likely to demand action from their leaders. And its strategy has been far too successful. Seven years later, Congress is only beginning to confront the challenge of global warming.

### [Global Net Oil Exports in Decline](#)

Much has been written recently about the “Export Land Model” [ELM] of Jeffrey Brown, most of it by Mr. Brown himself. The model hypothesizes a country that has declining oil production and increasing oil consumption.

...At first blush the information is alarming, showing a decline of about 1 mb/d in net oil exports in both 2006 and 2007. On closer analysis, however, the chart is less chilling. Here’s why...

### [New Zealand: Future still seen for private cars](#)

The onset of peak oil - the point at which half the earth's oil supply has been extracted - may not mean the need for roading infrastructure is any less important, Dunedin City Council transportation planning manager Don Hill says. Asked why the council was embarking on major roading upgrades when oil production was set to decline, and countries such as India and China were using more oil as they grew exponentially, he said government policy accepted people were unlikely to give up the freedom of their vehicles.

But he said there was "frightening" future of declining oil reserves, and he expected New Zealand's vehicle fleet would make the transition to electric vehicles before long.

### [Crude Oil Crisis Coming to an End?](#)

It's no coincidence that a meaningful top in the crude oil price occurred very close to the last presidential election in 2004. This time should be no different as the oil price must come down in order for the massive bail-out and economic relief efforts to take full effect. It is doubtful in the highest that the market controllers would allow a persistent rise in the crude oil price to wreck the economy. Don't be deceived – the oil price is governed by artificial manipulation of supply and demand, not “Peak Oil” as some would have us believe.

Concerning the Peak Oil myth, here's what noted economist Ed Yardeni recently had to say on the topic: “The peak oil hysteria may have triggered a short-covering rally by

commercial accounts, i.e., hedgers, who couldn't take any more margin calls or couldn't stand the pain of being locked into prices of \$100 or less. While all this has been happening, the oil market ignored rapidly mounting evidence that prices between \$100-\$150 rather than \$150-\$200 may be starting to dampen demand and boost supply."

### [Energy delusions coming home to roost](#)

"We can ignore reality," author Ayn Rand once said, "but we cannot ignore the consequences of ignoring reality."

That's as good a description of the problem of high fuel prices as you will find. For years, we have ignored the reality of shrinking supplies and burgeoning demand, and now we are stuck with the consequences.

### [The Oil Pimps](#)

As America feels the growing pain at the pump they need to realize that it is not going to get better—ever...unless we follow the world's lead, nationalize the oil industry, freeze oil prices, and send the oil pimps packing.

### [Oil price bubble will burst with a bang like dot-com did](#)

The steep run-up in crude prices this year has been compared with the dot-com period of the previous decade with an equally severe fall in the per-barrel cost of oil forecast.

"It is difficult to project when market perceptions will turn from the current bullish sentiment. It will almost certainly take a persistent stock build. It might also take a rise in the dollar against the euro and the psychological impact that could have over time," investment bank Lehman Brothers said in an oil market report released yesterday.

### [What \\$4 gas means: Aside from pain, it makes drilling more likely](#)

It is a dubious benchmark to be sure, but central Pennsylvania's introduction to \$4 gasoline at the pump last weekend should serve as a necessary wake-up call that the era of cheap oil is history and that we all need to adjust to the new energy reality.

### [Peak Oil, Peak Food and Peak Everything Else](#)

The world keeps turning and the resources get used up. It's really quite simple.



Despite that fact, the debates rage over Peak Oil, Peak Food and peak everything else. It's about as sensible as rearranging deck chairs on the Titanic. So the "experts" continue to debate whether or not resources are running low. But the evidence is pretty clear, at least to this trader.

### [Is an Energy Armageddon Coming by 2015?](#)

Recently, the world's top energy market watchdog, the International Energy Agency (IEA) forecast a major crude oil supply crunch. In other words, they're predicting a *potential energy Armageddon* within the next 7 years! According to the *Wall Street Journal*, the revised forecast from the IEA "reflects deepening pessimism over whether oil companies can keep abreast of booming demand." Can anybody say, "Peak Oil?"

### [Can We Dig It? Should We Dig It?](#)

The fight is on. No, not the primary election. I mean, yeah, that's on too, finally. But I'm referring to a different battle, the battle for the world's energy future. And it's going to get dirty.

### [Randy Udall: Love takes to the less-traveled road](#)

Cheap oil is not endangered; it is extinct. From now on, we're bidding against the Chinese, and by 2010, the strike price may be \$180 a barrel, which means gasoline will be \$5 the gallon. Diesel might well be \$6. That's a different world for long-distance commuters, airlines, tractor-reliant ranchers and farmers, semi-truck drivers, grocery shoppers, house-boat operators on Lake Powell, owners of gargantuan RVs. Traffic jams in Glacier National Park might ease, and Las Vegas' growth may slow. U.S. 50, the "loneliest road in America," may get lonelier.

### [Oil, the 21st Century dot.com boom](#)

The current market conditions are a product of complex interactions and while most analysts believe oil prices will remain high over the short-term, there are hints this may not be its permanent price floor. "The long-term case for higher oil prices is still intact," says Bob Doll, global chief investment officer for equities of BlackRock. "Rising demand in China and other developing markets, coupled with shrinking global supply, means that the era of cheap oil is, unfortunately, over. We do, however, continue to believe that oil is due for a near-term correction or consolidation."

### [Reports: United to Ground 737s, 747s to Save Fuel](#)

United Airlines plans to ground dozens of its least fuel-efficient aircraft in an effort to

conserve cash and cope with spiraling fuel prices, according to published reports.

...The Wall Street Journal, citing unnamed people familiar with the situation, reported that the plan will lead to a large but undetermined number of furloughs of union workers and a major reduction of routes.

### [Stay home, read, have sex](#)

It should be a truly fascinating — albeit possibly enormously grim — thing to watch, one of the more dramatic and revolutionary market-driven shifts in modern history, upheaving everything we've become so accustomed to and changing behaviors and attitudes and alliances and political agendas and ass-girths and no I'm not talking about the "Lost" finale or the new 3G iPhone or how Brangelina's twins are a sure sign of the Second Coming.

It's the massive, painful spike in gas and oil prices, that most wonderful/frightening harbinger of doom/change/turmoil known to modern society that is fast turning into a calamitous global hurricane, ready to wreak havoc on just about every aspect of modern life, and that includes food and transport and sex and drugs and rock 'n' roll and just about everything else that makes America, America.

### [Going Primitive Isn't 'Progress'](#)

It's disturbing that some have embraced the hysterical conclusions of climate change proponents and those opposed to using fossil fuels by radically altering their lifestyles. Leaving the amenities of our culture for the deprivation our ancestors struggled to move beyond is not progress. Would our lives be better without the advances of the Industrial Revolution and the ensuing technological developments? I don't think so, but many of these people seem to disagree.

### [A New Day Dawning](#)

The good news is that we could conceivably avoid disaster. The far worse news is that we almost certainly will not. There are just too many wealthy and powerful corporate interests invested in denial and in business as usual, and these interests control our government and our media.

### [The biofuel solution](#)

Global food shortages have made biofuels unpopular, but it remains an open question whether they do more harm than good.

### [Fliers in for pain as airlines pack it in](#)

The USA's air-travel map is shrinking fast, dropping scores of routes and flights that airlines simply can't afford anymore in a world of \$130-a-barrel oil.

A USA TODAY analysis of fall airline schedules shows the nation's most popular vacation destinations will be among the biggest air-service losers. Many flights to Honolulu, Orlando, Las Vegas and other favorite vacation venues have vanished or will soon because cheap tickets bought by tourists don't cover the cost of getting there.

### [Already Stunned by Gas Prices, Shockingly High Electricity Prices May Await Americans This Summer](#)

Americans may pay a lot more for electricity this summer, federal energy officials and the spot power market indicate. Worst hit could be the Northeast, especially the area from Boston to New York City, where forward prices from the InterContinental Exchange for July-August 2008 have been running up to 75% and higher over year-ago levels.

### [Farmers switch from diesel-powered irrigation](#)

NEW YORK (Reuters) - Under pressure from diesel prices that have doubled in the last year, farmers in the arid regions of the United States are increasingly abandoning the fuel in favor of electricity to run their irrigation systems.

"Farmers are just switching off (their diesel engines) as fast as they can," said Wade Hill, owner of the diesel distributor Happy Jack's Petroleum in Brule, Nebraska.

Farmers in the dry areas of Kansas and Nebraska, as well as the Texas panhandle, depend on pumps powered by either diesel, natural gas, or electricity, to draw water out of wells to water their crops.

### [Drivers choose cars over trucks as auto sales plunge](#)

Cars outsold the top-selling Ford F-series truck in May for the first time since 1992, a sign of the rapid shift in customers' preferences from trucks and SUVs to small cars that is forcing painful production cuts and plant closures at General Motors and Ford Motor.

For a generation, pickups and SUVs have symbolized a rugged, oversized, no-holds-barred American lifestyle.

Tuesday, automakers made it clear that consumers are hitting the brakes on their love affair with the hardest, roomiest — and thirstiest — vehicles.

### [Auto sales plunge in face of \\$4 gas](#)

NEW YORK (CNNMoney.com) -- U.S. auto sales tumbled in May as buyers fled from pickups and sport utility vehicles in the face of average gas prices that are now just shy of \$4 a gallon.

### [GM sets sales, fuel-efficiency sights on smaller wheels](#)

General Motors is responding to swiftly changing consumer demands for more fuel-efficient vehicles by increasing production at some plants, closing others, and exploring whether to sell its once-beloved Hummer brand.

### [Marketers say 'tanks' for buying with gifts of gas](#)

With the economy in the slow lane, a growing range of businesses are using free fuel to try to drive sales.

### [Institutional investors cited in rising oil prices](#)

NEW YORK — The list of culprits to blame for \$4 gas and \$125 oil keeps getting longer.

Oil-thirsty China and India get most of the blame. The declining U.S. dollar, tight supplies, geopolitics and hurricanes also are on the villains list.

Last week, the Commodity Futures Trading Commission (CFTC) alleged that market "manipulators" may be partly responsible for the spike in crude oil and that an investigation is underway.

The latest scapegoat: institutional investors that are pouring billions into index funds pegged to a broad basket of commodities, including crude oil, exacerbating the price gains.

### [Two tribes differ on approach to energy riches](#)

CROW AGENCY, Montana (Reuters) - For many decades the rival neighboring American Indian Crow and Northern Cheyenne tribes have suffered high unemployment and poverty in a remote area of one of the most remote U.S. states.

Now the Crow are starting to develop the energy riches on their reservation -- including billions of dollars worth of coal, oil and gas -- in an effort to end poverty, while the Northern Cheyenne say widespread extraction of coal or other natural resources could

threaten their reservation.

### [Oil Tax Exposes Democrats' Economic Illiteracy](#)

(Bloomberg) -- With President George W. Bush's popularity fluctuating between that of a mosquito and a root canal, some Democrats inside the Beltway are beginning to express extreme optimism. Democratic victories in November, so the story goes, may be so large that sweeping policy changes will be possible in 2009.

A look at the latest Senate energy bill suggests how fundamentally perilous such an outcome would be for the U.S.

### [World leaders get down to nitty-gritty on food price crisis](#)

ROME (AFP) - World leaders meeting in Rome were to focus Wednesday on the roles of biofuels, trade practices and global warming in the food price crisis that is threatening more hunger, poverty and conflict worldwide.

### [The Oil Story: Dallas vs. Indonesia](#)

The bottom line is that Indonesia is running out of oil - "drying up" as Indonesian President Susilo Bambang Yudhoyono put it. You'd think with \$100+ oil that there would be massive investment going on, but the world's oil companies may have learned a lesson. In country after country (Nigeria, Indonesia, Venezuela), issues of corruption, civil unrest or overreaching nationalism have burned the hands of big oil. How many times does Hugo Chavez have to beat up ExxonMobil before they just give up investing in the third world? So the idea that an economically crumbling, rapidly destabilizing Indonesia will be a fat target for investment seems farfetched. Exxon already couldn't break a deadlock on managing the Natuna natural gas field.

### [It's Not Peak Oil Production; It's Supply and Demand and Government Intervention](#)

"In the developing world, the governments have subsidized oil consumption. This is in India, in China, in Indonesia. I think a third or a half of the world's oil is heavily subsidized by governments, and as the price went up, Daniel, those subsidies became very expensive, and now some are removing those subsidies. I think you're going to see a fairly sharp change in the demand for oil in those countries."

### [Peak Oil and Some Alternative Energy Investments](#)

I believe there are less people who can understand Peak Oil Theory than those who can

understand Einstein's Relativity Theory. Einstein published his theory in 1905. By 1912, it was already well accepted and his name became a household name. In 1956, King Hubert published his Peak Oil Theory, a pure and simple mathematical derivative of any presumed limited natural resource. Today, half a century has passed, and the point of Peak Oil has even just passed, but Hubert Peak is still treated as a crackpot theory by some of the best educated people on this planet.

### [High gasoline prices a boon for N.M. oil patch](#)

HOBBS, N.M. - Tony Pearson can always tell when times are good in the New Mexico oil patch. It's all in the quality of goods passing through his pawn shop.

"When people bring in their good stuff, you know they'll be back quickly to get it," said Pearson, who has run TP Pawn for 20 years. "When the oilfield slows, forget it. It's junk. You might not see those folks again."

These days, Pearson's trade is looking great.

### [China builds plant to turn coal into barrels of oil](#)

ERDOS, China (Reuters) - With oil prices at historic highs, China is moving full steam ahead with a controversial process to turn its vast coal reserves into barrels of oil.

### [US experts, activists slam Bush opposition to climate change bill](#)

WASHINGTON (AFP) - US experts and environmental activists on Tuesday slammed President George W. Bush for threatening to veto a far-reaching climate change bill which is before the Senate for debate.



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